



RALLYE

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2016 Annual Report



The French version of this Registration Document was filed with the French securities regulator (*Autorité des marchés financiers* – AMF) on 12 April 2017, 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**

French *société anonyme* (joint stock company) with share capital of €146,493,339  
Registered with the Paris Trades and Companies Register under number 054 500 574.  
Registered office: 83, rue du Faubourg-Saint-Honoré – 75008 Paris  
Phone: +33 (0)1 44 71 13 73 – Fax: +33 (0)1 44 71 13 70  
Website: <http://www.rallye.fr/en/> – E-mail: [info@rallye.fr](mailto:info@rallye.fr)

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## MANAGEMENT AND GOVERNANCE



**Jean-Charles NAOURI**  
Chairman of the Board of Directors

### BOARD OF DIRECTORS<sup>(1)</sup>

**Jean-Charles NAOURI**  
Chairman of the Board of Directors

**Philippe CHARRIER**  
Independent Director

**Jacques DUMAS**  
Director

**Catherine FULCONIS**  
Independent Director

**Virginie GRIN**  
Representing Finatis

**Didier LÉVÊQUE**  
Representing Foncière Euris

**Odile MURACCIOLE**  
Representing Saris

**Gabriel NAOURI**  
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<sup>(1)</sup>**  
Represented by Henri-Pierre Navas

**KPMG Audit – Department of KPMG SA**  
Represented by Catherine Chassaing

<sup>(1)</sup> Appointments and reappointments submitted for approval to the Shareholders' Meeting of 10 May 2017.

## CHAIRMAN'S MESSAGE

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.

For the Casino Group, 2016 was marked by a confirmed recovery in business and results in France as well as robust sales momentum. Casino achieved a 0.1 percentage-point gain in market share<sup>(1)</sup> in 2016, spurred by Géant and by Casino Supermarkets. Organic sales were up 0.8% and gross merchandise volumes climbed 1.5%<sup>(2)</sup>, driven by the 2.0%<sup>(2)</sup> increase in food retail.

Outside France, the Casino Group's organic sales growth accelerated in 2016. Organic net sales were up 10.8%<sup>(2)</sup> for the Éxito Group (excluding GPA Food), buoyed by all formats. Organic sales in Brazil climbed 11.7%<sup>(2)</sup>, fuelled by the success of the Extra relaunch plan that resulted in an acceleration in market share gains. The Pão de Açúcar banner also delivered satisfying growth in 2016.

During the year, the Casino Group implemented a new streamlined structure and deleveraging strategy to give the Group added financial flexibility. Efforts to simplify the Group's structure began in first-half 2016, with the disposal of operations in Thailand and Vietnam, the restructuring of E-commerce activities and the announcement of the plan to sell Via Varejo, which was classified within discontinued operations in 2015 and 2016. A significant amount of debt was paid down by the Group and in France during the year, particularly as a result of these disposals. At 31 December 2016, consolidated net debt stood at €3.4 billion for the Casino Group and at €3.2 billion for France<sup>(3)</sup> (down almost 47% over the year).

Casino's primary objectives for 2017 will be to improve its net-debt-to-EBITDA ratio, to increase recurring operating income in food retail by around 15%, and to ramp up consolidated recurring operating income by at least 10% at current exchange rates.

Rallye's consolidated net sales amounted to €36.8 billion in 2016 for recurring operating income of €1,033 million.

Net debt for Rallye's consolidated holding company amounted to €2,899 million at 31 December 2016 as against €2,968 million at end-2015. Recurring cash flow equation for Rallye was positive in 2016 at €29 million versus an outflow of €74 million in 2015, notably thanks to the ongoing improvement in financial expenses, the decrease in general expenses and the introduction by Casino of an interim dividend policy<sup>(4)</sup>.

Rallye's cost of net debt decreased again in 2016 to €105 million compared with €112 million one year earlier. All told, it has fallen by close to 45% in three years.

Underlying net income, Group share, increased to €17 million from €3 million in 2015.

Rallye's investment portfolio was valued at €71 million at end-2016, notably as a result of the €25 million in net proceeds generated over the year.

Consolidated net sales for Groupe GO Sport amounted to €749 million in 2016, up 3.5% on a same-store basis and at constant exchange rates. Gross merchandise volumes climbed by a sharp 11% to over €930 million before tax for the year, reflecting the development of all networks (consolidated stores, affiliates and e-commerce).

Rallye benefits from a very robust liquidity position, with €1.8 billion in confirmed credit lines (€1.5 billion of which undrawn) that have an average maturity of four years, and no major payments to meet before October 2018. It intends to continue improving its recurring cash-flow equation in 2017, by optimising financial and general expenses and implementing an adjusted dividend policy that includes a scrip dividend

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

option.

To achieve this, the Board of Directors' meeting of 6 March 2017 approved the proposal of an adjusted dividend of €1.40 per share at the next Shareholders' Meeting on 10 May 2017. The dividend will be paid on 9 June 2017 and shareholders will also be able to opt for payment in stock.

**Jean-Charles Naouri**

<sup>(1)</sup> Cumulative year-to-date, based on Kantar P13 data.

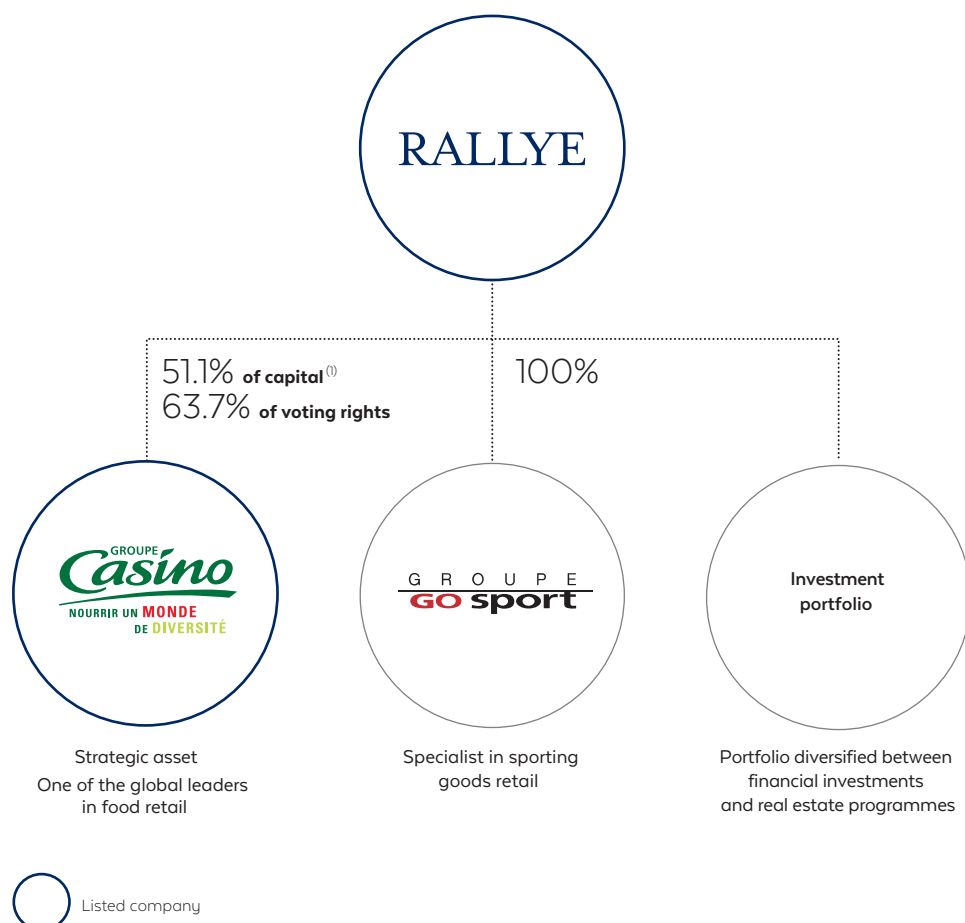
<sup>(2)</sup> Excluding fuel and calendar effect.

<sup>(3)</sup> Casino Group holding company scope, including French operations and wholly-owned subsidiaries.

<sup>(4)</sup> Payment decided by the company's Board of Directors.

## SIMPLIFIED GROUP ORGANISATION CHART

AT 31 DECEMBER 2016

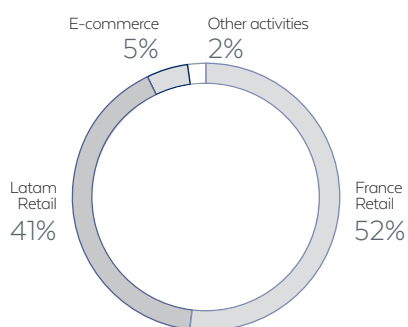


<sup>(1)</sup> Of which 0.8% is held via an equity swap.

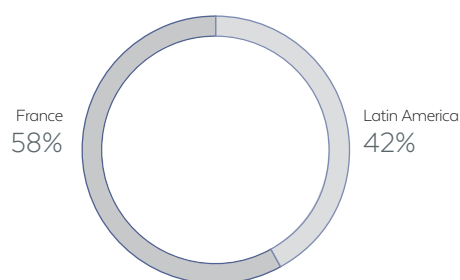
## KEY FIGURES

AT 31 DECEMBER 2016

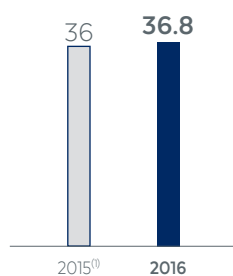
### NET SALES by business



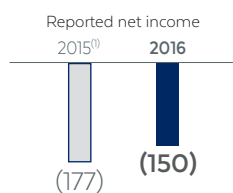
### NET SALES by geographic area



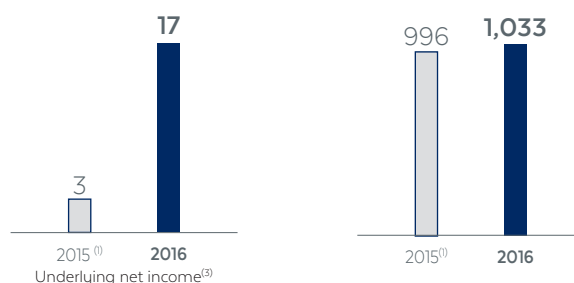
### CONSOLIDATED NET SALES (€ billions)



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



### RECURRING OPERATING INCOME (€ millions)



### KEY INCOME STATEMENT FIGURES

| (€ millions)   | 2015 restated <sup>(1)</sup> | 2016          |
|--|------------------------------|---------------|
| Net sales  | 35,999                       | <b>36,784</b> |
| EBITDA <sup>(2)</sup>  | 1,704                        | <b>1,710</b>  |
| Recurring operating income   | 996                          | <b>1,033</b>  |
| Net income (loss) from continuing operations, Group share                    | (177)                        | <b>(150)</b>  |
| Consolidated net income (loss), Group share                                  | (166)                        | <b>1,203</b>  |
| Underlying net income <sup>(3)</sup> from continuing operations, Group share | 3                            | <b>17</b>     |

(1) 2015 data have been adjusted for the divested operations in Asia. In addition, following the end-2016 decision to sell Via Varejo, and in accordance with IFRS 5, Via Varejo (including Cnova Brazil) has been reclassified under discontinued operations.

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

(3) 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

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# MANAGEMENT REPORT

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## HIGHLIGHTS

### CASINO

- On **14 January 2016**, the Casino Group indicated that it was reviewing a plan to dispose of its Thailand-listed subsidiary Big C.
- On **7 February 2016**, the Casino Group announced that it had signed a contract to sell its stake in Big C Thailand for €3.1 billion to Thailand-based TCC group.
- On **21 March 2016**, the Casino Group confirmed its deleveraging strategy following Standard & Poor's decision to downgrade Casino's credit rating to BB+/stable outlook. On the same day, the Casino Group announced that it had sold its stake in Big C Thailand, hence enabling a reduction in net debt of €3.3 billion, with a capital gain of €2.4 billion.
- On **29 April 2016**, the Casino Group announced that it had sold its stake in Big C Vietnam to the Central group for €1 billion. The Group's debt reduction following this sale represents €4.2 billion.
- On **3 May 2016**, the Casino Group exercised its call option on the €500 million bond convertible into Monoprix shares.
- On **12 May 2016**, on the announcement of the merger between Cnova Brazil and Via Varejo, the Casino Group announced its plan to launch a voluntary tender offer for the ordinary shares of Cnova NV for a price of USD 5.5 per share. On **8 August 2016**, this project was confirmed following the signature of the final agreements governing the merger between Cnova Brazil and Via Varejo.
- On **25 May 2016**, the Casino Group and the Baud family came to a financial agreement to end their legal dispute which had been ongoing since 2007. The agreement also provided that Casino would acquire the family's 50% stake in Geimeix, owner of the international rights to the Leader Price brand.
- On **13 June 2016**, the Casino Group announced the success of its bond tender offer launched on 10 June, with a total of €537.4 million in bonds from various tranches bought back.
- On **22 August 2016**, Régis Schultz joined Monoprix as Chairman and member of the Executive Committee of the Casino Group.



- On **19 September 2016**, the Conforama and Casino groups announced that they had created a joint central purchasing agency for non-food products. Known as “Mano”, this agency will aim to optimise purchases of household appliances for both groups as from 2017.
- On **28 September 2016**, the Casino Group announced the success of its bond tender offer launched eight days earlier, with a total of €333.3 million in bonds bought back.
- On **23 November 2016**, the Board of Directors of Casino reviewed and approved Brazilian subsidiary CBD’s plan to sell Via Varejo.
- On **30 November 2016**, the Casino and Conforama groups stepped up their purchasing partnership by creating “SICA”, a shared international purchasing agency that will start operations in 2017.
- On **6 December 2016**, the Casino Group filed a draft public tender offer for Cnova NV shares. On **23 December 2016**, the two groups announced the launch of this transaction, which was completed on 31 January 2017.

Notes 2 and 3 to the consolidated financial statements explain the accounting impact of the main events of the year.

## RALLYE

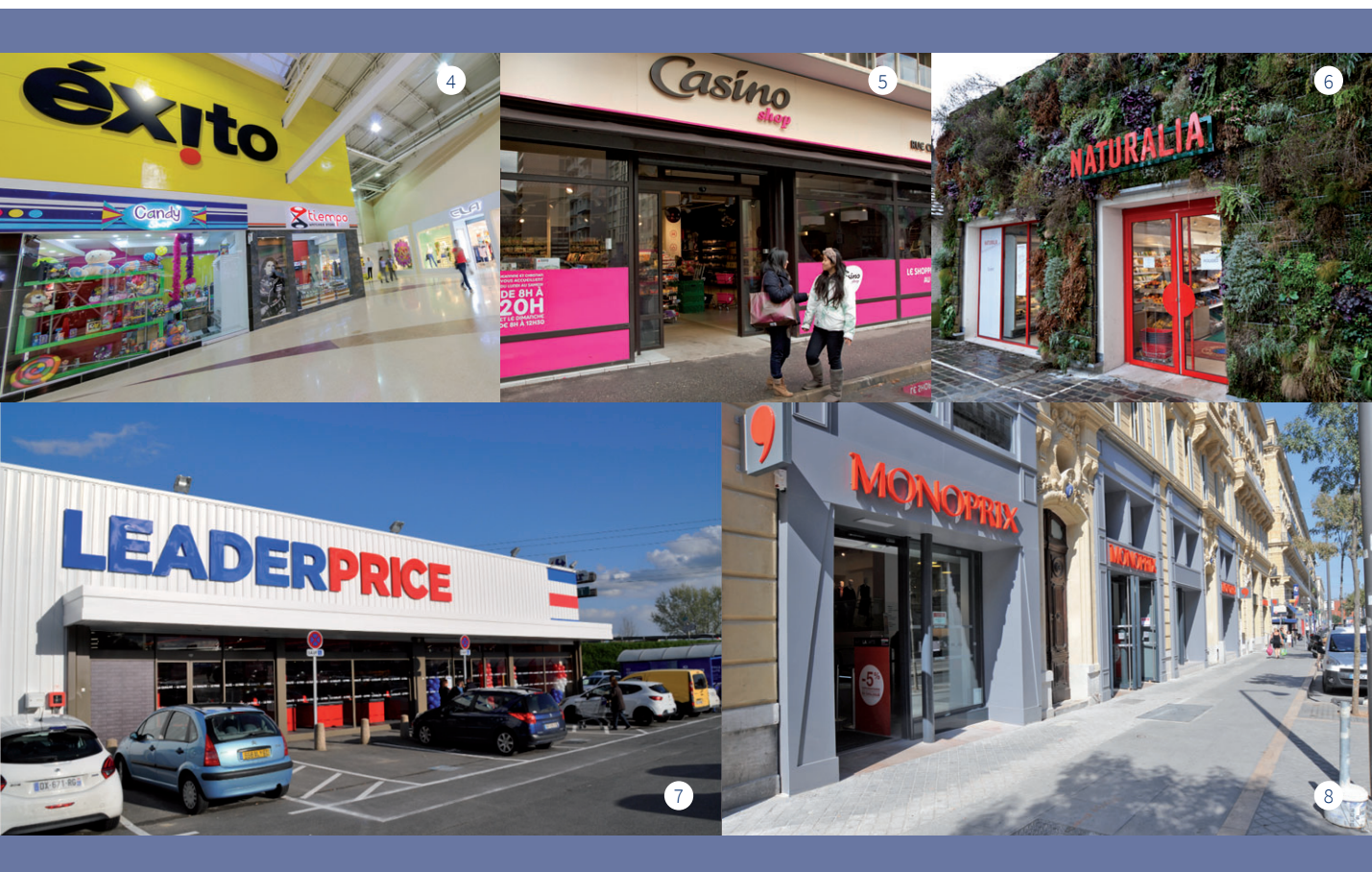
### Successful issue of a non-dilutive €200 million bond exchangeable for existing Casino shares, maturing in February 2022

On 26 October 2016, Rallye issued a €200 million bond exchangeable for existing Casino shares maturing in February 2022. The bond is redeemable solely in cash and has no dilutive impact. The bond pays annual interest at 5.25%.

### Successful issue of a CHF 75 million bond maturing in November 2020

On 23 November 2016, Rallye carried out its first Swiss franc bond issue for CHF 75 million, maturing in four years and paying annual interest at 4%. After hedging the foreign exchange risk, the interest payment on the bond converted into euros is less than 5%.

- | 1 CASINO DRIVE, MESCOURSESCASINO.FR, France
- | 2 PÃO DE AÇÚCAR, Brazil
- | 3 CASINO SUPERMARCHÉ, France
- | 4 ÉXITO, Colombia
- | 5 CASINO SHOP, France
- | 6 NATURALIA, France
- | 7 LEADER PRICE, France
- | 8 MONOPRIX, France





## MANAGEMENT REPORT

# 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 management report are based on a comparison of the 2015 figures for continuing operations, restated in accordance with IFRS 5 to take into account the disposal of operations in Asia and the plan to sell Via Varejo.*

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

The highlights for 2016 are set out below:

- **In France**, the recovery in business and results took hold, with good sales momentum over the year.

Casino achieved and maintained a 0.1-percentage-point gain<sup>(1)</sup> in market share in 2016, spurred by Géant and by Casino Supermarkets. The roll-out of the Mandarine concept continued at Franprix and the Casino Supermarkets are successfully rolling out a more quality-oriented model. Monoprix saw vigorous expansion, opening a total of 60 new stores in 2016. Leader Price stepped up its development through franchises.

Organic sales were up 0.8% in 2016. Gross merchandise volume advanced 1.5%<sup>(2)</sup>, buoyed by food (up 2.0%<sup>(2)</sup>).

Results improved, with recurring operating income up 51% year-on-year to €508 million, including €421 million excluding property development. This growth was driven by good performances at Monoprix and Franprix, improved profitability at Casino Supermarkets, Leader Price's return to profit, and a further reduction in losses at Géant.

- **Internationally**, the Group delivered organic sales growth. Organic revenues were up 10.8%<sup>(2)</sup> for the Éxito Group (excluding GPA Food), buoyed by all formats. Organic sales in Brazil climbed 11.7%<sup>(2)</sup>, fuelled by the success of the Extra relaunch plan that resulted in an acceleration in market share gains. The Pão de Açúcar banner also delivered satisfying growth in 2016.

Cash & carry banner Assaí saw its organic sales grow by 39.2%. It enjoyed strong momentum, with 13 new stores opened during the year. In fourth-quarter 2016, the cash & carry banner represented 36% of GPA Food sales.

- **Streamlined structure** and deleveraging strategy to give the Group added financial flexibility. Efforts to simplify the Group's structure began in first-half 2016, with the disposal of operations in Thailand and Vietnam, the restructuring of e-commerce activities and the announcement of the plan to sell Via Varejo, which was classified within discontinued operations in 2015 and 2016.

A significant amount of debt was paid down by the Group and in France during the year, particularly as a result of these disposals. At 31 December 2016, consolidated net debt stood at €3.4 billion for the Casino Group and at €3.2 billion for France<sup>(3)</sup> (down almost 47% over the year). France generated €273 million in cash flow after 2015 dividends and interest payments. This figure incorporates the positive impact of unwinding swaps (bond buybacks and re-setting of debt).

## France Retail

| (€ millions)               | 2015   | 2016          |
|----------------------------|--------|---------------|
| Net sales                  | 18,890 | <b>18,939</b> |
| EBITDA                     | 726    | <b>872</b>    |
| EBITDA margin              | 3.8%   | <b>4.6%</b>   |
| Recurring operating income | 337    | <b>508</b>    |
| Recurring operating margin | 1.8%   | <b>2.7%</b>   |

**Food retail sales in France** amounted to €18,939 million in 2016 versus €18,890 million in 2015, representing organic growth of 0.8% excluding fuel and calendar effects.

The full-year highlights by format are as follows:

- The performance of **Géant Casino**<sup>(4)</sup> confirmed the recovery begun in 2015, after a significant adjustment in pricing. Géant Casino captured an additional 0.1-percentage-point<sup>(1)</sup> market share over the year, without network expansion. Net sales on a same-store basis were up 1.6% excluding fuel and calendar effects. Food sales, boosted by the roll-out of the fresh produce area, grew by an excellent 2.7% excluding the calendar effect. The banner also reduced its total retail space by 1.6% as part of efforts to rationalise non-food areas.

(1) Cumulative year-to-date, based on Kantar P13 data.

(2) Excluding fuel and calendar effect.

(3) Casino Group holding company scope, including the French activities of wholly-owned subsidiaries.

(4) Excluding business primarily related to Codim (four hypermarkets) in Corsica.

| GO SPORT LES HALLES, France



| COURIR LES HALLES, France



| LIBERTAD, Argentina



| FRANPRIX, France





## MANAGEMENT REPORT

### Business review

- At **Leader Price**, same-store sales excluding fuel and calendar effects moved up 0.9% in 2016, reflecting an improvement in operating processes and customer service. Leader Price retained its 2.6%<sup>(1)</sup> market share in 2016.

The overhaul of the store network continued throughout the second half of the year. Over the past 12 months, a total of 143 stores were transferred to franchise. In all, 48% of the network operated as franchises at end-December and the new concept had been rolled out at 22 stores.

- **Monoprix** delivered 1.6% organic growth excluding fuel and calendar effects in 2016. Its performance in the apparel and home segments rallied in the fourth quarter, boosted by successful partnerships with designers and sales initiatives. The banner enjoyed brisk expansion, with 60 new stores opened during the period, including international affiliates. A total of 20 new Naturalia organic stores were opened in 2016.
- **Casino Supermarkets** turned in an excellent performance in 2016, delivering 3.8% organic growth excluding fuel and calendar effects. The banner enjoyed renewed sales momentum while developing a more qualitative offering. It expanded its fresh assortment, with new in-store service areas. The supermarkets continued to be refurbished, resulting in much shorter check-out times. Over the year, customer traffic and the average basket increased, and the banner captured an additional 0.1 percentage point<sup>(1)</sup> of market share.
- **Franprix** continued to roll out the Mandarine concept in 2016, generating a 0.7% rise in traffic over the year thanks to a more qualitative assortment. The banner is also rolling out new self-service offers and innovative services. The check-out process has been streamlined. At 31 December 2016, 60% of all consolidated stores and franchises had rolled out the new concept and outperformed the rest of the stores. Same-store net sales were slightly lower at 0.5% and store refurbishments accelerated. Franprix has 1.7 million active loyalty card members.
- **Convenience** continued to modernise its banners through its network of 6,065 stores. New services such as perfumeries and rotisserie grills were available in stores in 2016. The remainder of the offer is a mix of essentials and products suited to the local population. Fast-paced changes in the network led to 77% of stores operating as franchises or partnerships at 31 December 2016.

**France Retail recurring operating income** was up on 2015 at €508 million, or €421 million excluding property development, powered by a good trading performance from Monoprix, Franprix and Casino Supermarkets. Leader Price was profitable in 2016, while Géant scaled back its losses. Property development activities made a lower contribution to EBITDA versus 2015, at €87 million compared to €167 million one year earlier.

Recurring operating margin for the food retail business in France was 2.7% in 2016.

### Latam Retail

| (€ millions)               | 2015   | 2016 at CER <sup>(1)</sup> | 2016          |
|----------------------------|--------|----------------------------|---------------|
| Net sales                  | 14,714 | 16,379                     | <b>15,247</b> |
| EBITDA                     | 980    | 880                        | <b>816</b>    |
| EBITDA margin              | 6.7%   | 5.4%                       | <b>5.3%</b>   |
| Recurring operating income | 698    | 583                        | <b>538</b>    |
| Recurring operating margin | 4.7%   | 3.6%                       | <b>3.5%</b>   |

(1) CER: constant exchange rates.

**Latam Retail net sales** were €15,247 million in 2016, up 11.4% in organic terms excluding fuel and calendar effects.

In **Brazil**, **GPA food sales** showed strong organic growth of 11.7% in 2016 excluding fuel and calendar effects, delivering sequential improvement since the beginning of the year. Casino continues to adapt the format mix to changes in customer needs.

Extra showed a strong sales recovery in the second half, spurred by sales revitalisation plans. The banner delivered stable organic sales in 2016 excluding fuel and calendar effects.

Assaí posted further strong organic growth of 39.2% excluding fuel and calendar effects, along with higher customer traffic. Fast-paced expansion led to the opening of 13 new stores in 2016, bringing the total number of stores to 107 at 31 December 2016. In fourth-quarter 2016, the banner accounted for 36% of the Brazilian group's net sales.

The **Éxito Group** delivered excellent sales and financial performances in 2016.

Organic sales were up 10.8% excluding fuel and calendar effects. In Colombia, the cash & carry business notched up its first success. In the second half of the year, the property development business saw the creation of the Viva Malls real estate trust operated in partnership with a financial investor. The banners continued to deliver a satisfactory performance in Argentina and Uruguay, posting strong organic growth. The Group continues to unlock synergies between the three countries, particularly in terms of the apparel offer and real estate.

**Latam Retail recurring operating income** was lower in 2016 on the back of extensive promotional initiatives aimed at revitalising sales in banners hit by the economic environment, and margins narrowed compared to 2015.

### E-commerce (Cdiscount)

| (€ millions)                               | 2015  | 2016         |
|--|-------|--------------|
| Gross merchandise volume reported by Cnova | 2,709 | <b>2,994</b> |
| EBITDA                                     | (17)  | <b>10</b>    |
| of which Cdiscount group                   | (7)   | <b>13</b>    |
| of which holding companies                 | (11)  | <b>(3)</b>   |

**E-commerce gross merchandise volume (GMV)** was up 13.6% on a same-store basis in 2016, at €2,994 million, reflecting:

- an 11% rise in traffic for the mobile channel, which now accounts for 53.0% of all visits;
- a higher contribution from the marketplace, which accounted for 31.4% of GMV in fourth-quarter 2016, up from 28% in fourth-quarter 2015;
- a 22.1% rise in the number of items sold and an increase of 13% in active customers. "Cdiscount à volonté" premium membership more than doubled at end-2016 compared to end-2015.

The e-commerce segment posted a positive contribution of €10 million in EBITDA for the year.

(1) Cumulative year-to-date, based on Kantar P13 data.

## Casino key figures

The 2016 key figures for Casino Group are as follows:

| (€ millions)  | 2015   | 2016          | Change (%) | Organic change <sup>(1)</sup> |
|---|--------|---------------|------------|-------------------------------|
| Consolidated net sales                                    | 35,312 | <b>36,030</b> | +2.0%      | +5.7 <sup>(2)</sup>           |
| EBITDA <sup>(3)</sup>                                     | 1,689  | <b>1,697</b>  | +0.5%      | +2.3%                         |
| Recurring operating income                                | 997    | <b>1,034</b>  | +3.8%      | +3.8%                         |
| Income before tax   | 67     | <b>50</b>     | -26.0%     |                               |
| Income tax expense  | (13)   | <b>(34)</b>   | n.m.       |                               |
| Share of net income of equity-accounted investees         | 57     | <b>20</b>     | -64.3%     |                               |
| Net income (loss) from continuing operations, Group share | (65)   | <b>33</b>     | n.m.       |                               |
| Net income from discontinued operations, Group share      | 21     | <b>2,645</b>  | n.m.       |                               |
| Consolidated net income (loss), Group share               | (43)   | <b>2,679</b>  | n.m.       |                               |
| Underlying net income, Group share <sup>(4)</sup>         | 357    | <b>341</b>    | -4.6%      |                               |

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

(2) Excluding fuel and calendar effects.

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

(4) 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 tax expense/benefit.

Consolidated net sales for 2016 amounted to €36,030 million compared to €35,312 million in 2015, a rise of 2.0%.

Changes in the scope of consolidation had a negative impact of 0.2% on net sales. The currency effect was a negative 3.2%.

A more detailed review of changes in net sales can be found above in the review of each of the Group's three business segments.

Recurring operating income in 2016 was €1,034 million, up 3.8% on 2015.

Changes in scope of consolidation had a positive 4.6% impact, while the currency effect was negative at 4.6%. As a result, the impact on consolidated recurring operating income was neutral.

A more detailed review of changes in recurring operating income can be found above in the review of each of the Group's three business segments.

**Net income from continuing operations, Group share**, was €33 million.

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

**Underlying net income, Group share** came out at €341 million.

## Financial position

The **Casino Group's net debt** at 31 December 2016 stood at €3,367 million versus €6,073 million at 31 December 2015.

**Net debt of Casino in France** was €3,200 million at 31 December 2016, down 47% owing to the disposal of operations in Thailand and Vietnam, and more generally to the Group's deleveraging strategy.

| Statement of cash flows for Casino in France (€ millions)                                      | 2016         |
|--|--------------|
| Cash flow from operating activities after tax of wholly-owned French activities <sup>(1)</sup> | <b>885</b>   |
| Capex  | <b>(293)</b> |
| Dividends received from international subsidiaries and equity-accounted investees              | <b>77</b>    |
| Dividends paid, and coupons on preferred securities  | <b>(567)</b> |
| <b>FREE CASH FLOW AFTER FINANCIAL EXPENSES AND DIVIDENDS</b>                                   | <b>102</b>   |

(1) Before dividends received from equity-accounted investees and international subsidiaries, which are shown separately in this table.

## MANAGEMENT REPORT

### Business review

Cash flow from operating activities in France after tax amounted to €885 million and dividends received totalled €77 million. This item covers capex (€293 million), dividends paid to shareholders and to holders of Casino's subordinated bonds (€396 million), and the interim dividend paid in respect of 2016 (€171 million).

As at 31 December 2016, Casino in France<sup>(1)</sup> had €7.4 billion cash and cash equivalents. This represents a significant gross cash position of €3.6 billion, and €3.8 billion in confirmed undrawn **credit facilities**. Outstanding commercial paper at that date amounted to €290 million.

Casino has been rated BB+ (stable outlook) by Standard & Poor's since 21 March 2016 and BBB- (negative outlook) by Fitch Ratings since 14 December 2016.

Group **attributable equity** stood at €8,450 million at end-2016, compared to €5,883 million at end-2015.

At 31 December 2016, the price of Casino shares was €45.59, and market capitalisation was €5.1 billion. At that same date, Rallye held 51.1%<sup>(2)</sup> of Casino shares and 63.7% of its voting rights.

## OTHER ASSETS

### Groupe GO Sport

Consolidated net sales for Groupe GO Sport amounted to €749 million in 2016, up 3.5% on a same-store basis and at constant exchange rates. Gross merchandise volume (GMV) jumped 11% to over €930 million excluding taxes in 2016, in line with the growth in all networks (consolidated stores, affiliates, e-commerce).

GO Sport France sales were stable on a same-store basis in 2016, while gross merchandise volume excluding taxes rose 3.9% to over €430 million. The banner has 140 consolidated and affiliated stores in France (124 at end-2015), thanks to fast-paced growth in affiliation in the country, with 34 affiliated stores, twice the number as at end-2015. The GO Sport Montagne brand was launched successfully, thanks to the transformation of 72 stores previously operating under the Twinner banner. The e-commerce site experienced robust growth during the year with several initiatives strengthening the multi-channel strategy, such as the installation of online shopping terminals in GO Sport stores and the successful launch of the online reservation service. The 2,600 sq.m<sup>(2)</sup> Paris Les Halles store successfully reopened its doors in April 2016. The banner's loyalty programme grew significantly, with almost 4.7 million holders of the Feelgood card at 31 December 2016, an increase of nearly 800,000 new members during the year. GO Sport also continues to optimise costs, including rental and supply chain expenses.

The Courir banner reported its seventh year of consecutive net sales growth. GMV excluding taxes was up 24% to over €270 million buoyed by the growth in the network, which now boasts 218 consolidated and affiliated stores in France (197 at end-2015). Growth in market share continued across all channels, with the successful integration of 12 former Bata stores into the network (following a first acquisition of 18 Bata stores in 2015), further development in affiliation in France (33 stores versus 23 stores at end-2015), and a stronger multi-channel offer thanks to the launch of click-and-collect. The e-commerce site is the network's leading store in terms of sales. Courir strengthened its presence on social media (Facebook and Instagram), as a vector for a regular, personalised relationship with core target customers. The banner's loyalty programme continued to grow, with 1.6 million cardholders at the end of 2016 and over 270,000 new members in the year. Courir is highly profitable.

Outside France, sales in Poland moved up 4.2% on a same-store basis and at constant exchange rates, driven by growth in customers and volumes. With two new outlets opened in the year, the banner now has 32 points of sale. The banner's loyalty programme has over 800,000 members, which account for a growing percentage of net sales. Robust development in the international network (17 stores opened during the year) for both GO Sport and Courir, cements their status as international brands.

Groupe GO Sport reported sequential growth in EBITDA and recurring operating income for the third consecutive year.

Groupe GO Sport had 558 stores across all networks at end-2016 (319 GO Sport/Twiner stores and 239 Courir stores), including 87 outside France (69 GO Sport stores and 18 Courir stores).

### Investment portfolio

Rallye's investment portfolio was valued at €71 million at 31 December 2016 (versus €102 million at 31 December 2015). The decrease primarily reflects asset disposals and net cash-in<sup>(2)</sup> of €25 million in 2016.

At the end of 2016, the portfolio<sup>(3)</sup> comprised financial investments with a market value<sup>(4)</sup> of €58 million (versus €84 million at end-2015) and property programmes recognised at historical cost for €13 million (versus €18 million at end-2015).

In 2016, the financial investment portfolio contributed €10 million to Rallye's recurring operating income, compared with €15 million in 2015.

<sup>(1)</sup> Casino Group holding company scope, including the French activities of wholly-owned subsidiaries.

<sup>(2)</sup> Of which 0.8% is held via an equity swap.

<sup>(3)</sup> Net proceeds from capital calls.

<sup>(4)</sup> 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 changes in the scope of consolidation

- Disposal of operations in Asia.
- Reclassification of Via Varejo and Cnova Brazil as discontinued operations.

#### Currency effect

The currency effect was significant in 2016, with the Colombian peso and Brazilian real declining against the euro by an average 9.7% and 4.0%, respectively. However, the closing exchange rates indicated that these currencies were beginning to improve against the euro.

#### Results

Rallye reported consolidated net sales of €36.8 billion in 2016 versus €36.0 billion in 2015. A more detailed review of changes in net sales can be found in the business review for each operating subsidiary.

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

| (€ millions)         | 2015          |              | 2016          |              |
|----------------------|---------------|--------------|---------------|--------------|
|                      | Net sales     | %            | Net sales     | %            |
| France Retail        | 18,890        | 52.5         | <b>18,939</b> | <b>51.5</b>  |
| Latam Retail         | 14,714        | 40.9         | <b>15,247</b> | <b>41.4</b>  |
| E-commerce           | 1,708         | 4.7          | <b>1,843</b>  | <b>5.0</b>   |
| Other <sup>(1)</sup> | 687           | 1.9          | <b>755</b>    | <b>2.1</b>   |
| <b>TOTAL</b>         | <b>35,999</b> | <b>100.0</b> | <b>36,784</b> | <b>100.0</b> |

(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)  | 2015          |              | 2016          |              |
|---------------|---------------|--------------|---------------|--------------|
|               | Net sales     | %            | Net sales     | %            |
| France        | 21,210        | 58.9         | <b>21,467</b> | <b>58.3</b>  |
| Latin America | 14,726        | 40.9         | <b>15,252</b> | <b>41.5</b>  |
| Other         | 63            | 0.2          | <b>66</b>     | <b>0.2</b>   |
| <b>TOTAL</b>  | <b>35,999</b> | <b>100.0</b> | <b>36,784</b> | <b>100.0</b> |

Recurring operating income totalled €1,033 million in 2016, versus €996 million in 2015. 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 €634 million in 2016 versus a net expense of €349 million in 2015.

The cost of net debt totalled €435 million versus €358 million in 2015. Other financial income and expenses amounted to a net expense of €49 million compared to a net expense of €329 million in 2015.

The Group reported a loss before tax of €85 million for the year compared with a €40 million loss in 2015.

The share of net income of equity-accounted investees was €19 million compared with €65 million in 2015.

Consolidated net income, Group share came in at €1,203 million in 2016 versus a consolidated net loss of €166 million in 2015.

Underlying net income, Group share<sup>(1)</sup> increased to €17 million in 2016 from €3 million in 2015.

(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 18).

## MANAGEMENT REPORT

### Financial review

## Financial structure

### Consolidated Group

#### ■ EQUITY

Equity attributable to owners of the parent was €1,803 million at 31 December 2016 compared with €430 million at 31 December 2015. This increase chiefly reflects:

- recognition of currency translation gains for €315 million;
- dividends paid by Rallye for €89 million;
- changes in the scope of consolidation and non-controlling interests, for a positive €5 million;
- changes in ownership interests without gain or loss of control of subsidiaries, representing a negative €90 million;
- net income, Group share, amounting to €1,203 million for 2016;
- transactions in treasury shares, representing a positive €19 million.

#### ■ LEVERAGE

At 31 December 2016, the ratio of consolidated EBITDA (recurring operating income adjusted for recurring operating depreciation and amortisation expense) to the cost of net debt was 3.93.

Rallye's net debt was €6,428 million at 31 December 2016 compared with €9,180 million at 31 December 2015, broken down between the following entities:

- Casino: net debt of €3,367 million (versus €6,073 million at end-2015);
- Rallye holding company scope: net debt of €2,899 million (€2,968 million at end-2015);
- debt relating to other Rallye assets: €162 million (€139 million at end-2015).

The gearing ratio (consolidated net debt to equity) was 51% at end-2016 compared with 87% at end-2015, and can be analysed as follows:

| (€ millions)  | 31 December 2015 | 31 December 2016 |
|---------------|------------------|------------------|
| Net debt      | 9,180            | <b>6,428</b>     |
| Total equity  | 10,575           | <b>12,631</b>    |
| Gearing ratio | 87%              | <b>51%</b>       |

### 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

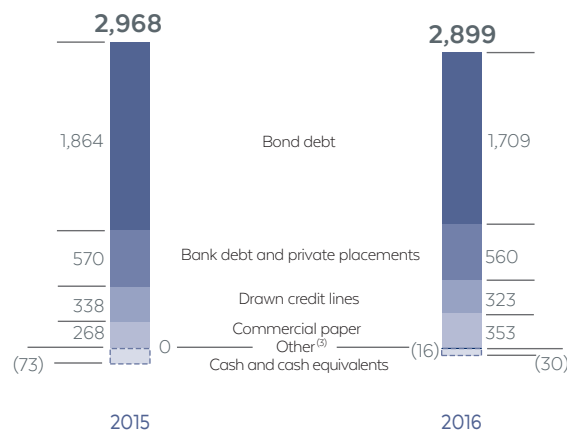
Rallye's net debt totalled €2,899 million at 31 December 2016 versus €2,968 million at 31 December 2015. Changes in Rallye's net debt are detailed below:

| (€ millions)                                      | 2015         | 2016         |
|---|--------------|--------------|
| <b>NET DEBT AT 1 JANUARY</b>                      | <b>2,798</b> | <b>2,968</b> |
| <b>Net financial expense (A)</b>                  | <b>134</b>   | <b>130</b>   |
| Of which cost of net debt                         | 112          | 105          |
| Of which commissions on bank lines and extensions | 21           | 19           |
| <b>General expenses (B)</b>                       | <b>21</b>    | <b>17</b>    |
| <b>Dividends paid by Rallye (C)</b>               | <b>89</b>    | <b>89</b>    |
| <b>Dividends received from Casino (D)</b>         | <b>(171)</b> | <b>(265)</b> |
| <b>Recurring cash flow (A+B+C+D)</b>              | <b>74</b>    | <b>(29)</b>  |
| Net proceeds from investment portfolio            | (46)         | (25)         |
| Acquisition of Casino shares                      | 126          |              |
| Other   | 16           | (16)         |
| <b>NET DEBT AT 31 DECEMBER</b>                    | <b>2,968</b> | <b>2,899</b> |

- Rallye reported positive recurring cash flow<sup>(1)</sup> in 2016, at €29 million (recurring cash outflow of €74 million in 2015), chiefly reflecting:

- continued optimisation of finance costs compared to 2015;
- a decrease in general expenses as a result of streamlining operating costs;
- introduction by Casino of an interim dividend policy<sup>(2)</sup>.

Borrowings and debt for the Rallye holding company scope at 31 December 2016 break down as follows:



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

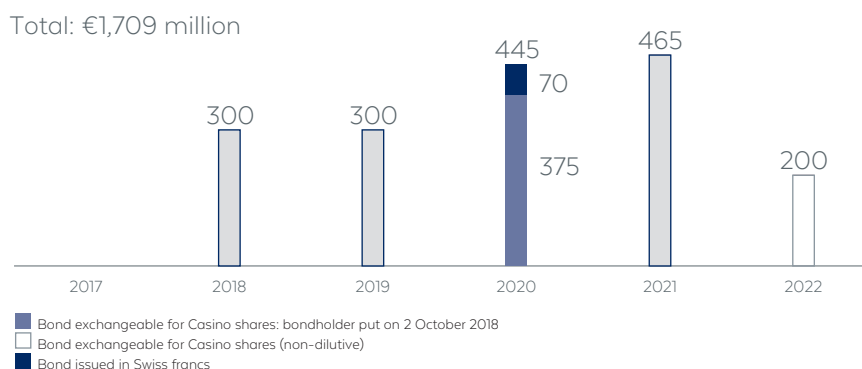
(1) Dividends received from Casino, net of dividends paid by Rallye, net financial expenses and general expenses.

(2) Payment decided by the company's Board of Directors.

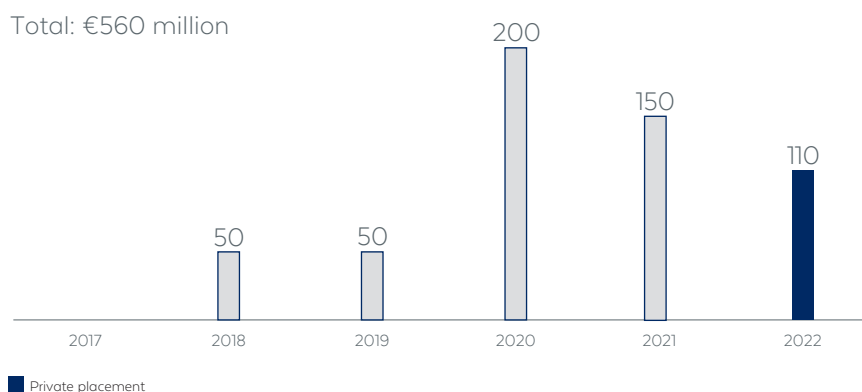
## ■ DEBT MATURITY SCHEDULE

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

### BOND MATURITY SCHEDULE (€ MILLIONS)



### BANK LOAN AND PRIVATE PLACEMENT MATURITY SCHEDULE (€ MILLIONS)

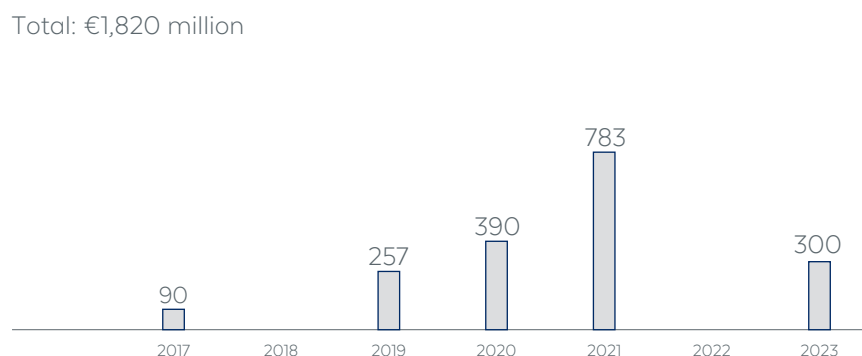


At end-2016, the average maturity of Rallye's bond debt stood at 3.4 years, while the average maturity of other debt was 3.6 years.

Rallye has a robust liquidity position, with €1.8 billion of confirmed credit lines underwritten by some 20 different banks. At 31 December 2016, €1.5 billion of these lines were undrawn.

The maturity of these lines is as follows:

### MATURITY OF CONFIRMED CREDIT LINES (€ MILLIONS)



## MANAGEMENT REPORT

### Financial review

The average maturity of confirmed credit lines was four years. Rallye extended the maturity of over €850 million in credit lines in 2016.

#### ■ 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 2016, 15.1 million out of a total 56.7 million Casino shares held were pledged. The pledged shares were used as security for bank loans totalling €250 million of financing, and for drawn credit lines representing €260 million of financing.

#### ■ COVERAGE OF BORROWINGS AND DEBT BY NET ASSET VALUE

At 31 December 2016, the net asset value of companies within the Rallye holding company scope was €2,781 million:

|   | Number of securities            | Share price (€) | Net asset value (€ millions) <sup>(1)</sup> |
|---|---------------------------------|-----------------|---|
| <b>Casino</b>                           | <b>56,714,263<sup>(2)</sup></b> | <b>€45.59</b>   | <b>2,586</b>                                |
| <b>Other assets</b>                     |                                 |                 | <b>196</b>                                  |
| Of which investment portfolio           |                                 |                 | 71  |
| Of which Groupe GO Sport <sup>(3)</sup> |                                 |                 | 102   |
| Of which miscellaneous                  |                                 |                 | 23  |
| <b>Net asset value</b>                  |                                 |                 | <b>2,781</b>                                |
| <b>Net debt</b>                         |                                 |                 | <b>2,899</b>                                |

(1) Listed assets valued at the closing price at 31 December 2016, and unlisted assets at fair value at 31 December 2016.

(2) Of which 15.1 million Casino shares pledged at 31 December 2016.

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

Rallye's financial structure is best understood by analysing the coverage of its borrowings and debt by the market value of its assets. At 31 December 2016, the net asset value of companies within the Rallye holding company scope covered net debt by 0.96 times (0.89 times at 31 December 2015).

## Reconciliation of reported net income to underlying net income

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

Non-recurring financial items relate to certain financial instruments recorded in the income statement whose fair value may be volatile. For example, fair value adjustments of financial instruments that do not qualify for hedge accounting and derivatives indexed to the Casino share price, or the share price of listed subsidiaries, are excluded from underlying net income.

Non-recurring income tax expense/benefit corresponds to tax effects directly related to the above adjustments and to direct non-recurring tax effects. In other words, the tax on underlying net income before tax is calculated at the standard average tax rate paid by the Group.

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

| (€ millions)  | 2015         | Restated   | 2015 underlying | 2016         | Restated   | 2016 underlying |
|---|--------------|------------|-----------------|--------------|------------|-----------------|
| <b>Recurring operating income</b>                         | <b>996</b>   | <b>-</b>   | <b>996</b>      | <b>1,033</b> | <b>-</b>   | <b>1,033</b>    |
| Other operating income and expenses                       | (349)        | 349        | -               | (634)        | 634        | -               |
| <b>Operating income</b>                                   | <b>647</b>   | <b>349</b> | <b>996</b>      | <b>399</b>   | <b>634</b> | <b>1,033</b>    |
| Cost of net debt  | (358)        | -          | (358)           | (435)        | -          | (435)           |
| Other financial income and expenses <sup>(1)</sup>        | (329)        | 308        | (21)            | (49)         | (50)       | (100)           |
| Income tax expense <sup>(2)</sup>                         | (21)         | (206)      | (227)           | (40)         | (155)      | (195)           |
| Share of net income of equity-accounted investees         | 65           | -          | 65              | 19           | -          | 19              |
| <b>Net income (loss) from continuing operations</b>       | <b>3</b>     | <b>451</b> | <b>454</b>      | <b>(107)</b> | <b>429</b> | <b>322</b>      |
| Attributable to non-controlling interests                 | 180          | 272        | 452             | 43           | 262        | 305             |
| <b>Group share (attributable to owners of the parent)</b> | <b>(177)</b> | <b>180</b> | <b>3</b>        | <b>(150)</b> | <b>166</b> | <b>17</b>       |

(1) Other financial income and expenses are restated for the effects of discounting tax liabilities in Brazil, changes in the fair value of Total Return Swaps on the shares of GPA and Big C, and of forwards and call options on GPA shares.

(2) Income tax expense is restated for tax effects corresponding to the above restated financial items and non-recurring income tax expense/benefit.

## RALLYE PARENT COMPANY FINANCIAL STATEMENTS

### Results

Rallye reported an operating loss of €24.7 million in 2016, compared with an operating loss of €26.1 million one year earlier.

Rallye had a headcount of 23 at 31 December 2016.

Rallye also recorded €129.3 million in net financial income for the year, compared with net financial income of €88.5 million in 2015.

This can be analysed as follows:

### Income

Dividends from Casino and Matignon Sablons for €165.6 million and €2.9 million, respectively.

Reversals of provisions and impairment, primarily relating to:

- Rallye shares held under the liquidity agreement at the end of the prior year for €0.8 million;
- interest rate hedging instruments for €13.3 million.

### Expenses

Allocations to financial provisions, mainly for:

- impairment of investments in subsidiaries and associates for €15 million;
- amortisation of redemption premiums on bonds for €3.4 million and of redemption premiums on the 2020 exchangeable bonds for €5 million.

Non-recurring expense amounted to €3.7 million.

Net income for the year amounted to €105.6 million versus net income of €55 million in 2015.

### Financial structure

At end-December 2016, shareholders' equity totalled €1,731.8 million versus €1,715.7 million at 31 December 2015. The increase in this item is mainly attributable to the €89.3 million dividend payout, which was more than offset by €105.6 million in net income for 2016.

## SUPPLIER PAYMENT TERMS

The terms and conditions applied by the Group to pay suppliers 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 are paid within thirty days of receipt of the invoice.

The sums owed to suppliers 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 2016 shows net income of €105,577,812.95, and the Board of Directors proposes that it be allocated as follows:

| (€)                             |                       |
|---------------------------------|-----------------------|
| Net income for the year         | 105,577,812.95        |
| Allocation to the legal reserve | (15,776.10)           |
| Prior year retained earnings    | 0                     |
| <b>Distributable net income</b> | <b>105,562,036.85</b> |
| Dividend distribution           | (68,363,558.20)       |
| <b>RETAINED EARNINGS</b>        | <b>37,198,478.65</b>  |

In order to maintain positive recurring cash flow, the Board of Directors' meeting of 6 March 2017 approved the proposal of an adjusted dividend of €1.40 per share at the next Shareholders' Meeting on 10 May 2017. The dividend will be paid on 9 June 2017 and shareholders will also be able to opt for payment in stock.

For individuals who are tax resident in France, the dividend is eligible for the 40% rebate provided for in Article 158-3-2 of the French General Tax Code (*Code général des impôts*).

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 205 of this report.

## MANAGEMENT REPORT

### Financial review

## DIVIDEND POLICY

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

|                        | 31 Dec. 2012 | 31 Dec. 2013 | 31 Dec. 2014 | 31 Dec. 2015 | 31 Dec. 2016 <sup>(1)</sup> |
|------------------------|--------------|--------------|--------------|--------------|-----------------------------|
| Net dividend (€/share) | 1.83         | 1.83         | 1.83         | 1.83         | <b>1.40</b>                 |
| Number of shares       | 48,691,578   | 48,740,974   | 48,761,450   | 48,778,526   | <b>48,831,113</b>           |
| Maximum payout (€)     | 87,904,209   | 89,195,982   | 89,233,454   | 89,264,703   | <b>68,363,558.20</b>        |

<sup>(1)</sup> In accordance with the resolutions proposed to the Shareholders' Meeting on 10 May 2017.

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

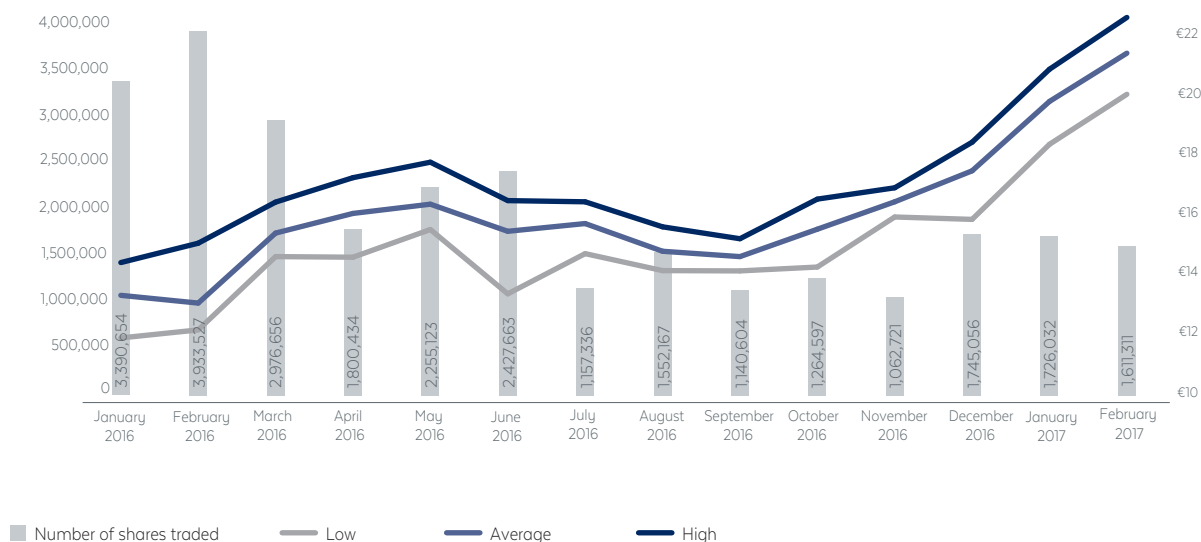
The Rallye share is listed for trading on Euronext Paris (compartment B).

ISIN code: FR0000060618.

|                                    |              |
|------------------------------------|--------------|
| High (27 December 2016)            | €18.50       |
| Low (21 January 2016)              | €11.93       |
| Share price at 31 December 2016    | €18.42       |
| Trading volume in 2016 (in shares) | 24,706,538   |
| Trading volume in 2016 (in value)  | €372 million |

At 31 December 2016, Rallye had a stock market capitalisation of €899 million.

## Rallye share – monthly share price trends in 2016 and early 2017



## RECENT TRENDS AND OUTLOOK

(UNAUDITED DATA)

### SUBSEQUENT EVENTS

- On **31 January 2017**, the Casino Group and Cnova NV announced the final results of Casino's tender offers for Cnova NV shares. Including the holdings of its subsidiaries, the Casino Group now holds 98.88% of Cnova's share capital and 99.41% of its voting rights.
- On **8 February 2017**, Cnova NV announced that it would be withdrawing its shares from the NASDAQ. This decision was effective on **3 March 2017**.
- On **28 February 2017**, the Casino Group acknowledged the decision of the Directorate-General for Competition, Consumer Affairs and Prevention of Fraud (DGCCRF) to summon EMCD for unlawful trading practices. EMCD intends to challenge the grounds for this decision before the competent courts.

### OUTLOOK

#### Casino

In 2017, Casino will remain focused on its priorities of adapting formats in real time to new consumer trends and developing the most buoyant formats.

- Continued reduction in non-food retail space in hypermarkets.
- Stepping up the pace of growth of the cash & carry format, which is particularly well suited to emerging countries due to its highly efficient economic model based on net sales per square metre and very low selling prices, in line with the needs of consumers.
- Confirmation of the Group's leadership in the differentiating and highly-profitable premium store format, thanks to a broader product offering and continued network expansion, as well as the development of services and the multi-channel model.
- Adapting the convenience format to market trends in France by continuing to develop through franchises and to pursue international expansion.
- In e-commerce, implementing a profitable expansion strategy capitalising on the high-growth potential "marketplace" and the quality of the customer base. The offering will be continually deepened and expanded.

The Group will also focus on enhancing operational excellence by improving in-store execution across all banners (extended opening hours, development of self-service and the fresh produce offering, ever shorter check-out times and optimal merchandise availability) and ensuring rigorous management of costs, capex and inventories.

Casino's key objectives for 2017 are as follows:

- improving the net debt/EBITDA ratio;
- in France, the Casino Group is aiming to achieve growth of around 15% in recurring operating income for food retail and expects a contribution of around €60 million from its property development business;
- the Casino Group also expects growth of at least 10% in its consolidated recurring operating income based on current exchange rates.

#### Rallye

Rallye benefits from a very robust liquidity position, with €1.8 billion in confirmed credit lines (€1.5 billion of which undrawn) that have an average maturity of four years, and no major payments to meet before October 2018. It intends to continue improving its recurring free cash flow in 2017, by optimising financial and general expenses and implementing an adjusted dividend policy that includes a scrip dividend option.

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

To the best of the Company's knowledge, at 28 February 2017<sup>(1)</sup> no factors have come to light since 31 December 2016 that are likely to have a material impact on the Group's financial or trading position.

<sup>(1)</sup> Closest cut-off date to the Rallye Board of Directors' meeting that approved the 2016 financial statements.

## MANAGEMENT REPORT

# SHARE CAPITAL AND SHARE OWNERSHIP

## SHARE CAPITAL

Rallye's share capital as at 31 December 2016 totalled €146,493,339, divided into 48,831,113 shares with a par value of €3 each. At the same date in 2015, the Group's share capital was €146,335,578, divided into 48,778,526 shares with a par value of €3 each.

The change reflects both the grant of 64,587 new shares within the scope of the free share plan and the cancellation of 12,000 treasury shares.

## SHAREHOLDING STRUCTURE

As at 31 December 2016, Foncière Euris held 55.29% of the share capital and 70.23% of the voting rights.

As at 31 December 2016, Rallye did not hold any shares under the liquidity agreement with the French Financial Markets Association (*Association française des marchés financiers* – AMAFI).

To the Company's knowledge, no other shareholder held more than 5% of the capital or voting rights as at 31 December 2016.

The following instances were declared in which shareholding thresholds were crossed in 2016:

| Shareholder               | Date threshold crossed | % change in interest disclosed | Number of shares concerned | Number of voting rights concerned | % of capital | % of VRs |
|---------------------------|------------------------|--------------------------------|----------------------------|-----------------------------------|--------------|----------|
| Crédit Agricole SA        | 06/05/2016             | 5% increase                    | 2,721,089                  | 2,721,089                         | 5.58%        | 3.55%    |
| Crédit Agricole SA        | 13/05/2016             | 5% decrease                    | 1,175,016                  | 1,175,016                         | 2.41%        | 1.53%    |
| Citigroup Inc.            | 16/06/2016             | 1% increase                    | 823,275                    | 823,275                           | 1.65%        | 1.06%    |
| Crédit Agricole SA        | 27/06/2016             | 5% increase                    | 3,203,075                  | 3,203,075                         | 6.57%        | 4.17%    |
| Crédit Agricole SA        | 23/08/2016             | 5% decrease                    | 0                          | 0                                 | 0%           | 0%       |
| Financière de L'Échiquier | 01/12/2016             | 3% decrease                    | 1,442,169                  | 1,442,169                         | 2.95%        | 1.88%    |
| Citigroup Inc.            | 13/12/2016             | 1% decrease                    | 343,805                    | 343,805                           | 0.70%        | 0.45%    |

## TREASURY SHARES – AUTHORISATION FOR THE COMPANY TO BUY BACK SHARES

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. This agreement complies with the code of conduct issued by the French Financial Markets Association (AMAFI) 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 2016, a total of 1,688,809 shares were bought back and 2,597,666 were sold under the buyback programme at an average price of €15.22 and €15.65, respectively. At 31 December 2016, the liquidity account held no shares and €30.1 million.

From 1 January 2017 to 28 February 2017, a total of 115,583 shares were bought back and 115,583 were sold under the buyback programme at an average price of €19.58 and €19.74, respectively.

On 10 May 2017, the Shareholders' Meeting was asked to renew the authorisation granted to the Board of Directors to buy back the Company shares pursuant to Article L. 225-209 of the French Commercial Code, in order to:

- cover stock option plans granted for new or existing shares to employees and to the employees of related companies pursuant to Articles L. 225-177 *et seq.* of the French Commercial Code, as well as any Company savings plan (PEE) or shareholding plan;
- grant free shares to employees and the employees of related companies pursuant to Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- promote market liquidity for the Company's shares under the terms of a liquidity agreement signed with an investment services provider, in accordance with a code of conduct issued by the AMAFI and approved by the AMF;
- deliver the shares upon exercise of rights attached to securities issued by the Company carrying rights to Company shares through redemption, conversion, exchange or presentation of warrants or any other means of granting existing Company shares;
- keep them for subsequent delivery in payment or exchange in possible merger and acquisition transactions;
- cancel them up to a maximum number not to exceed 10% of the share capital over a period of 24 months, as part of a capital reduction plan.



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 grant, 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.

These shares may be acquired, sold, transferred or exchanged by any means and at any time, on the market or off-market, at privately negotiated prices, including through block trade transactions or the use of derivatives such as call options. The maximum share of capital that may be transferred in the form of blocks of shares may be as high as the entire amount of the buyback programme.

The shares may also be placed on loan, pursuant to the provisions of Articles L. 211-22 *et seq.* of the French Monetary and Financial Code.

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 31 December 2016, i.e., 4,883,111 shares corresponding to a theoretical maximum investment of €366,233,348 calculated based on the maximum purchase price of €75 stipulated in the 24<sup>th</sup> resolution to be submitted to the vote at the Shareholders' Meeting on 10 May 2017, it being specified that when the Company's 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.

This authorisation to buy back shares is given for a period that will expire at the Shareholders' Meeting convened to approve the 2017 financial statements and management report, and no later than 10 November 2018.

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 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 tender offer.

## MANAGEMENT REPORT

### Share capital and share ownership

## 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 on 19 May 2015 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  | ESM        | Period of validity | Expiry date | Maximum par values <sup>(1)</sup>   |
|--|------------|--------------------|-------------|---|
| Delegation of authority to increase the share capital by capitalising reserves, profits, premiums or other sums eligible for capitalisation  | 19/05/2015 | 26 months          | 19/07/2017  | €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 <sup>(2)</sup>  | 19/05/2015 | 26 months          | 19/07/2017  | €66 million <sup>(3)</sup><br>€1 billion <sup>(4)(5)</sup>                  |
| 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 <sup>(2)</sup>   | 19/05/2015 | 26 months          | 19/07/2017  | €15 million <sup>(3)</sup><br>€1 billion <sup>(4)(5)</sup>                  |
| 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 | 19/05/2015 | 26 months          | 19/07/2017  | 10% of the capital/year   |
| 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   | 19/05/2015 | 26 months          | 19/04/2017  | €15 million <sup>(3)</sup><br>€1 billion <sup>(4)(5)</sup>                  |
| 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  | 19/05/2015 | 26 months          | 19/07/2017  | 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   | 19/05/2015 | 26 months          | 19/07/2017  | 1% of the total number of shares at the time of the grant                   |
| New or existing free shares granted 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  | 18/05/2016 | 18 months          | 19/11/2017  | 1% of the total number of the Company's shares at the time of the allotment |
| Capital increase for employees who are members of a Company savings plan (PEE) of the Company or of its affiliated companies   | 19/05/2015 | 26 months          | 19/07/2017  | 1% of the total number of the Company's 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 have been used, with the exception of those pertaining to the grant of free shares. At its meeting on 28 July 2016, the Board of Directors awarded 157,794 free shares (see section "Securities carrying rights to shares" hereafter).

The Board of Directors is also authorised to reduce the share capital by cancelling shares held in treasury, within the limit of 10% of the share capital on the date of cancellation, for each 24-month period.

Under of the 26-month authorisation granted to the Board of Directors from 19 May 2015 to 19 July 2017, a total of 12,000 shares were cancelled.

The Shareholders' Meeting of 10 May 2017 will be asked to renew all expiring authorisations.

## 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. These companies belong to the same Group and, in particular, provide assistance to Rallye by participating in consulting assignments on strategic and development issues.

As at 31 December 2016, there were 337,985 outstanding free shares relating to the following plans:

| Date of award | Vesting date of free shares granted | Date from which the vested shares can be sold | Initial number of beneficiaries | Number of shares granted |                                       | Total number of shares granted at 31 Dec. 2016 <sup>(2)</sup> |
|---------------|-------------------------------------|---|---------------------------------|--------------------------|---------------------------------------|---|
|               |                                     |   |                                 | to corporate officers    | to the top ten employee beneficiaries |   |
| 29/07/2014    | 29/07/2017 <sup>(1)</sup>           | 29/07/2019                                    | 31                              | 9,788                    | 18,362                                | 52,277  |
| 15/12/2015    | 15/12/2018 <sup>(1)</sup>           | 15/12/2020                                    | 33                              | 21,751                   | 40,797                                | 127,914   |
| 28/07/2016    | 28/07/2018 <sup>(1)</sup>           | 28/07/2020                                    | 32                              | 42,745                   | 50,802                                | 157,794   |

<sup>(1)</sup> 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 coverage of financial expenses by EBITDA and 50% to the cost of net debt.

<sup>(2)</sup> This corresponds to the original number of shares granted, less rights cancelled due to the departure of beneficiaries (9,955 rights were cancelled in 2016).

## POTENTIAL CAPITAL AT 28 FEBRUARY 2017

The potential capital at 28 February 2017 breaks down as follows:

|   |            |
|---|------------|
| Number of shares as at 28 February 2017 | 48,831,113 |
| Free shares to be issued                | 337,985    |
| Number of potential shares              | 49,169,098 |

The maximum dilutive effect would amount to 0.7% for a shareholder holding 1% of the capital as at 28 February 2017.

## MANAGEMENT REPORT

### Share capital and share ownership

## CHANGE IN CAPITAL OVER THE PAST FIVE YEARS

| Date                | Change in capital                                 | Changes             |                |                         | New capital<br>(€)    | Total number<br>of shares |
|---------------------|---|---------------------|----------------|-------------------------|-----------------------|---------------------------|
|                     |   | Number<br>of shares | Capital<br>(€) | Share<br>premium<br>(€) |                       |                           |
| 2012                | Payment of the 2011 dividend<br>balance in shares | 774,497             | 2,323,491.00   | 14,304,959.59           |                       |                           |
|                     | Payment of the 2012 interim<br>dividend in shares | 1,501,723           | 4,505,169.00   | 27,286,306.91           |                       |                           |
|                     | Cancellation of shares                            | (74,505)            | (223,515.00)   | (854,378.39)            |                       |                           |
|                     | Exercise of options                               | 23,703              | 71,109.00      | 266,421.72              |                       |                           |
| <b>31 Dec. 2012</b> |   |                     |                |                         | <b>146,074,734.00</b> | <b>48,691,578</b>         |
| 2013                | Cancellation of shares                            | (50,976)            | (152,928.00)   | (480,782.13)            |                       |                           |
|                     | Exercise of options                               | 100,372             | 301,116.00     | 1,128,181.28            |                       |                           |
| <b>31 Dec. 2013</b> |   |                     |                |                         | <b>146,222,922.00</b> | <b>48,740,974</b>         |
| 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            |                       |                           |
| <b>31 Dec. 2014</b> |   |                     |                |                         | <b>146,165,844.00</b> | <b>48,721,948</b>         |
| 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)            |                       |                           |
| <b>31 Dec. 2015</b> |   |                     |                |                         | <b>146,335,578.00</b> | <b>48,778,526</b>         |
| 2016                | Cancellation of shares                            | (12,000)            | (36,000.00)    | (155,400)               |                       |                           |
|                     | Issuance of shares (free share award)             | 64,587              | 193,761.00     | (193,761)               |                       |                           |
| <b>31 Dec. 2016</b> |   |                     |                |                         | <b>146,493,339.00</b> | <b>48,831,113</b>         |
| <b>28 Feb. 2017</b> |   |                     |                |                         | <b>146,493,339.00</b> | <b>48,831,113</b>         |

## DISTRIBUTION OF CAPITAL AND VOTING RIGHTS

### Amount of capital

- Amount of capital at 31 December 2016: €146,493,339.
- Amount of capital at 28 February 2017: €146,493,339.
- Number of shares held at 31 December 2016: 48,831,113 shares.
- Number of shares held at 28 February 2017: 48,831,113 shares.

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

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

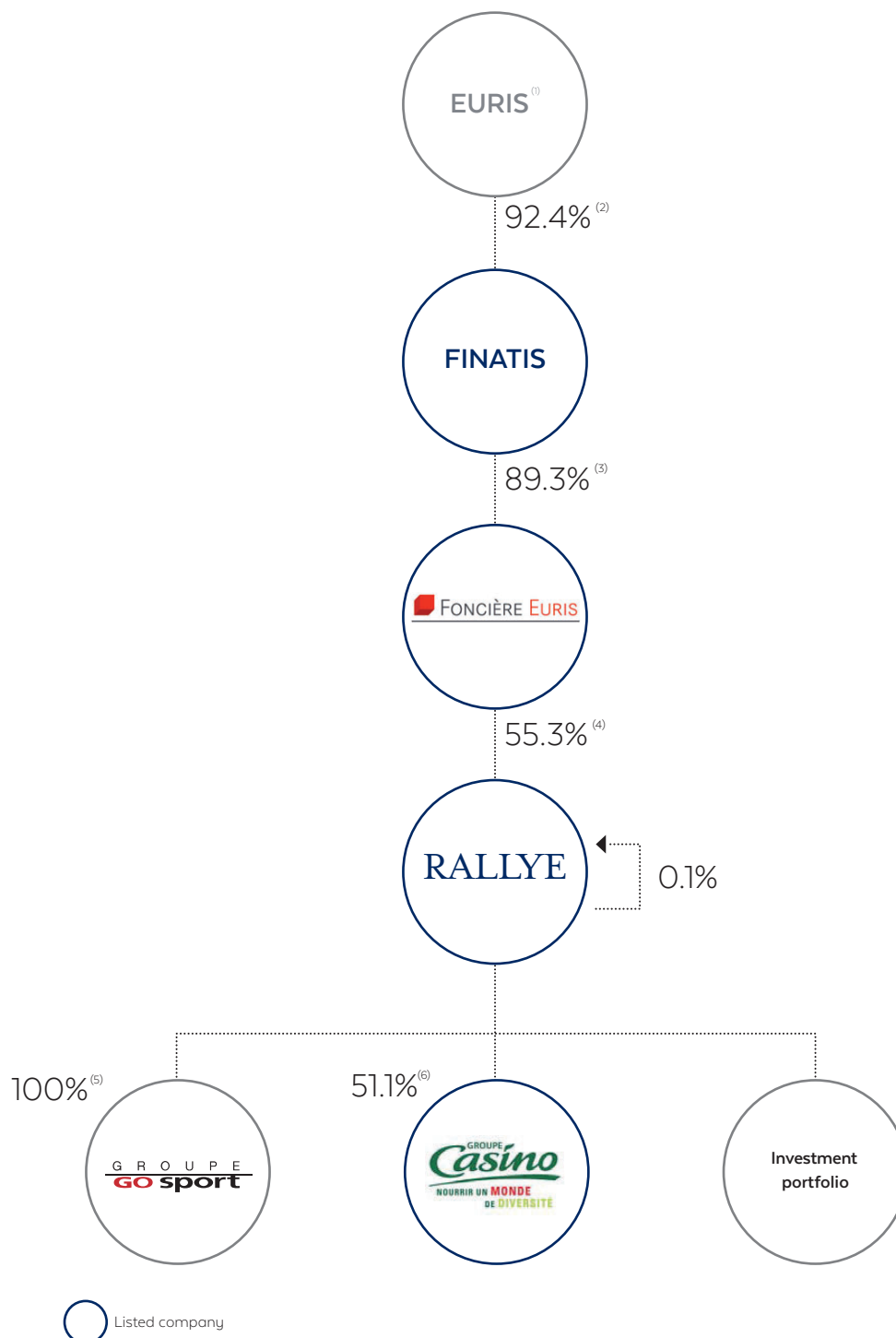
The Company keeps track of its shareholders, in compliance with applicable legislation.

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 2017, a double voting right had been granted on 28,044,362 shares, and the total number of voting rights was 76,844,475 for 48,831,113 shares.

## GROUP ORGANISATION CHART AT 28 FEBRUARY 2017

Rallye is directly and indirectly controlled by Euris. The organisation chart below shows the Company's position within the Group on 28 February 2017:



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

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

(3) 89.3% 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) Shares held, directly or indirectly, excluding treasury shares, by Rallye, its subsidiaries and its parent companies representing 63.7% of theoretical voting rights and taking into account a derivative instrument that can be settled in shares representing 0.8% of the capital.

## MANAGEMENT REPORT

### Share capital and share ownership

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 DISTRIBUTION OF CAPITAL AND VOTING RIGHTS OVER THE LAST THREE YEARS

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

|                                 | 31 December 2016  |                |  |   | 31 December 2015  |                |  |   | 31 December 2014  |                |  |   |
|---------------------------------|-------------------|----------------|--|---|-------------------|----------------|--|---|-------------------|----------------|--|---|
|                                 | Number of shares  | % of capital   | % of voting rights that may be exercised at the Shareholders' Meeting <sup>(1)</sup> | % of theoretical voting rights <sup>(1)</sup> | Number of shares  | % of capital   | % of voting rights that may be exercised at the Shareholders' Meeting <sup>(1)</sup> | % of theoretical voting rights <sup>(1)</sup> | Number of shares  | % of capital   | % of voting rights that may be exercised at the Shareholders' Meeting <sup>(1)</sup> | % of theoretical voting rights <sup>(1)</sup> |
| Shareholders                    |                   |                |  |   |                   |                |  |   |                   |                |  |   |
| Foncière Euris                  | 26,996,291        | 55.29%         | 70.23%   | 70.23%  | 26,996,291        | 55.34%         | 71.25%   | 70.39%  | 26,996,291        | 55.41%         | 71.10%   | 70.57%  |
| Treasury shares                 |                   |                |  |   | 908,857           | 1.86%          |  | 1.18%   | 554,631           | 1.14%          |  | 0.72%   |
| Indirectly held treasury shares |                   |                |  |   | 12,000            | 0.02%          |  | 0.02%   | 12,000            | 0.02%          |  | 0.02%   |
| Other shareholders              | 21,834,822        | 44.71%         | 29.77%   | 29.77%  | 20,861,378        | 42.77%         | 28.75%   | 28.41%  | 21,159,026        | 43.43%         | 28.90%   | 28.68%  |
| <b>TOTAL</b>                    | <b>48,831,113</b> | <b>100.00%</b> | <b>100.00%</b>   | <b>100.00%</b>                                | <b>48,778,526</b> | <b>100.00%</b> | <b>100.00%</b>   | <b>100.00%</b>                                | <b>48,721,948</b> | <b>100.00%</b> | <b>100.00%</b>   | <b>100.00%</b>                                |

<sup>(1)</sup> 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 2017 is as follows:

| Shareholders                            | Shares            | % capital      | Voting rights     | % voting rights |
|---|-------------------|----------------|-------------------|-----------------|
| Foncière Euris                          | 26,996,291        | 55.29%         | 53,992,582        | 70.26%          |
| Other Euris Group companies             | 1,275             | 0.00%          | 2,550             | 0.00%           |
| Other members of the Board of Directors | 258,479           | 0.53%          | 405,745           | 0.53%           |
| <b>Sub-total</b>                        | <b>27,256,045</b> | <b>55.83%</b>  | <b>54,400,877</b> | <b>70.79%</b>   |
| Treasury shares                         | 31,000            | 0.06%          |                   |                 |
| Other shareholders                      | 21,544,068        | 44.12%         | 22,443,598        | 29.21%          |
| of which shares in registered form      | 1,415,679         | 2.90%          | 2,315,209         | 3.01%           |
| of which shares in bearer form          | 20,128,389        | 41.22%         | 20,128,389        | 26.19%          |
| <b>TOTAL</b>                            | <b>48,831,113</b> | <b>100.00%</b> | <b>76,844,475</b> | <b>100.00%</b>  |

### 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 2016, a total of 15,878,235 Rallye shares held by Foncière Euris were pledged, accounting for 32.6% 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, 7.3 and 7.6 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<sup>(1)</sup>

<sup>(1)</sup> Related parties as defined in Article R. 621-43-1 of the French Monetary and Financial Code (Code monétaire et financier).

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

| Director or related party                           | Financial instrument | Date       | Type of transaction | Amount | Number |
|---|----------------------|------------|---------------------|--------|--------|
| Didier Lévêque <sup>(1)</sup>                       | Shares               | 30/12/2015 | Sale                | €14.18 | 2,100  |
|   | Shares               | 26/05/2016 | Sale                | €15.95 | 2,400  |
|   | Shares               | 31/05/2016 | Sale                | €16.25 | 1,000  |
|   | Shares               | 07/06/2016 | Sale                | €15.75 | 1,409  |
| Individual related to Didier Lévêque <sup>(1)</sup> | Shares               | 30/12/2015 | Purchase            | €14.19 | 2,100  |
|   | Shares               | 26/05/2016 | Purchase            | €15.95 | 2,400  |
|   | Shares               | 31/05/2016 | Purchase            | €16.25 | 1,000  |
|   | Shares               | 07/06/2016 | Purchase            | €15.75 | 1,409  |

<sup>(1)</sup> Permanent representative of Foncière Euris, Director.

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.

## STOCK OPTIONS AND FREE SHARES

As at 31 December 2016, no stock options were outstanding.

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

| Meeting date   | ESM of<br>14/05/2013 | ESM of<br>19/05/2015 | ESM of<br>18/05/2016 | Total          |
|--|----------------------|----------------------|----------------------|----------------|
| Date of Board meeting  | 29/07/2014           | 15/12/2015           | 28/07/2016           |                |
| Type of plan   | Free shares          | Free shares          | Free shares          |                |
| Initial number of beneficiaries                                    | 31                   | 33                   | 32                   |                |
| <b>Total number of shares initially awarded</b>                    | <b>57,487</b>        | <b>133,701</b>       | <b>157,794</b>       | <b>348,982</b> |
| of which total number of shares awarded to corporate officers      | 9,788                | 21,751               | 42,745               | <b>74,284</b>  |
| of which total number of shares awarded to top ten employees       | 18,362               | 40,797               | 50,802               | <b>109,961</b> |
| Plan expires on  | 29/07/2017           | 15/12/2018           | 28/07/2018           |                |
| <b>Rights cancelled at 28 February 2017<sup>(1)</sup></b>          | <b>5,210</b>         | <b>5,787</b>         |                      | <b>10,997</b>  |
| of which since 1 January 2016                                      | 4,168                | 5,787                |                      | <b>9,955</b>   |
| <b>Residual number of shares that may vest at 28 February 2017</b> | <b>52,277</b>        | <b>127,914</b>       | <b>157,794</b>       | <b>337,985</b> |

<sup>(1)</sup> Following the departure of beneficiaries.

## MANAGEMENT REPORT

### Share capital and share ownership

## STOCK OPTIONS AND FREE SHARES GRANTED TO THE TEN EMPLOYEES WHO WERE AWARDED THE LARGEST NUMBER OF OPTIONS DURING THE YEAR BY THE ISSUER AND ANY GROUP COMPANY

| Granting company | Grant date | Expiry date | Type        | Number of options granted | Number of corresponding shares | Exercise price (€) |
|------------------|------------|-------------|-------------|---------------------------|--------------------------------|--------------------|
| Rallye           | 28/07/2016 | 28/07/2018  | Free shares | 50,802                    | 50,802                         | N/A                |

## STOCK OPTIONS ON THE SHARES OF THE ISSUER OR OF ANY GROUP COMPANY AND EXERCISED DURING THE YEAR BY THE TEN EMPLOYEES WHO EXERCISED THE HIGHEST NUMBER OF STOCK OPTIONS

N/A.

## INVESTMENT STRATEGY

Rallye's investment portfolio is discussed on page 14 in the management report.

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

| (€ millions) | 2016         | 2015         |
|--------------|--------------|--------------|
| Casino       | 1,120        | 1,488        |
| Other        | 20           | 18           |
| <b>TOTAL</b> | <b>1,140</b> | <b>1,506</b> |

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 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 business and risks specific to its majority stake in the Casino Group in addition to legal risks, which are presented in further detail in the Casino Group's 2016 Registration Document.

Given these risks, Rallye has implemented an internal control process to mitigate and control them. Internal control and risk management procedures are described in the Chairman's report in accordance with Article L. 225-37 of the French Commercial Code (see page 51 of this Registration Document).

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 that it is 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 2016 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 optimisation 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. Several subsidiaries (GPA, Monoprix and Éxito) also have their own financing facilities.

The Group's bank loans and debt issues are subject to the usual *pari passu*, negative pledge and cross default clauses.

Its facility agreements 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). They also contain a step-up clause whereby the interest rate on Casino, Guichard-Perrachon's senior long-term debt would be increased by 125 basis points per year if the credit rating were to be downgraded to non-investment grade.

These bond issues (other than deeply subordinated perpetual notes) have been rated BB+ by Standard & Poor's since 21 March 2016 and BBB- by Fitch Ratings with a negative outlook since 14 December 2016. The downgrade by Standard & Poor's from BBB- to BB+ triggered the step-up coupon. The step-up is applicable for each issue as from the first annual interest period beginning after 21 March 2016. The impacts of this clause are described in note 2 and note 11.5.4 to the 2016 consolidated financial statements in the Casino Group's 2016 Registration Document.

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 2016 Registration Document.

## MANAGEMENT REPORT

### Risk factors and insurance

#### ■ RALLYE

Rallye's holding consolidated scope had net debt of €2,899 million at 31 December 2016, composed primarily of €1,709 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 nearly €1.5 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 €1,134 million was drawn down at 31 December 2016. Lastly, since October 2013, the holding company has implemented a commercial paper programme for a maximum amount of €750 million, with €353 million drawn down at the end of 2016. 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 covers most of consolidated net debt at 31 December 2016. More details on the Group's financial structure are provided on page 16 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. At 31 December 2016, the Group met both covenants, with the results of the covenant tests standing at 3.93 times and €1.73 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 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 2016 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 balance 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 2016, 52% of Rallye's debt was at fixed rates and 48% 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 2016 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 14 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 2016 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 Casino 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.

The Casino Group's sales, operating income 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. This is currently the case in Brazil, where Via Varejo has implemented large-scale action plans to optimise the store network and focus on the best performing range of products, while also reducing in-store and corporate costs.

### Product quality, conformity and safety risks

Guaranteeing 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 Casino 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 report and in the relevant section of the Chairman's report on internal control and risk management procedures, in the Casino Group's 2016 Registration Document.

### Product marketing risks

The Casino Group's banners in France and in international markets have affiliate and franchise networks. 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.

### 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 Casino 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 Casino 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.

### 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 Casino Group's image and financial results. Supply chains are organised at local (country) level rather than internationally, and they may differ depending on the business.

### 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 procurement, purchasing, inward and outward deliveries of goods, online sales, invoicing, reporting and consolidation, as well as electronic data interchange and access to internal information. Information systems protection and uptime are therefore considered of prime importance. The Casino 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.

**MANAGEMENT REPORT**  
Risk factors and insurance

## 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 Casino Group business units deploy internal control processes aimed at limiting the occurrence of these risks. The Casino Group seeks to operate its businesses in accordance with ethical standards and 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 2016 Registration Document.

### 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-2016, international operations accounted for almost 42% 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 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.

### 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 in Reunion, 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.

The Group's sustainable development policy is implemented by a dedicated organisation created in 2002. As an increasingly global organisation, in 2009 Casino pledged to uphold the United Nations Global Compact. A Group CSR department was set up in 2010 with the aim, in particular, of accelerating the deployment of corporate social

responsibility initiatives among the French and international subsidiaries. Additional information is disclosed in the CSR section of the Casino Group's 2016 Registration Document.

## 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 Casino Group is subject to a wide variety of laws and regulations, including labour, competition, consumer and town planning laws, company law, securities laws, 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 and its results. Both in France and abroad, the Casino Group is required to follow health and safety regulations and other regulations governing the operation of establishments open to the public, notably health and safety regulations, and classified facilities (service stations), as well as product compliance and safety regulations.

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, which may lead to the sale of certain retail outlets. 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.

### 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 Casino 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 claims and litigation is provided in note 13 to the Casino Group's 2016 consolidated financial statements.

As of the Registration Document filing date, the Company 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 the Company is aware) which may have, or have had, during the previous 12 months, a material adverse effect on the financial position or profitability of the Company and/or the Group.

- Disputes between Casino and the Baud family, formerly 50/50 shareholders of Geimex, owner of the Leader Price trademark internationally, specifically concerned the sale of Leader Price Polska by Casino in 2006 and the Baud family's activities in Switzerland. The commercial and criminal proceedings have now been resolved. On 25 May 2016, Casino and the Baud family reached a settlement putting an end to all the legal actions between them since 2007 and setting out the terms of Casino's acquisition of the Baud family's 50% interest in Geimex.
- In June 2009, GPA acquired the controlling block in Globex Utilidades SA, a leading retailer of electronics and home appliances under the "Ponto Frio" banner. The former majority shareholder (Morzan Empreendimentos) initiated an arbitration proceeding with the International Chamber of Commerce on 30 May 2012, considering that GPA and Wilkes (GPA's ultimate holding company) had failed to comply with the contractual terms regarding payment of a portion of the purchase price in GPA shares.

GPA and Wilkes believe that the claim is without merit.

No provision was booked for the Morzan Empreendimentos claim.

However, contrary to all expectations and the opinions of the defendants' legal counsels, in a ruling handed down on 14 August 2015, the arbitration board accepted the claim and declared GPA and Wilkes jointly and severally liable for the payment to Morzan Empreendimentos of BRL 212 million in damages plus interest for the period until full payment was made.

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 2018.

The ruling was executed on April 2016 with the payment of damages in an amount of BRL 464 million.

- Following the actions and distribution by Muddy Waters, while trading was in progress on 17 December 2015, of a report containing grossly untrue allegations about the Group, triggering an abrupt, very steep fall in the Casino share price, the Company immediately asked France's securities regulator, (*Autorité des marchés financiers* - AMF), to conduct an inquiry, impose a penalty and prevent such activities from occurring again.
- Three requests for class action lawsuits were launched in the United States by individual shareholders on 15, 20 and 22 January 2016 against Cnova NV, some of its current and former senior managers and directors and the banks that underwrote its IPO on the NASDAQ in November 2014. The plaintiffs allege certain breaches of US securities

laws, particularly with regard to the quality of financial information provided in Cnova NV's IPO prospectus. The three actions were joined in June 2016 and the resulting suit brought before the Federal Court of the Southern District of New York. These cases typically take a long time to be resolved and it is too early at this stage to determine whether a loss will be incurred and, if so, for what amount. Cnova NV has insurance cover for this type of situation.

- On 8 April 2016, an action was brought against Distribution Casino France (DCF) in the Paris Commercial Court by Franck Falletta and the companies of the Sunpadis group, which is now in liquidation, based on the allegation that a partnership agreement signed in 2011 to develop selling areas in Polynesia was not executed. The claimants are seeking damages of almost €82 million. DCF considers that the case is without merit and intends to take all necessary legal measures to refute the allegations. In addition, DCF has lodged a criminal complaint against Franck Falletta in a case opened by the Criminal Court of Papeete.
- 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 €20.7 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 Casino Group claims that these credit notes are perfectly lawful and therefore intends to challenge the grounds for this action.

## 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.

### Insurance policies subscribed by Rallye

The main insurance policies subscribed 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.

## MANAGEMENT REPORT

### Risk factors and insurance

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#### Insurance policies subscribed by the Casino Group

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 Casino Group Insurance department, which reports to Finance, 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 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 2016 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 2016, the Casino Group's reinsurance captive's commitments continued to be capped at €10 million per year (net of reinsurance). This strategy helps to strengthen the Group's control over risks and the management of claims while also optimising premiums.

#### ■ SUMMARY OF INSURANCE COVER

The insurance programmes described below are those for 2016, which were still in force as of the date of this report. 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 Casino 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 2016 Registration Document.



## CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) is defined as the responsibility of companies with respect to their impact on society. The Group embraces this responsibility by complying with applicable laws and collective bargaining agreements. Rallye seeks to fully address all CSR issues by working closely with stakeholders as part of a process designed to incorporate social, environmental, ethical, human rights and consumer concerns into business activities and fundamental strategy.

This document presents the organisation of CSR within Rallye as well as the most relevant CSR indicators at the Group level. All other CSR indicators are provided in detail in the CSR report of the Casino Group.

### ORGANISATION OF CSR AT RALLYE

#### CSR approach

Through its majority stakes in Casino and Groupe GO Sport, Rallye is specialised in food and sporting goods retail. Rallye also holds a diversified investment portfolio, which it is in the process of selling off. This portfolio is presented in the management report in the “Business review” section of this Registration Document.

As part of its overall analysis of the risks relating to its operations, Rallye applies best governance practices to ensure the Company’s continuity. These practices are described in the Chairman’s report on Corporate Governance and Internal Control Procedures on page 51 of this Registration Document.

As part of the Group’s day-to-day management, Rallye is involved in normal business relationships with all of its subsidiaries. The prevention of conflicts of interest is described in the Chairman’s report on page 76 of this Registration Document.

Rallye did not set aside any environmental provisions in its 2016 financial statements.

In each of the companies of which Rallye is a shareholder – Casino (listed company operating primarily in food retail) and Groupe GO Sport (sporting goods retailer) – the respective management teams are directly responsible for Corporate Social Responsibility issues. 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 the CSR commitments made by its subsidiaries and 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 of 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.

#### Scope

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 Casino Group’s financial reporting:

- “the Group” includes the consolidated data. In accordance with IFRS 5, these data exclude operations discontinued in 2016, i.e., Via Varejo and Cnova Brazil;
- “France” comprises the Casino, Monoprix (including Naturalia), Cdiscount, Franprix and Leader Price banners and their support functions (logistics, purchasing, human resources, etc.) located in France as well as Vindémia (Reunion, Mayotte, Mauritius and Madagascar);
- “Latin America” encompasses GPA and its entities (Multivarejo and Assaí), Libertad SA, Grupo Éxito and Disco Devoto and their support functions. In accordance with IFRS 5, this scope excludes operations that were discontinued in 2016, which are presented in a separate section of this document.

In addition to this report, the Casino Group publishes an annual and corporate social responsibility performance report which presents the subsidiaries’ key CSR indicators, initiatives and objectives. It is available on the Group’s website at [www.groupe-casino.fr/en/](http://www.groupe-casino.fr/en/).

In France, Monoprix, Cdiscount and Vindémia also publish CSR information in their management reports. Outside France, Global Compact participants GPA, Grupo Éxito, and Libertad publish annual CSR reports, which are available on their respective websites at ([www.gpari.com.br](http://www.gpari.com.br), [www.grupoexito.com.co](http://www.grupoexito.com.co), [www.libertadsa.com.ar](http://www.libertadsa.com.ar)).

As regards Groupe GO Sport, the following information covers all of the consolidated subsidiaries: Groupe GO Sport, GO Sport France, Courir France, GO Sport Switzerland and GO Sport Poland (excluding information relating to training).

## MANAGEMENT REPORT

### Corporate Social Responsibility

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### 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 Group'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.

For example, Rallye has committed to a selective waste sorting policy, of which all employees at its head office have been made aware. Under the policy, paper used by the teams, printer cartridges and used batteries, plastics, cardboard and metals (mainly cans) are collected for recycling. To print its Registration Document, Rallye has selected service providers who offer a selection of PEFC/FSC-certified paper. Lastly, numerous meetings are held via teleconference 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.

At 31 December 2016, Rallye had a workforce of 23 employees who were all based in France. The percentage of women in managerial positions was stable at 52%. The breakdown of employees by age group was 9% for employees aged under 30, 39% for employees aged between 30 and 50 and 52% for employees aged over 50.

In 2016, part-time workers accounted on average for 4.3% of the workforce and the rate of absenteeism due to illness was 1.6%.

Apart from the investment team and the management team, the majority of the workforce held support roles within the Finance department and the Legal department.

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. Ten employees received training in 2016, with the average number of training hours per employee totalling five hours.

The Company also seeks to optimise work conditions and relations by holding regular meetings with employees and encouraging dialogue. Lastly, Rallye ensures that all recruitment, career development (training and promotion) and compensation decisions are made on a non-discriminatory basis, according to the employee's capabilities and without any other criteria than their 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. It also clearly and transparently communicates the rules used to determine compensation.

Convinced of the importance of employee shareholding as key to a successful long-term partnership with its employees, Rallye has always promoted its development through Company savings plans or through the allocation of free shares.

### Promoting health and safety in the workplace

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 2016.

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 the Rallye Group'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.

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

### Casino

In 2002, the Casino Group's commitment to sustainable development prompted it to set up a dedicated organisational framework. The Group's CSR department began rolling out a continuous improvement programme in France and abroad in 2011 in coordination with the various subsidiary CSR departments. This programme is based on the principles and scope laid out in the ISO 26000 standard.

The Group's CSR policy is underpinned by an organisation and governance structure that permit Management involvement at all levels of the Casino Group. The Board of Directors' Governance Committee, for example, which was set up in 2015, is responsible for reviewing the Group CSR policy as well as the related challenges, action plans and achievements. At 6 March 2017, this Committee was made up of three directors, two of whom were independent. It fulfils its duties in liaison with the Appointments and Compensation Committee, which is called on to review the annual CSR report submitted to the Board and presented to the shareholders at the Annual General Meeting. In particular, it assesses the Group's gender equality policy and the Group-wide drive to promote diversity. It also contributes to discussions on including CSR criteria when determining the Chairman and General Manager's compensation. Each of these committees shares its opinions and recommendations with the Board of Directors.

### Groupe GO Sport

Groupe GO Sport has chosen to place CSR issues under the responsibility of its Human Resources department. The CSR strategy is mainly overseen by the Group's Human Resources Director and implemented by the Groupe GO Sport 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.



## SOCIAL RESPONSIBILITY

One of the key elements of the Company's economic and social performance is the development of its employees.

### Employees and organisation of working time

#### ■ CASINO

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

The vast majority of the Casino Group's employees (93%) are on permanent contracts, with fixed-term contracts used primarily to replace employees on leave or to back up permanent teams during peak periods. Full-time employees account for 85% of Group employees. In France, Casino has introduced a system that enables part-time employees to switch to full-time work if they wish. More than 2,000 employees have benefited from this system since 2012. In France, the Group recorded 3,856 terminations, including three terminations for economic reasons following the closure of a store. Terminations for other reasons cover all terminations attributable to the employee's behaviour, such as walking out, repeated absence, professional misconduct, incompatibility with superiors, theft and unfitness for the job. 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

At Groupe GO Sport, the workforce remained mostly stable from 2015 to 2016 at ESU<sup>(1)</sup> level, despite some disparities from banner to banner. These were notably due to:

- an increase in the Courir network's sales force related to the opening of new points of sale (including stores formerly under the Bata banner);
- several GO Sport stores becoming affiliates.

In accordance with the provisions of the "Aubry Act", Groupe GO Sport SA and its French subsidiaries have implemented the reduction of working hours since 1 June 2000. This organisation of working time is still in force in the GO Sport network stores in France. The July 2000 agreement on shorter working time and its amendments reconciles the individual constraints of employees and the commercial challenges linked to the store's needs, according to fluctuations in employees' workload.

On 12 July 2016, the ESU signed a majority agreement on Sunday work. This agreement is consistent with the applicable legislation. As a result, a number of GO Sport and Courir stores are now open on select Sundays, in line with the opening hours of the shopping centres and shopping areas in which they are located. Notwithstanding sector-specific exceptions and those relating to peaks in customer traffic, GO Sport and Courir do not under any circumstances oblige their stores to open on Sundays.

### Promoting social dialogue

#### ■ CASINO

Human resources policies are built on the basis of regular dialogue with employee representatives in France and internationally.

Through its various Human Resources departments, the Casino Group assesses the workplace atmosphere using resources enabling employees to express their views and submit suggestions, as well as employee surveys on specific topics and internal and external opinion polls.

#### ■ GROUPE GO SPORT

In France, each company has a works council, employee representatives and an Occupational Health and Safety Committee (CHSCT).

The Central Committee of the Economic and Social Unit (ESU) brings together the works councils of Groupe GO Sport, GO Sport France and Courir France.

### Managing change in the Company

#### ■ CASINO

The Human Resources departments provide assistance for facilitating organisational changes in the Company and implementing specific measures upstream, in line with legal provisions. The Casino agreement on strategic workforce planning (SWP) represents another tool of dialogue for anticipating organisational changes in business operations.

#### ■ GROUPE GO SPORT

The GO Sport network is committed to maintaining people's employment when sites are closed. This process is included in the mobility agreement signed on 19 November 2014, which arose 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.

### 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 policy is based on several principles, including fighting the stereotypes that lead to discrimination, building policies jointly with representative trade unions, addressing all areas of discrimination and measuring the effectiveness of initiatives. The Group's actions focus on such key areas as origin, social background, gender, disability, age, sexual orientation, religious diversity, union membership and physical appearance. Most of the international entities, including Éxito and GPA, also have whistle-blowing systems that allow actual or perceived discrimination to be reported confidentially.

In 2009, Casino was the first retailer group to obtain the "Diversity Label" awarded by Afnor Certification to companies pursuing an exemplary policy. The Diversity Label was renewed in 2012, and again in 2016, following further inspections.

#### ■ GROUPE GO SPORT

As part of its hiring policy, Groupe GO Sport and its subsidiaries strive to promote diversity. A Hiring Charter, which highlights that Groupe GO Sport and its subsidiaries are against all forms of discrimination, has been implemented and distributed to all concerned parties since 2014 (employees at head office and in stores as well as job applicants). Updated recruitment training for managers will be rolled out in 2017, and will include elements on combating discrimination in the hiring process and promoting diversity.

<sup>(1)</sup> ESU corresponds to the Economic and Social Unit of GO Sport Group and its subsidiaries.

## MANAGEMENT REPORT

### Corporate Social Responsibility

## Main initiatives in support of disability integration

### ■ CASINO

In October 2015, the Casino Group signed the International Labour Organization's Global Business and Disability Network Charter in order to reaffirm its commitment, which dates back to 1995, to helping disabled people find and maintain employment in France and abroad. In 2015, the Group had 7,134 employees with reported disabilities (under permanent or fixed-term contracts), representing an increase of 5% compared to 2015.

The Human Resources departments have implemented action plans in the different entities to promote the recruitment of people with disabilities, training by providing opportunities for interns and people on work/study programmes, and keeping in work people who declare a disability during their career.

Specific initiatives have been taken to facilitate disabled access to stores and to assist people with motor, visual, auditory, mental or psychological disabilities. A digital training course for in-store employees was established in 2016. It will be extended to the teams of the different entities in 2017.

### ■ GROUPE GO SPORT

In 2014, Groupe GO Sport renewed its commitment towards disabled people by signing a third agreement on integrating disabled people into the workforce. The new agreement focuses on making disabilities an inclusive theme central to the company's social priorities.

As part of its commitment to hiring employees with disabilities, Groupe GO Sport and its subsidiaries highlight the success of Courir's awareness campaign aimed at promoting the recruitment of disabled people. As a result, the banner hired 14 employees with disabilities in 2016. At the same time, GO Sport France more than tripled its recruitment of people with disabilities, with 24 new hires on fixed-term and permanent contracts, up from seven in 2015.

## Acting in support of young people, particularly from disadvantaged backgrounds, and older employees

### ■ CASINO

To fight against stereotypes, a guide book entitled "Changing our perception of young people" is handed out to all employees to help them unravel preconceptions about young people and encourage intergenerational dialogue. In France, Casino and Cdiscount are implementing agreements aimed at establishing intergenerational initiatives targeting young people aged 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.

The Casino Group's commitment to young people is reflected in an active policy of promoting work/study solutions. Programmes to facilitate the hiring and integration of work/study trainees have been introduced at all entities.

The Group also works closely with schools and educational structures to promote jobs available within the Group and to diversify its sources of recruitment.

The Group also undertakes specific initiatives to help young people, particularly those who are poorly qualified or from underprivileged backgrounds, with a view to facilitating their professional integration. The Casino Group has pledged to recruit within a store's immediate employment area and to promote local employment. In 1993, it signed a national partnership agreement with the Ministry for Urban Development, renewed in 2013, and a convention with local missions and the Ministry's Businesses and Neighbourhoods Charter.

### ■ GROUPE GO SPORT

Stores mainly hire young employees who practice sports, are sales-driven and have a strong appeal for athletic footwear culture and the Courir brand. 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.

## Promoting gender equality in the workplace

### ■ CASINO

Since 2002, Casino 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. To guarantee the proportion of women in managerial positions, each subsidiary's Human Resources department tracks eight strategic indicators, which are presented to the Executive Committee each year. The Group offers its employees concrete initiatives to encourage career development, equal pay, work-life balance and parenting support.

### ■ GROUPE GO SPORT

At Groupe GO Sport, diversity is considered a performance driver. The Group has been committed to combating discrimination for many years through an agreement aimed at achieving gender equality and improving quality of life at work.

## Promoting health and safety in the workplace

### ■ CASINO

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

To improve health and safety systems, the Group set up an employee feedback programme several years ago. Its aim was to prevent occupational risks by allowing workers to voice their concerns about working conditions. The feedback programme enables the Group to take into account the comments and needs expressed by employees on the ground.

To improve the quality of life at work and the well-being of employees and raise their awareness of major public health issues, action plans are rolled out in all Group entities. The Group organises "at the heart of health" information days during which employees of head offices, stores or warehouses meet with health professionals (doctors, nurses, dieticians, specialists on smoking addiction, etc.), participate in workshops (giving up smoking, nutrition, heart care, etc.), have blood tests (cholesterol, blood sugar, etc.) and receive individual support based on the test results.

## ■ GROUPE GO SPORT

Groupe GO Sport and its subsidiaries seek to constantly improve health and safety conditions for their employees. The Human Resources and technical services departments help to improve working conditions by implementing new collective and individual protection equipment and store fittings. GO Sport France's Occupational Health and Safety Committee (CHSCT), which met 27 times in 2016, reviewed all workplace accidents in order to identify any recurrences and roll out action plans to eliminate them.

## Encouraging professional and social development

### ■ CASINO

Since its very beginnings, Casino has been committed to providing career growth opportunities for its employees. It sees this as a way of bolstering its operating performance. The diversity of the Group's businesses, its international reach and the multi-format nature of its banners offer employees many opportunities for mobility and career development. Internal mobility is a priority for the Casino Group, and one of the key planks of its human resources policy.

Training, meanwhile, is one of the key pillars of employee development and employability. In line with Group targets, the Human Resources departments of each subsidiary offer training plans to facilitate professional development and career paths, and to oversee the integration of new employees. These training plans are designed to dovetail with changing needs in terms of jobs and skills, employee expectations expressed at annual appraisals, change in the organisation and legal and regulatory obligations.

### ■ GROUPE GO SPORT

Groupe GO Sport and its subsidiaries also place a premium on supporting their employees when they start a new job and helping them adjust to the workstation by implementing appropriate training tools. Following the training reform resulting from the French law of 5 March 2014, Groupe GO Sport and its subsidiaries introduced personal training accounts to give

each employee greater control over their skills development in partnership with their employer. Since the personal training account is a relatively new tool, its implementation is overseen by the Training department of Groupe GO Sport and its subsidiaries. The department supports employees who wish to take any training eligible for the personal training account mechanism on request, both during and outside of work time.

## Compensation policy

### ■ CASINO

The Group offers fair and competitive pay in line with market practices observed for similar jobs and tailored to the specific local characteristics of the Group's host countries. Surveys are carried out regularly in France and internationally to assess the competitiveness of the wage packages proposed by the Group compared with those proposed by companies operating in the same business sectors. These surveys mainly concern management positions and skill shortage jobs.

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, collective changes to compensation are negotiated each year with representative trade union organisations within the ESU as part of mandatory annual negotiations. In addition, changes in wages reflect the negotiated wage defined by the professional sector 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.

## Quantitative human resources indicators

The main human resources indicators of Rallye subsidiaries are presented below. Detailed information is available in Casino's corporate social responsibility report.

| 2016 human resources indicators                  | Unit | Casino Group <sup>(1)</sup> | Groupe GO Sport |
|--|------|-----------------------------|-----------------|
| Number of employees at 31 December 2016          | No.  | 227,842                     | 4,661           |
| Percentage of women employees                    | %    | 53                          | 53              |
| New hires on permanent contracts                 | No.  | 45,769                      | 577             |
| Number of disabled employees at 31 December 2016 | No.  | 7,134                       | 96              |

(1) Excluding discontinued operations in application of IFRS 5, i.e., Via Varejo and Cnova Brazil.

At Casino, the breakdown of employees by age group is 39% for employees aged under 30, 48% for employees aged between 30 and 50 and 13% for employees aged over 50. At Groupe GO Sport, the breakdown stands at 61% for the employees aged under 30, 38% for employees aged between 30 and 54 and 1% for employees aged over 54.

| 2016 human resources indicators – Casino Group  | Unit  | Casino Group       |
|---|-------|--------------------|
| Number of terminations for economic reasons   | No.   | 3 <sup>(1)</sup>   |
| Average number of hours training per employee per year                                  | Hours | 18                 |
| Absenteeism rate for workplace accidents and illnesses (including occupational illness) | %     | 4.4 <sup>(2)</sup> |

(1) Scope: France.  
(2) Excluding GPA.

| 2016 social indicators – Groupe GO Sport                                  | Unit  | Groupe GO Sport  |
|---|-------|------------------|
| Number of terminations for economic reasons                               | No.   | 6 <sup>(1)</sup> |
| Average number of hours training per employee receiving training per year | Hours | 20               |
| Number of lost-time accidents   | No.   | 246              |

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

## ENVIRONMENTAL RESPONSIBILITY

The Rallye Group's environmental impact is mainly at the level of the Casino and Groupe GO Sport subsidiaries. The environmental policies of Rallye's subsidiaries aim to minimise the environmental impact of products and the use of natural resources, to improve eco-responsibility and to adopt a more ecological approach.

### ■ CASINO

In 2003, the Casino Group set out its commitments to combat climate change, reduce pollution, and preserve natural resources and biodiversity. It reaffirmed its commitments by signing the United Nations Global Compact in 2009 and by launching a CSR continuous improvement programme, which lays down the Group's environmental priorities.

In order to further this process, in 2012 the Casino Group strengthened its organisational structure with the creation within the CSR department of an Environment department in charge of coordinating the Group's environmental priorities, sharing good practices and monitoring action plans.

Each Casino Group entity is responsible for implementing the organisational structure and action plans necessary at local level to achieve the pre-defined objectives.

The Group educates its employees on environmental issues through best practice guides, seminars and conferences, and internal media including the intranet and internal newsletters, which explain the challenges related to global warming, waste management, energy savings, biodiversity and food waste.

### ■ GROUPE GO SPORT

Through its business as an apparel, shoes and sports equipment retailer, Groupe GO Sport is committed to the quality of articles sold in its stores, for both international brands and its own private labels. Groupe GO Sport and its subsidiaries offer their 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 (*Fédération des Entreprises du Sport*, recently renamed Union Sport & Cycle) and is working to introduce a long-lasting and ethical environmental policy within the next few years.

## Reducing greenhouse gas emissions to combat global warming

### ■ CASINO

In 2012, the Casino Group undertook to reduce its greenhouse gas emissions (Scopes 1 and 2) per square metre of retail space by 20% by 2020. In the same year, it standardised its carbon reporting procedure in order to compare the inventories of its subsidiaries and identify best practices.

The main sources of emissions in the Group's operating scope are:

- fugitive emissions from refrigeration systems, which account for more than 50% of Scope 1 and Scope 2 emissions;
- emissions related to the production of the energy consumed by stores;
- emissions from the combustion of fuel needed to transport goods.

The Group's subsidiaries carry out a greenhouse gas emission inventory for Scopes 1 and 2 every year to check that their reduction plans are in line with the Group's emissions reduction objectives.

### ■ GROUPE GO SPORT

Groupe GO Sport and its subsidiaries outsource all their private label product manufacturing activities. Groupe GO Sport and its subsidiaries are therefore not involved in implementing measures to prevent, reduce or offset emissions into the air and ground which impact the environment. As a responsible operator, Groupe GO Sport and its subsidiaries nevertheless ensure that suppliers follow an exhaustive list of criteria, provided in their general terms and conditions of sale, such as compliance with the environmental obligations of the country to which the product's manufacture is outsourced.

## Sustainable use of resources

### ■ CASINO

#### Adapting to climate change

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 in Reunion, 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.

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 and green roofs), (ii) strategic stockpiling of basic commodities in partnership with suppliers, and (iii) improving the energy self-sufficiency of its stores using solar panels and generators to guarantee uninterrupted operations and reduce energy consumption.

#### Energy

Store lighting and commercial refrigeration units are the two main sources of Casino Group energy consumption. The Casino Group has pledged to reduce its electricity consumption per square metre of retail space by 20% by 2020 (base year: 2012).

Reducing energy consumption is addressed through a continuous improvement process, which is based on monitoring consumption, carrying out energy audits for sites, and implementing an energy renovation programme (Energy Performance Contracts). To this end, the Group's subsidiaries define action plans each year.

The renewable energy development process begun in 2007 continues to be implemented, in particular via its dedicated subsidiary, GreenYellow.

GreenYellow is a leading French player in rooftop PV systems, with an installed base of 120 MWp comprising more than 50 installations covering about 600,000 sq.m of shopping centre and solar canopy rooftops, mainly on Group sites. These systems save almost 10,000 tonnes of CO<sub>2</sub> a year and are sufficient to cover the annual consumption of 30,000 households.

#### Water

Climate change may result in some areas experiencing periods of prolonged drought disrupting supplies of drinking water or electricity from hydropower production.

The Group operates in regions with low to medium water stress risk, and mostly uses small amounts of drinking water from municipal networks, primarily for cleaning purposes.

However, steps are taken to reduce stores' water consumption by encouraging the replacement of cooling systems that discharge water with closed circuits, the reuse of rainwater, pressure-reducing valves on taps, and regular monitoring of consumption to detect leaks in networks or sanitation equipment. Wastewater is managed in compliance with the relevant local regulations, which stipulate the appropriate pre-processing.

#### **Biodiversity**

The main direct impact of the Casino Group's activities on biodiversity stems from pressure on natural sites caused by the construction or extension of stores and warehouses. In 2014, French property developer Casino Développement produced a set of best practices for shopping centres in order to preserve biodiversity. Since then, it has provided regular training for project managers.

The main indirect impacts stem from production and consumption methods for products sold in its stores. The Group has taken steps to protect certain marine species, such as banning the sale of deep-sea fish, and plant species threatened by overexploitation, and to combat deforestation linked to palm oil production and cattle breeding in Brazil. In addition, consumers are offered new product lines favouring consumption of vegetables.

#### **■ GROUPE GO SPORT**

Groupe GO Sport and its subsidiaries have no indicators relating to the tonnage of the principal marketed raw materials by category, nor the tonnage of the main raw materials used in manufacturing articles sold, nor the quantities of certified textile raw materials.

Since Groupe GO Sport and its subsidiaries do not directly manufacture products, they are not directly concerned by the issues related to biodiversity conservation, but they are nevertheless attentive when signing new contracts with suppliers, to ensure compliance with the environmental measures stipulated in their general purchasing terms and conditions.

### **Reducing and recovering waste and combating pollution**

#### **Sorting operational waste**

##### **■ CASINO**

The main sources of waste generated by stores are cardboard, plastic, paper and organic waste. The Casino Group aims to reduce waste and increase recycling rates by helping to develop and sustain local recycling networks. In 2016, Group stores recycled more than 216,737 tonnes of waste, including cardboard, paper, plastic, glass, wood, scrap metal and organic waste.

##### **■ GROUPE GO SPORT**

Groupe GO Sport and its subsidiaries outsource all their private label product manufacturing activities. They do not therefore generate any noise or other specific forms of pollution related to their operations. As a responsible operator, Groupe GO Sport and its subsidiaries nevertheless ensure that their suppliers and subcontractors commit to respecting their countries' environmental constraints. In 2016, Groupe GO Sport and its subsidiaries contributed around €384,800 (excl. tax) to finance efforts to recycle waste, packaging and end-of-life products.

### **Collection of used products returned by customers for recycling**

##### **■ CASINO**

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. In 2016, consumers returned 313 tonnes of batteries, 74 tonnes of bulbs, 2,435 tonnes of electrical and electronic waste, 10 tonnes of ink cartridges and 5,353 tonnes of cardboard, which were then given to accredited service providers for recycling.

##### **■ GROUPE GO SPORT**

Groupe GO Sport and its subsidiaries are a member of organisations in charge of preventing environmental risk. This policy covers the financial means devoted to preventing environmental risks and pollution and encourages all efforts to recycle waste, packaging and end-of-life products.

### **Combating pollution**

##### **■ CASINO**

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

In an effort to reduce air and noise pollution in city centres, the Group uses alternative modes of transport such as inland waterway and railway transport for its Franprix and Monoprix banners in France. Where possible, Casino works with transport providers that use low-emission (Euro V and Euro VI-compliant), low-noise vehicles (i.e., vehicles compliant with the Piek standard, which guarantees a noise output of less than 60 decibels) and hybrid vehicles so that the final mile of night deliveries can be done in silent electric mode in city centres.

To encourage more sustainable consumption and reduce household waste, the Casino Group has since 2003 had a policy of reducing the number of disposable bags provided, offering a range of reusable bags in all its stores.

##### **■ GROUPE GO SPORT**

Groupe GO Sport and its subsidiaries ensure that their suppliers and subcontractors commit to respecting their countries' environmental constraints. A primary requirement is that manufacturing facilities comply with environmental protection laws and decrees in accordance with ISO 14001. Groupe GO Sport works some of the time with textile suppliers that are certified to Oeko-Tex Standard 100. The Group also requests that its suppliers and subcontractors express their commitment to consumer and environmental safety in writing.

### **Quantitative environmental data**

The main environmental indicators of Rallye subsidiaries are presented hereafter. Detailed information is available in Casino's corporate social responsibility report.



## MANAGEMENT REPORT

### Corporate Social Responsibility

| 2016 environmental indicators  | Unit                       | Casino Group <sup>(1)</sup> | Groupe GO Sport |
|--|----------------------------|-----------------------------|-----------------|
| <b>Greenhouse gas (GHG) emissions reduction</b>  |                            |                             |                 |
| Scope 1 GHG<br>direct emissions related to combustion<br>(gas and fuel) and to refrigerant fluid refills | tonnes eq. CO <sub>2</sub> | 1,122,767 <sup>(2)</sup>    | 537,516         |
| Scope 2 GHG<br>= indirect emissions related to energy consumed<br>(electricity, steam, heat, cold)       | tonnes eq. CO <sub>2</sub> | 334,605 <sup>(2)</sup>      | 3,010           |
| <b>Sustainable use of resources – Energy consumption</b>   |                            |                             |                 |
| Electricity  | MWh                        | 3,292,576 <sup>(3)</sup>    | 38,585          |
| Natural gas  | MWh                        | 200,313 <sup>(3)</sup>      | 2,375           |
| Water  | cu.m                       | 5,397,209 <sup>(4)</sup>    | 14,047          |

(1) The total coverage rate in retailing area was 94% for fugitive emissions, 98% for energy and 69% for water.

(2) Excluding discontinued operations in application of IFRS 5, i.e., Via Varejo and Cnova Brazil, representing 33,546 tonnes eq. CO<sub>2</sub> under Scope 1 and 22,619 tonnes eq. CO<sub>2</sub> under Scope 2 in 2016.

(3) Excluding discontinued operations in application of IFRS 5, i.e., Via Varejo and Cnova Brazil, representing electricity consumption of 259,989 MWh and natural gas consumption of 1,865 MWh PCI in 2016.

(4) Excluding discontinued operations in application of IFRS 5, i.e., Via Varejo and Cnova Brazil, representing 564,919 cu.m of potable mains water consumption in 2016.

## CORPORATE CITIZENSHIP

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

### Local corporate citizen

#### ■ CASINO

As a local operator with strong roots in regional communities (city centre, suburban and rural areas), the Casino Group has a positive impact on local economic development, solidarity in the regions and efforts to fight 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 in the countries where it operates, to develop local outreach actions in stores and to support the actions of its Foundations. The Group aims to meet the diverse needs of associations present in its host countries and regions.

In partnership with national and local associations, and to support socially excluded people, the Group's stores and warehouses organise non-food donation and collection operations. The Group also calls on its suppliers to conduct product-sharing operations on behalf of local and national partner associations.

#### ■ 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 contribute to job creation 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.

### Preventing corruption

The Group supports the fight against corruption and is committed to applying current legislation. To do so, it has adopted procedures, raised awareness among its employees, and implemented controls.

As part of the Group's day-to-day management, Rallye is involved in normal business relationships with all of its subsidiaries. Information on the possibility of conflicts of interest within the Group's governing bodies and Executive Management is presented in the Chairman's report on page 76 of this Registration Document.

#### ■ CASINO

By signing the United Nations Global Compact in 2009, and by introducing its Ethics Charter, the Casino Group reaffirmed its commitment to combating corruption and to promoting human rights within its sphere of influence. Implementation of the Group's anti-corruption programme is the responsibility of each entity's Senior Management. The Group Internal Control department supports them, if necessary, in strengthening the programme, disseminating a guide of the expectations expressed by stakeholders and quick reference cards in subsidiaries in France and abroad. This system was expanded in 2013 to include a Code of Business Conduct, which sets out the rules with which employees must comply in the course of their professional duties.

As part of a continuous improvement process, a cross-functional working group comprising representatives from several Group departments was created in 2015 to reinforce the initiatives and systems put in place by the Group to combat corruption in France and internationally. An action plan was drawn up and presented regularly to the Audit Committee in 2016. It is now part of the programme to comply with the anti-corruption system provided for in French law No. 2016-1691 on transparency, anti-corruption and business reform.

#### ■ GROUPE GO SPORT

In order to avoid any risk of corruption, Groupe GO Sport ensures strict adherence to the rules defined, enabling the smooth implementation of the processes essential to its business. To this end, internal and external audits are regularly conducted concerning, in particular, the division of labour in the different functions, the double checking of financial inflows and outflows, systematic reconciliations of the Group's accounts with those of its partners (banks, customers, suppliers) and stock management through regular inventories. Each half-year, the Internal Audit department submits a report on its activities to the Audit Committee (numbers of checks made, stores concerned, anomalies observed), and proposes action plans on the points raised.

### Lobbying

#### ■ CASINO

The Casino Group lobbies in the countries where it operates through the Public Affairs department, in order to consult, discuss with, and inform elected officials involved in drafting legislation and participate in the work of different organisations that represent its industry. It nurtures regular and open dialogue, which is necessary for building public policy. The Group follows the applicable laws in its host countries relating to corporate financing for political parties.

## Responsible retailer

### ■ CASINO

Food is a key health issue in today's society and a major concern for the Group, which addresses it through a product policy combining safety, nutritional balance, health, pleasure and respect for the environment.

As expressed in its corporate by-line, Casino aims to "nourish a world of diversity" by providing quality products that are affordable for everyone whilst enabling its customers to be more responsible consumers. Three priorities have been identified within the CSR progress approach: act for consumer health by promoting a more balanced diet; encourage consumers to adopt environmentally-responsible and biodiversity-friendly consumption; and combat food waste.

In view of the financial, environmental and social challenges stemming from food waste, the Group has for several years sought to reduce sources of waste by offering solutions to customers and employees, first by implementing systems designed to reduce spoilage and unsold items, and second through donations. In 2013, the Group signed the National Pact to Combat Food Waste set up by the French Ministry of Agriculture and in 2015 it signed the French Ministry of Ecology and Sustainable Development's agreement to combat food waste.

## Ensuring product quality

### ■ CASINO

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

In France and internationally alike, the quality management system deployed within the Group is based on:

- a Group Quality Charter shared with subsidiaries;
- a dedicated organisational structure and expert teams (the Group Quality department, which coordinates regular discussions on best practices and procedures with the subsidiaries' Quality departments);
- International Featured Standards (IFS) and the work of the 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;
- specifications 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.

## Improving the nutritional profile of private label products

### ■ CASINO

The Casino Group's health and nutrition approach, initiated in 2005, is based on the experience and expertise acquired by the Group since 1901, when the very first Casino private label product was created.

Since 2008, the Casino brand has carried out substantial work to reduce salt, sugar and fat in the recipes of more than 2,000 items, in accordance with the recommendations of the National Health Nutrition Plan (PNNS). Product specifications incorporate these requirements. In addition, strict criteria are laid down in respect of food specifications (refusal to use GMOs or ingredients derived from GMOs, irradiated ingredients, etc.) and health/beauty products (no parabens, nanomaterials and animal raw materials, etc.). Similar work has been carried out on the Monoprix brand, in accordance with its Sustainable Nutrition Charter.

In 2010, the Casino Group set up a Health Committee, which meets four times a year to analyse data, the latest scientific trends and consumer expectations in the field of health. The Committee issues recommendations on controversial ingredients such as aspartame, endocrine disruptors, bisphenol and pesticides,

In addition to the nutritional and health criteria imposed on suppliers of private label products, the Casino Group offers several product lines meeting the specific nutritional requirements of some of its consumers, such as those with gluten intolerance.

## Informing consumers about the nutritional value of products

### ■ CASINO

The Casino Group supports the introduction of nutritional labelling to provide better information to consumers. Private label food products feature nutritional labelling stating the energy value, quantity of protein, carbohydrates, sugar, lipids, saturated fats, dietary fibre and sodium, and any allergens in the list of ingredients, as well as the origin of meat in ready meals. The Casino brand applies this labelling at its own initiative on a number of product families that are not subject to the regulations.

Casino participated in and provided financial support for a nationwide public health experiment in 2016, with the aim of establishing an additional nutrition labelling system for Europe. The idea is to choose the most suitable system of labelling to guide consumers in their food choices, and above all the least advantaged populations.

## Promoting products and production methods respectful of health

### ■ CASINO

To reduce consumers' exposure to pesticides and antibiotics, Casino launched the "Agriplus" programme in 2016. It aims to develop and promote innovative agricultural initiatives, virtuous for the environment, for farmers and for consumers.

Given the importance of the "health" issue related to packaging, including the elimination of controversial substances, Casino has begun substantial work to reduce the presence of mineral oils in food packaging so as to protect products against the possible migration of these substances. A dedicated Packaging Quality team supports suppliers and informs them about these new issues, and will soon begin providing educational materials.

**MANAGEMENT REPORT**  
Corporate Social Responsibility

## Promoting balanced consumption

### ■ CASINO

The Group's banners encourage their customers and employees to adopt a healthy lifestyle through sport and good nutrition.

## Encouraging more respectful use of the environment and biodiversity

### ■ CASINO

To promote more environmentally responsible consumption among its customers, the Group has developed several initiatives since 2007 to reduce the environmental impact of the products it sells. They include optimising and reducing packaging, developing more environmentally responsible product ranges, providing environmental information on food products, and carrying out communication campaigns that encourage consumers to return used items 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.

To better understand its impact on biodiversity, the Group conducted an analysis of the pressure placed on biodiversity by food products and Casino stores in France with the Fayol Institute graduate school at the École des mines in Saint-Étienne. The study, based on a lifecycle approach, served to assess three categories of pressure on biodiversity: habitat loss, pollution and climate change. One of the key findings is that the greatest impact is coming from the cattle industry (meat and milk). The full range of results and the appropriate types of initiatives were presented to the Group's quality teams in order to change the technical specifications of products under our brands so as to reduce their impact on biodiversity in the coming years.

### ■ 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 also requests that private-label suppliers issue a letter once per year certifying that no product or packaging exceeds the 0.1% tolerated limit of substances of very high concern to human health per product, and that no product or packaging contains prohibited substances.

External lab tests were conducted in 2016 to verify the truthfulness of information provided by subcontractors. A review of private-label collections is organised each year to identify all of the high-concern substances likely to be present in the different products. These tests are performed prior to the delivery of goods so that action can be taken in the event of non-compliance.

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). At the request of Groupe GO Sport, each supplier is required to disclose information on the impacts of its company's operations on the environment.

At 1 January 2016, Groupe GO Sport also chose to ban the sale of products containing animal fur across the entire GO Sport integrated network, including the GO Sport e-commerce website and its marketplace (external buyers and suppliers who sell products on GO Sport's e-commerce website). In November 2016, Groupe GO Sport also signed the Union Sport & Cycle CSR Code of Conduct, reiterating the need to consider animal well-being in purchasing (private labels and international brands).

## Organic farming and good agricultural practices

### ■ CASINO

The Group offers a wide range of organic products to shoppers, with a total of more than 16,100 products on store shelves. The banners promote these products among customers in special display areas in stores and in targeted marketing campaigns. The Group's banners also carry product ranges produced using Good Agricultural Practices.

The Casino Group's policy on genetically modified organisms (GMOs) was formalised in 1997. The Group's private-label products sold under banners in France (Casino, Monoprix, Leader Price and Franprix) are guaranteed GMO-free with respect to their ingredients and the additives and flavourings used. Outside France, private labels comply with applicable regulations and labelling rules. In Brazil, for example, products are inspected, and indicate the presence of GMOs if they exceed 1%.

The Casino Group was one of the first retailers to commit to a palm oil policy, as early as in 2010. It believes that the only way to achieve the common objective of restricting use of palm oil to that produced without causing deforestation or exploitation is to promote a collective approach among all stakeholders, including NGOs, refiners, plantations and manufacturers. In 2011, it joined the Roundtable on Sustainable Palm Oil (RSPO), responding to numerous stakeholder expectations.

Aware of the social and environmental challenges of beef production in Brazil, in 2009 GPA joined the Working Group on Sustainable Livestock (GTPS). In the wake of new reports about the serious health risks of eating beef, in 2015 GPA carried out a study with the support of TFT to prepare a risk map to track all of its beef suppliers and identify the origins, traceability, breeding conditions and potential risks linked to the meat. The beef sourcing policy was launched in March 2016, in partnership with TFT and with monitoring by Greenpeace. As part of this policy, GPA introduced the "Safe Trace" tool: suppliers were called on to integrate data from their farms into this tool so as to permit the monitoring of the traceability of beef and ensure that the supply chain is not linked to deforestation, forced labour or the exploitation of indigenous lands.

For many years now, the Group has been endeavouring to improve its seafood offering. Since 2007, Casino has taken a number of measures to protect fishery resources, such as gradually stopping the sale of the most endangered deep-sea species (emperor fish, blue ling, cutlass fish, grenadier and tusk, and, since late 2016, tope sharks and blue sharks). It has also stopped selling other endangered species such as North-East Atlantic dogfish, eel, elver and white grouper. Casino continued to support small-scale fishing through the deployment of the "La Criée" concept by partnering with numerous Atlantic and Mediterranean ports.

Since 2011, the Casino Group has launched a range under the "Le Meilleur d'Ici" label, which includes products manufactured within a radius of 100 kilometres around stores and therefore supports local farmers and producers.



## Trusted partner

### Strengthening the ethical social approach

#### ■ CASINO

The Casino Group supports the application of stringent, harmonised standards at national and international level. Involved since 2000 in France's *Initiative Clause Sociale* (ICS) comprising 20 retailing banners, it also supports international initiatives such as the Consumer Goods Forum in its work to harmonise standards and its determination to eradicate forced labour.

Since 2002, the Casino Group has deployed a social ethics initiative for its suppliers in an effort to monitor and improve the social conditions in which its private-label products are manufactured. Managed by the Casino Group's CSR department in association with the Purchasing departments, the initiative has been rolled out at the different entities and social ethics representatives have been appointed to support its implementation.

The Group's social compliance system was reinforced in 2016 with the update of the Supplier Ethics Charter applicable within the Group's supply chain.

The Casino Group's "CSR Spirit" continuous improvement programme dovetails perfectly with the commitments of the Group's Ethics Charter. Communicated to all entities in 2011, this charter highlights the Group's attachment to the principles enshrined in the Universal Declaration of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Under the charter's nine commitments, the Casino Group undertakes (i) to abide by national and international laws, principles, standards and regulations, (ii) to implement fair practices in its commercial relations, (iii) to encourage the development of quality employee relations, based on respect for employee representative bodies and constructive dialogue, (iv) to promote equal opportunity in access to employment, training and career growth, and (v) to take account of the diversity of expectations, needs and lifestyles of the stakeholders with whom the Group interacts. The Ethics Charter and endorsement of the United Nations Global Compact has reaffirmed the Casino Group's commitment to respecting and promoting human rights among all its international subsidiaries and suppliers.

#### ■ GROUPE GO SPORT

The recommendations of the ILO summarised in standard SA 8000 are the basis on which Groupe GO Sport interacts with its suppliers in its CSR approach. 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 the development of suppliers and raising their awareness of CSR challenges

#### ■ CASINO

Since its inception, the Casino Group has maintained a close relationship with its suppliers (SMEs, farmers, cooperatives). It conducts various initiatives to raise their awareness of CSR challenges and the Group's CSR priorities. To encourage more respectful use of the environment, the Group was one of the pioneers of environmental product labelling (carbon and environmental indicators). With this expertise, it has developed a tool for its private-label suppliers to assess the environmental impact of their products and to identify potential avenues of optimisation.

## Supporting local farmers and agricultural production chains

#### ■ CASINO

Local producers are given support to make their production and supply chains, manufacturing standards and administrative management more professional, enabling them to expand their business beyond their commercial relationship with the Casino Group. One of the Casino Group's objectives is to give local products greater visibility in stores. The Group is close to farmers and works to develop sustainable partnerships. It has taken several steps to support producers, cooperatives and farmers.

## Ensuring animal welfare

#### ■ CASINO

Striving to offer products that are consistently more respectful of animal welfare, the Casino Group has been taking action alongside its suppliers to promote animal welfare within production channels. Animal welfare has been included in the new version of the Supplier Ethics Charter, applicable across the entire Casino Group. By signing up to the Charter, suppliers undertake to ensure that, when products or raw materials are derived or obtained from animal farming, the well-being of the animals in question is maintained throughout the supply chain (including breeding, all stages of transport and slaughter).

## MANAGEMENT REPORT

# INDEPENDENT VERIFIER'S REPORT

## ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

*This is a free translation into English of the original report issued in the 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 the 31<sup>st</sup> of December

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC<sup>(1)</sup>, under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Rallye, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31<sup>st</sup> of December 2016, presented in the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the 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 establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company and its subsidiaries Casino Group and Go Sport Group (hereafter referred to as the "Criteria"), and of which a summary is included in the management report and in the reports of its subsidiaries.

## INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 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 VERIFIER

It is our role, based on our work:

- to attest 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 the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;

Our verification work mobilized the skills of three people between February 2017 and March 2017 for an estimated duration of four weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000<sup>(2)</sup>.

## 1. ATTESTATION 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 consequences linked to the activities of the company and its societal commitments, 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 the 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 perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code (*Code de commerce*).

### Conclusion

Based on this work, and given the limitations mentioned above we confirm the presence in the management report of the required CSR information.

<sup>(1)</sup> Scope available at [www.cofrac.fr](http://www.cofrac.fr)

<sup>(2)</sup> ISAE 3000 - Assurance engagements other than audits or reviews of historical information

## 2. LIMITED ASSURANCE ON CSR INFORMATION

### Nature and scope of the work

We undertook two interviews with the people responsible for the preparation of the CSR Information in the different departments<sup>(3)</sup>, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order 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 standards;
- 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 inspections 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.

For the CSR Information which we considered the most important<sup>(4)</sup>:

- 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 analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- At the level of the representative selection of entities that we selected<sup>(5)</sup>, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and to identify potential omissions and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 54 % of the total workforce and between 31% and 41% of the quantitative environmental information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level 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, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

### Conclusion

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

Paris-La Défense, 24 March 2017

*French original signed by:*

Independent Verifier

**ERNST & YOUNG et Associés**

Éric Mugnier

Bruno Perrin

Partner, Sustainable Development

Partner

<sup>(3)</sup> Finance department, Human resources department.

<sup>(4)</sup> **Social information:**

- **Quantitative information:** employment (total headcount and breakdown, hiring and terminations), absenteeism, work accidents, notably their frequency and their severity, number of days of training;

- **Qualitative information:** health and safety at the work place, promotion and respect of the ILO core conventions (freedom of association, anti-discrimination policies and actions, elimination of forced labour and child labour)

**Environmental and Societal information:**

- **Quantitative information:** energy consumptions (thermal and electric), greenhouse gases emissions (scope 1 and 2), share of recovered non-hazardous industrial waste, number of responsible products sold;

- **Qualitative information:** general environmental policy (organisation, training and information delivered to the employees), mitigations actions to reduce food waste, climate change (including emissions related to the use of goods and services), territorial impact, economic and social (employment, regional development, impact on regional and local populations), importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, measures undertaken in favour of consumers' health and safety), actions undertaken to promote and guarantee Human Rights.

<sup>(5)</sup> Brazilian entities Multivarejo, Via Varejo and Assaí, and Go Sport Group as a whole.



## chapter 2

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# CORPORATE GOVERNANCE – CHAIRMAN’S REPORT

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## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

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This section of the Registration Document contains all of the provisions of the report prepared by the Chairman of the Board of Directors, in accordance with Article L. 225-37 of the French Commercial Code, which includes the principles and rules of governance and of corporate officer compensation applied within the Board of Directors and Executive Management as well as internal audit and risk management procedures.

The section of the Chairman's Report on the organisation and functioning of the Board of Directors and Executive Management, as well as on the methods for determining the compensation and benefits awarded to senior executives and other corporate officers, was prepared on the basis of recommendations set out in the Afep-Medef Code, as revised in November 2016, the recommendations contained in the Code's application guide as updated in December 2016 and the report of the Afep-Medef High Committee on Corporate Governance as well as the recommendations of the French securities regulator (*Autorité des marchés financiers* – AMF).

The section of the Chairman's Report on internal audit and risk management was prepared based on work carried out by the departments responsible for internal audit at Rallye, using the internationally recognised COSO (Committee of Sponsoring Organizations of the Treadway Commission) guidelines, which are compatible with the recommendations of the Afep-Medef Code.

The sections of the report falling within the scope of their respective duties were examined by the Appointments and Compensation Committee on 2 March 2017 and 30 March 2017, and by the Audit Committee on 3 March 2017. The report was then approved by the Board of Directors on 6 March 2017 and 3 April 2017. It was made available to the shareholders prior to the Shareholders' Meeting.

It was also the subject of a report by the Statutory Auditors, under Article L. 225-235 of the French Commercial Code, with regard to the internal control procedures relating to the preparation and processing of accounting and financial information, as well as a report concerning the preparation of other disclosures.

## 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 Chairman’s report on corporate governance and the compensation and benefits of corporate officers.

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.

CORPORATE GOVERNANCE – CHAIRMAN’S REPORT

## BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD OF DIRECTORS AT 6 MARCH 2017<sup>(1)</sup>

At 6 March 2017, the Board of Directors had nine members, including three members who qualified as independent (one-third) within the meaning of the Afep-Medef Code and three women. Jean-Charles Naouri serves as Chairman of the Board, a position which is separate from that of General Manager.

| Name                    | Position                                   | Age | Independent Director | Audit Committee | Appointments and Compensation Committee | First elected   | Current term expires | Years on the Board as of the Shareholders' Meeting on 10 May 2017 |
|-------------------------|--|-----|----------------------|-----------------|---|-----------------|----------------------|---|
| Jean-Charles Naouri     | Chairman of the Board                      | 68  |                      |                 |   | 25 October 1993 | 10 May 2017          | 23  |
| Philippe Charrier       | Director                                   | 62  | x                    | Chairman        |   | 3 June 2009     | 10 May 2017          | 8   |
| Jean Chodron de Courcel | Director                                   | 61  | x                    | Member          | Chairman                                | 9 June 2004     | 10 May 2017          | 13  |
| Jacques Dumas           | Director                                   | 64  |                      |                 |   | 19 July 1990    | 10 May 2017          | 26  |
| Catherine Fulconis      | Director                                   | 55  | x                    |                 |   | 13 May 2014     | 10 May 2017          | 3   |
| Virginie Grin           | Permanent representative of Finatis        | 49  |                      |                 |   | 18 May 2016     | 10 May 2017          | 1   |
| Didier Lévêque          | Permanent representative of Foncière Euris | 55  |                      |                 |   | 4 June 2008     | 10 May 2017          | 9   |
| Odile Muracciole        | Permanent representative of Saris          | 56  |                      |                 | Member                                  | 4 May 2011      | 10 May 2017          | 6   |
| Gabriel Naouri          | Permanent representative of Euris          | 35  |                      | Member          |   | 10 March 2011   | 10 May 2017          | 6   |
| Non-voting Directors:   |  |     |                      |                 |   |                 |                      |   |
| Christian Paillot       |  | 69  |                      |                 |   | 18 May 2016     | 10 May 2017          | 1   |
| Jean-Marie Grisard      |  | 74  |                      |                 |   | 18 May 2016     | 10 May 2017          | 1   |

<sup>(1)</sup> The date on which the 2016 financial statements were approved.



The Board of Directors seeks to ensure that its membership is aligned with the principles of the Afep-Medef Code. With the help 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.

Directors are selected for their experience, skills and readiness to be involved in the Group’s development while aiming for a balanced representation of different skills, women and men and independent members. The Appointments and Compensation Committee is responsible for proposing candidates for appointment or reappointment to the Board. The size of the Board is deemed appropriate.

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 on 10 May 2017.

### 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.

### 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 of 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 6 March 2017.

## Summary analysis of the position of each Director with regard to the independence criteria of the Afep-Medef Code

| Independence criteria of the Afep-Medef Code       | 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 | 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 | 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 | Not to have a close family relationship with a corporate officer | Not to have been a Statutory Auditor of the Company in the past five years | Not to have been a Director of the Company for more than 12 years |
|--|---|---|--|--|--|---|
| <b>Independent Directors</b>                       |   |   |  |  |  |   |
| Philippe Charrier                                  | Y   | Y   | Y  | Y  | Y  | Y   |
| Jean Chodron de Courcel                            | Y   | Y   | Y  | Y  | Y  | N   |
| Catherine Fulconis                                 | Y   | Y   | Y  | Y  | Y  | Y   |
| <b>Directors not meeting independence criteria</b> |   |   |  |  |  |   |
| Jacques Dumas                                      | N   | N   | Y  | Y  | Y  | N   |
| Virginie Grin, representing Finatis                | N   | N   | Y  | Y  | Y  | Y   |
| Didier Lévêque, representing Foncière Euris        | N   | N   | Y  | Y  | Y  | Y   |
| Odile Muracciole, representing Saris               | N   | N   | Y  | Y  | Y  | Y   |
| Jean-Charles Naouri                                | N   | N   | Y  | N  | Y  | N   |
| Gabriel Naouri, representing Euris                 | N   | N   | Y  | N  | Y  | Y   |

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

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Board of Directors

The Board noted that Jean Chodron de Courcel, appointed on 9 June 2004, has reached the maximum 12-year limit for serving as a Director and will no longer be deemed independent following the Shareholders' Meeting of 10 May 2017, in accordance with the December 2016 application guide to the Afep-Medef Code.

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 10 May 2017 will reach the maximum 12-year limit in 2017.

### Gender balance

When the renewal of the appointment of Finatis was approved by the Board of Directors on 18 May 2016, the position of permanent representative was filled by a woman, Virginie Grin.

In compliance with the Afep-Medef Code, the Board of Directors included four women (40%) following the 2016 Shareholders' Meeting.

Since Sophie Guieysse's resignation in December 2016, the Board includes only three female Directors. Accordingly, the Appointments and Compensation Committee took steps to select a new female independent Director in order to make a recommendation to the Board of Directors at its meeting on 6 March 2017 and propose the candidate for appointment at the Shareholders' Meeting.

In accordance with the Appointments and Compensation Committee's recommendation, at its meeting of 6 March 2017 the Board of Directors advised the Shareholders' Meeting of 10 May 2017 to appoint Anne Yannic as an independent Director, in compliance with the criteria set forth in the Afep-Medef Code.

### Directors holding more than one office

No Director whose reappointment has been recommended to the Shareholders' Meeting of 10 May 2017 holds more than one office as provided for by law and the Afep-Medef Code which states:

- a Director may not hold more than four offices in companies outside the Group, including foreign companies;
- an executive corporate officer may not hold more than two offices in publicly traded corporations outside the Group, including foreign corporations.

The recommendation is applicable at the appointment or the next reappointment.

In compliance with the recommendations of the Afep-Medef Code, the executive corporate officer must obtain the Board of Directors' approval before accepting a term of office in another publicly traded company.

### 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.

Based on the Board of Directors' proposal, acting on the recommendation of the Appointments and Compensation Committee, Jean-Marie Grisard and Christian Paillot were appointed non-voting Directors at the Shareholders' Meeting of 18 May 2016, after having exercised their duties as Directors of the Company for 18 and 12 years, respectively.

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

### Employee representatives on the Board of Directors

The Board of Directors is not subject to the provisions of Articles L. 225-23 (Directors elected by employee shareholders accounting for more than 3% of the share capital) or L. 225-27 (Directors elected by virtue of the provisions of the articles of association established by the Company) of the French Commercial Code (*Code de commerce*).

In addition, the Board of Directors considers that the appointment to the Board of Directors of its subsidiary, Casino, Guichard-Perrachon, of a Director representing employees, in application of the French law of 17 August 2015 ("the Rebsamen law"), best serves the Group, in light of its core business and workforce breakdown and the law's objectives, justifying the Company's exemption from the obligation to put such a measure in place.

### Proposed composition of the Board of Directors, subject to approval at the Shareholders' Meeting of 10 May 2017

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

Following the Shareholders' Meeting of 10 May 2017, the Board will therefore have nine Directors, including four women (almost 45%), and three independent Directors (one-third).

## SUMMARY OF CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND THE SPECIAL COMMITTEES

The Company’s Shareholders’ Meeting of 18 May 2016 approved all of the proposals submitted to appoint or reappoint Directors and non-voting Directors.

Changes in the composition of the Board of Directors that took place in 2016 and those proposed at the upcoming Shareholders’ Meeting of 10 May 2017 are as follows:

|                      | Shareholders’ Meeting of 18 May 2016   | Shareholders’ Meeting of 10 May 2017   |
|----------------------|--|--|
| Current term expires | <b>Directors:</b><br>Jean-Charles Naouri<br>Philippe Charrier <sup>(1)</sup><br>Jean Chodron de Courcel <sup>(1)</sup><br>Jacques Dumas<br>Catherine Fulconis <sup>(1)</sup><br>Sophie Guieysse <sup>(1)</sup><br>Christian Paillot<br>Euris (Gabriel Naouri)<br>Finatis (Jean-Marie Grisard)<br>Foncière Euris (Didier Lévêque)<br>Saris (Odile Muracciole) | <b>Directors:</b><br>Jean-Charles Naouri<br>Philippe Charrier <sup>(1)</sup><br>Jean Chodron de Courcel <sup>(1)</sup><br>Jacques Dumas<br>Catherine Fulconis <sup>(1)</sup><br>Euris (Gabriel Naouri)<br>Finatis (Virginie Grin)<br>Foncière Euris (Didier Lévêque)<br>Saris (Odile Muracciole) |
| Reappointment        | <b>Directors:</b><br>Jean-Charles Naouri<br>Philippe Charrier <sup>(1)</sup><br>Jean Chodron de Courcel <sup>(1)</sup><br>Jacques Dumas<br>Catherine Fulconis <sup>(1)</sup><br>Sophie Guieysse <sup>(1)(2)</sup><br>Finatis (Virginie Grin)<br>Euris (Gabriel Naouri)<br>Foncière Euris (Didier Lévêque)<br>Saris (Odile Muracciole)                        | <b>Directors:</b><br>Jean-Charles Naouri<br>Philippe Charrier <sup>(1)</sup><br>Jacques Dumas<br>Catherine Fulconis <sup>(1)</sup><br>Euris (Gabriel Naouri)<br>Finatis (Virginie Grin)<br>Foncière Euris (Didier Lévêque)<br>Saris (Odile Muracciole)   |
| Appointment          |  | Anne Yannic <sup>(1)</sup>   |

<sup>(1)</sup> Independent Director.

<sup>(2)</sup> Director who resigned on 10 December 2016.

Changes in the composition of the special committees in 2016 were as follows:

|   | As from 18 May 2016                                      | Since 10 December 2016                 |
|---|--|--|
| <b>Audit Committee</b><br>(no changes in composition) |  |  |
| Chairman  | Philippe Charrier <sup>(1)</sup>                         |  |
| Members   | Jean Chodron de Courcel <sup>(1)</sup><br>Gabriel Naouri |  |
| <b>Appointments and Compensation Committee</b>        |  |  |
| Chairman  | Jean Chodron de Courcel <sup>(1)</sup>                   | Jean Chodron de Courcel <sup>(1)</sup> |
| Members   | Sophie Guieysse <sup>(1)</sup><br>Odile Muracciole       | Odile Muracciole                       |

<sup>(1)</sup> Independent Director.

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Board of Directors

## EXECUTIVE MANAGEMENT

Executive Management has been separate from the Chairmanship of the Board of Directors (Jean-Charles Naouri) since 28 February 2013 and was entrusted to Didier Carlier in his capacity of General Manager until 3 April 2017 when Franck Hattab (former Deputy General Manager, Chief Financial Officer and employee) became General Manager.

## 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 their 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 involving 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. The renewal of these authorisations will be proposed to the Board of Directors on 10 May 2017.

### ■ 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.

Executive Management 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 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 also authorised to issue commercial paper, up to a maximum outstanding amount of €750 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 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 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 exceeds €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

Directors being proposed for reappointment at the Shareholders’ Meeting

### **Jean-Charles Naouri**

Born: 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 General Manager 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 10 May 2017 |
| Chairman of the Board of Directors | 2 April 1998            | Ordinary Shareholders’ Meeting of 10 May 2017 |

#### **Other offices and positions held in 2016 and continuing as of 6 March 2017**

##### **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);
- Member of the Banque de France’s Advisory Committee;
- Honorary Chairman and Director of Institut de l’École Normale Supérieure.

#### **Other offices and positions held in the past five years (excluding those listed above)**

##### **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 NV (listed company – Netherlands);
- Chairman and Director of the Board of Directors of Wilkes Participações (Brazil);
- Manager of SCI Penthievre Neuilly.

##### **Outside the Rallye/Euris Group**

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

**Number of Rallye shares held: 369**

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Board of Directors

#### Philippe Charrier

Born: 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 10 May 2017 |

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### Outside the Rallye Group

- Chairman of the Board of Directors of Dental Emco;
- Director of Médipole Partenaires;
- 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 (excluding those listed above)

- Director and Chairman of the Board of Directors of Labco;
- Director and Chairman of Synlab Limited (United Kingdom);
- Deputy Chairman, General Manager of Laboratoires Oenobiol;
- Director of the Nestlé Foundation for Nutrition;
- Chairman of UNAFAM National.

**Number of Rallye shares held: 1,363**

## Jacques Dumas

Born: 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 10 May 2017 |

### Other offices and positions held in 2016 and continuing as of 6 March 2017

#### Within the Rallye/Euris Group

- Member of the Supervisory Board of Monoprix;
- 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 Mercialis (listed company);
- Manager of SCI Cognac-Parmentier and SCI Longchamp-Thiers.

### Other offices and positions held in the past five years (excluding those listed above)

#### Within the Rallye/Euris Group

- Chairman of Green Yellow;
- Chairman and member of the Supervisory Board of Leader Price Holding;
- Vice-Chairman and member of the Supervisory Board of Franprix Holding;
- 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: 19,800**



## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Board of Directors

#### Catherine Fulconis

Born: 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 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 10 May 2017 |

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### Outside the Rallye Group

- Chair of the Board of Directors of Hermès Parfums.

#### Other offices and positions held in the past five years (excluding those listed above)

##### Outside the Rallye Group

- Chair and General Manager of Hermès Parfums.

Number of Rallye shares held: 450

## Finatis

French joint stock company (*société anonyme*) with 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 10 May 2017 |

### Other offices and positions held in 2016 and continuing as of 6 March 2017

#### 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 (excluding those listed above)

- None.

Number of Rallye shares held: 295

## Permanent representative of Finatis: Virginie Grin, appointed on 18 May 2016

Born: 21 September 1967

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

### Biography

Virginie 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 2016 and continuing as of 6 March 2017

#### 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 (Luxembourg);
- Member of the Supervisory Board of Centrum Baltica SA, Centrum Poznan SA, Centrum Warta SA and Centrum Weiterstadt SA (Luxembourg).

### Other offices and positions held in the past five years (excluding those listed above)

#### 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: 35,129

## CORPORATE GOVERNANCE – CHAIRMAN’S REPORT

### Board of Directors

#### Foncière Euris

French joint stock company (*société anonyme*) with 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 10 May 2017 |

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### Within the Rallye/Euris Group

- Director of Casino, GuichardPerrachon (listed company);
- Chairman of Matignon Abbeville, Marigny Foncière and Mat-Bel 2.

#### Other offices and positions held in the past five years (excluding those listed above)

##### 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: 26,996,291**

## Permanent representative: Didier Lévêque, appointed on 4 June 2008

Born: 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 2016 and continuing as of 6 March 2017

#### Within the Rallye/Euris Group

- Chairman and General Manager of Carpinienne de Participations (listed company), Euris North America Corporation (ENAC), Euristotes Inc., Euris Real Estate Corporation (EREC) and Parande Brooklyn Corp. (United States);
- Chairman of Par-Bel 2 and Matignon Diderot;
- Director of Euris Limited (United Kingdom);
- 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 Penthièvre 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 (excluding those listed above)

#### 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

- Manager of SARL EMC Avenir 2.

Number of Rallye shares held: 68,704

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Board of Directors

#### 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 10 May 2017 |

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### 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 (excluding those listed above)

- None.

Number of Rallye shares held: 355

#### Permanent representative: Gabriel Naouri, appointed on 10 March 2011

Born: 6 July 1981

Business address: 148, rue de l'Université – 75007 Paris, France

#### Biography

Gabriel Naouri has a Master's in applied mathematics from the University of Paris Dauphine. In 2004, he joined the M&A Division of Rothschild & Cie in New York where he was involved in the sale of Swissport, world leader in airport services, then in 2006, he held a position at L'Oréal USA (New York) as Marketing Manager (Consumer Products Division). He joined the Group in early 2007, first, at Rallye as a special assistant, then at Casino where he held various operational positions at stores, including as a hypermarket Manager. He served as Manager of Hypermarket Operations for the Île-de-France region, then Brand, Digital and Innovation Manager for Casino. In January 2014, he was appointed Deputy Manager of International Coordination for the Casino Group. He has also been an advisor at Euris since 2007.

#### Main executive positions

Deputy Manager of International Coordination for the Casino Group;  
Advisor at Euris.

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### Within the Rallye/Euris Group

##### Outside the Rallye/Euris Group

- Manager of Financière GN;
- Director of TicTrac Limited (United Kingdom).

#### Other offices and positions held in the past five years (excluding those listed above)

##### Within the Rallye/Euris Group

##### Outside the Rallye/Euris Group

- Director of Libertad (Argentina);
- Permanent representative of Casino, Guichard-Perrachon, Director of Banque du Groupe Casino;
- Director of Big C Thailand (listed company), Espace Big C Thang Long, Espace Big C Dong Nai and Espace Big C Am Lac (Vietnam).

- Manager of SNC Georges Pompidou.

Number of Rallye shares held: 34,097

## Saris

French simplified joint stock company (*société par actions simplifiée*) with share capital of €2,100,000.

Registered office: 83, rue du Faubourg-Saint-Honoré – 75008 Paris, France

Registration no. 344 212 063 R.C.S. Paris

### Offices and positions held at the Company

| Office/Position | First elected/appointed | Current term expires                          |
|-----------------|-------------------------|---|
| Director        | 29 July 2014            | Ordinary Shareholders’ Meeting of 10 May 2017 |

### Other offices and positions held in 2016 and continuing as of 6 March 2017

#### Within the Rallye/Euris Group

- Director of Carpinienne de Participations (listed company);
- Manager of Euriscom (SNC).

### Other offices and positions held in the past five years (excluding those listed above)

None.

**Number of Rallye shares held: 333**

## Permanent representative: Odile Muracciole, appointed on 4 May 2011

Born: 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 Altly. She joined Euris in 1990 as Manager of Legal Affairs.

### Main executive position

Legal Manager of Euris.

### Other offices and positions held in 2016 and continuing as of 6 March 2017

#### Within the Rallye/Euris Group

- CEO of Matignon Abbeville, Parinvest, Pargest and Parande;
- Chair of Pargest Holding and Saris;
- 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);
- 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 (excluding those listed above)

#### Within the Rallye/Euris Group

- Chair of Eurisma;
- Permanent representative of Eurisma, Director of Rallye (listed company);
- Member of the Supervisory Board of Centrum Warta and Centrum Krakow (Luxembourg).

**Number of Rallye shares held: 44,134**

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Board of Directors

## II. Directors whose appointment is proposed at the Shareholders' Meeting

### Anne Yannic

Born: 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 2016 and continuing as of 6 March 2017

##### Within the Rallye/Euris Group

- None.

##### Outside the Rallye/Euris Group

- Manager of LaMaison.

#### Other offices and positions held in the past five years (excluding those listed above)

##### 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.

## III. Directors whose term expired in 2016

### Sophie Guieysse

Born: 19 February 1963

#### Biography

Sophie Guieysse is a graduate of École Polytechnique, the École Nationale des Ponts et Chaussées and the Collège des Ingénieurs. She began her career at the French Ministry of Equipment where she held various operational positions. From 1993 to 1995, she worked as technical advisor in the office of Hervé de Charette, French Minister for Housing, then for Jean-Claude Gaudin, French Minister for Regional Development, Urban Planning and Integration (1995-1997). In 1997, she joined the LVMH group as Head of Development and Organisation, responsible, in particular, for human resources. In 2000, she became Human Resources Manager for the LVMH Watches and Jewellery division (France and Switzerland) and in 2001, Human Resources Manager for Sephora. She was appointed Human Resources Manager for the LVMH group in 2002. She was Human Resources Manager for the Canal+ group from 2005 to 2015. Since September 2016, she has been Advisor to the Chairman of Christian Dior Couture.

#### Main executive position

Advisor to the Chairman of Christian Dior Couture.

#### Offices and positions held at the Company

| Office/Position | First elected/appointed | Current term expires |
|-----------------|-------------------------|----------------------|
| Director        | 19 May 2015             | 10 December 2016     |

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### Within the Rallye/Euris Group

- None.

##### Outside the Rallye/Euris Group

- None.

#### Other offices and positions held in the past five years (excluding those listed above)

##### Within the Rallye/Euris Group

- Director of Groupe GO Sport.

##### Outside the Rallye/Euris Group

- Director of TVN Group (listed company).

Number of Rallye shares held: 300



## IV. Non-voting Director whose appointment is proposed at the Shareholders' Meeting of 10 May 2017

### Jean Chodron de Courcel, Director until the Shareholders' Meeting of 10 May 2017

Born: 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                          |
|-----------------|-------------------------|---|
| Director        | 9 June 2004             | Ordinary Shareholders' Meeting of 10 May 2017 |

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### Outside the Rallye Group

- Manager of Semper Consulting.

#### Other offices and positions held in the past five years (excluding those listed above)

##### Outside the Rallye Group

- Senior Advisor of Canaccord Genuity Hawkpoint;
- Deputy Chairman-Europe of Canaccord Genuity Hawkpoint.

Number of Rallye shares held: 376

## V. Non-voting Director whose reappointment is proposed at the Shareholders' Meeting of 10 May 2017

### Christian Paillot

Born: 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 10 May 2017 |

#### Biography

Christian Paillot 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, a Member of the International Equestrian Federation and Deputy Chairman of the European Equestrian Federation. He is currently Chairman of Paillot Equine Consulting Inc., Martina LLC and Celina LLC.

#### Main executive position

Chairman of Paillot Equine Consulting Inc., Martina LLC and Celina LLC.

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### Outside the Rallye Group

- Chairman of United States companies Paillot Equine Consulting Inc., Martina LLC and Celina LLC.

#### Other offices and positions held in the past five years (excluding those listed above)

##### Outside the Rallye 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

**CORPORATE GOVERNANCE – CHAIRMAN'S REPORT**  
Board of Directors

## VI. Non-voting Director whose term expires at the Shareholders' Meeting of 10 May 2017

### Jean-Marie Grisard

Born: 1 May 1943

#### 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 10 May 2017 |

#### Biography

A graduate of HEC School of Management, Jean-Marie Grisard began his career with the mining group, Peñarroya-Le-Nickel-Imétal, where he held various positions in Paris and London. In 1982, he was appointed finance Director of Francarep, which became ParisOrléans. In 1988, he joined Euris as Company Secretary and remained until 2008.

#### Main executive position

Advisor to the Chairman of Casino, Guichard-Perrachon (listed company).

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### Within the Rallye/Euris Group

- Director of Carpinienne de Participations (listed company);
- Director of the Euris Foundation.

##### Outside the Rallye/Euris Group

- Manager of Fregatinvest.

#### Other offices and positions held in the past five years (excluding those listed above)

##### Within the Rallye/Euris Group

- Advisor to the Chairman of Euris;
- Permanent representative of Matignon Diderot on the Board of Directors of Casino, Guichard-Perrachon (listed company);
- Permanent representative of Finatis (listed company) on the Board of Directors of Rallye (listed company);
- Director of Euris Limited (United Kingdom);
- Member of the Executive Committee and Deputy Treasurer "Promotion des Talents", a non-profit organisation.

**Number of Rallye shares held: 4,231**

## EXECUTIVE MANAGEMENT

### Didier Carlier, General Manager until 3 April 2017

Born: 5 January 1952

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

#### Biography

Didier Carlier is a graduate of the École Supérieure de Commerce de Reims (Reims Management School) and is a certified public accountant. He started his career in 1975 with Arthur Andersen (Audit department), rising to the position of Manager. He subsequently served as Company Secretary at Équipements Mécaniques Spécialisés and as Chief Financial Officer at Hippopotamus. He joined the Rallye Group in 1994, as Chief Financial Officer, and was appointed Deputy General Manager in 2002. As General Manager of Rallye until 3 April 2017, he currently acts as Advisor to the Chairman of Rallye.

#### Main executive position

Advisor to the Chairman of Rallye.

#### Other offices and positions held in 2016 and continuing as of 6 March 2017

##### Within the Rallye/Euris Group

- Chairman and General Manager of Miramont Finance et Distribution and La Brugère;
- Chairman of Alpétrol, Cobivia, L'Habitation Moderne de Boulogne, Les Magasins Jean, Matignon Sablons and Parande;
- Chairman and General Manager of MFD Inc. (United States);
- Representative of Parande, Chairman of Pargest and Parinvest;
- Permanent representative of Cobivia on the Board of Directors of Casino, Guichard-Perrachon (listed company);
- Permanent representative of Matignon Sablons, Director of Groupe Go Sport;
- Legal Manager of SCI Kergorju, Les Sables and Perrières.

##### Outside the Rallye/Euris Group

- Manager of SC Dicaro.

#### Other offices and positions held in the past five years (excluding those listed above)

##### Within the Rallye/Euris Group

- Chairman of Genty Immobilier et Participations;
- General Manager of Limpart Investments BV (Netherlands);
- Permanent representative of Foncière Euris, Director of Rallye (listed company);
- Permanent representative of Matignon Diderot, Director of Rallye (listed company);
- Permanent representative of Euris on the Board of Directors of Casino, Guichard-Perrachon (listed company);
- Chairman of United States companies Cragon LLC, King LLC, Lobo I LLC, Oregon LLC, Parker I LLC, Pointer I LLC, Sharper I LLC and Summit I LLC.

Number of Rallye shares held: **88,405**

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Executive Management

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#### **Franck Hattab, Deputy General Manager then General Manager since 3 April 2017**

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Born: 14 November 1971

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

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##### **Biography**

Franck Hattab graduated from EDHEC and started his career in 1994 as a Credit Analyst at Société Générale. He later held the position of Auditor at KPMG for three years before joining the Finance department of Rallye in 1999 as Chief Financial Officer. He was appointed Deputy General Manager of Rallye on 28 February 2013, then General Manager of Rallye on 3 April 2017.

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##### **Main executive position**

General Manager of Rallye.

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##### **Other offices and positions held in 2016 and continuing as of 6 March 2017**

###### **Within the Rallye/Euris Group**

- Permanent representative of Rallye (listed company) on the Board of Directors of Miramont Finance et Distribution;
  - Permanent representative of Alpérol, Director of Groupe GO Sport;
  - Permanent representative of Matignon Sablons on the Board of Directors of La Bruyère.
- 

##### **Other offices and positions held in the past five years (excluding those listed above)**

###### **Within the Rallye/Euris Group**

- Permanent representative of Kerrous on the Board of Directors of La Bruyère;
  - 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.
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Number of Rallye shares held: 51,156

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## 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 operating 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 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 6 March 2017. They include and specify the different rules that are applicable by law, the regulations and the Company's articles of association. They include corporate governance principles with which they ensure compliance.

The internal rules 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.

The internal rules 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.

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 may 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.

## Authority and duties of the Board of Directors

Under the provisions of Article L. 225-35 of the French Commercial Code, the Board of Directors decides on the Company's business strategy and ensures that it is implemented. 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 Chairman's Report prior to its being approved. 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.

## Activity of the Board of Directors during the past year

In 2016, the Board of Directors met four times. The attendance of Directors at these meetings was 100%.

### 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 2015 and the interim financial statements of the Group for the first half of 2016, 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 Ordinary and Extraordinary Shareholders' Meeting held on 18 May 2016. 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 of Directors approved various transactions subject to its authorisation. This included, in particular, an amendment to the strategic advisory services agreement with Eurus, as well as the provision of guarantees regarding commitments made by the Company's subsidiaries when financial and real estate transactions were arranged. It also reviewed and, if necessary, authorised credit lines set up by the Company and its subsidiaries within the holding company's scope.

As part of the Casino Group's debt reduction plan, the Board was informed of the disposal of Casino (Big C) activities in Thailand and Vietnam, the reorganisation of Cnova's business and the planned sale of Casino's interest in Via Varejo.

The Board of Directors examined the policy for professional gender equality within the Company.

The Board of Directors reviewed the main changes arising from the entry into force of the European statutory audit reform of 17 June 2016. As a result, the Board of Directors approved the amendments to the Audit Committee charter as well as the Audit Committee's procedure for the pre-authorisation of non-audit services carried out by the Group's Statutory Auditors, based on their type and amount.

The Board of Directors also acknowledged the changes to the European market abuse reform, specifically regarding inside information and declarations senior executives, corporate officers and persons with close personal ties to senior executives or corporate officers are required to make to the AMF regarding their transactions in shares of listed companies, as well as regarding lists of permanent insiders.

The Board of Directors approved the Chairman's Report on governance, and on the internal audit and risk management procedures.

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.

## Compensation

The Board of Directors determined the 2016 fixed compensation and 2015 variable compensation of Didier Carlier in his capacity as General Manager and of Franck Hattab in his capacity as Deputy General Manager, Chief Financial Officer and employee. The Board also established methods for determining their 2016 variable compensation. The Company does not pay the Chairman of the Board of Directors any fixed or variable compensation other than directors' fees for his directorship.

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Executive Management

The Board of Directors also determined the manner and terms for awarding a long-term and conditional bonus to the General Manager and to the Deputy General Manager.

It also examined the terms for allocating 2015/2016 directors' fees to Directors, non-voting Directors and members of the Board's special committees. It decided on the award of free shares to managers and employees of the Group and its affiliates, subject to continued employment and performance conditions.

### Corporate 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 18 May 2016.

In connection with the renewal of the appointment of the General Manager and the Deputy 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.

### 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, the General Manager and/or the Deputy General Manager 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

The Audit Committee has three members, two of whom are independent (two-thirds): Philippe Charrier, Chairman, Jean Chodron de Courcel and Gabriel Naouri, all of whom have been appointed for the duration of their terms as Directors.

All members of the Audit Committee hold or have held executive or management positions and as such have the financial or accounting expertise required under Article L. 823-19 of the French Commercial Code.

#### ■ 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.

For the audit of the Company's annual and interim financial statements, the Audit Committee meets at least two days before the Board Meeting convened to approve them.

The Audit Committee charter specifies organisational and operational rules as well as the Committee's expertise and role.

#### ■ ACTIVITIES IN 2016

The Audit Committee met three times in 2016, 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 2016 to the Statutory Auditors.

The Committee also reviewed the Finance and Accounting department's report on risks and off-balance sheet commitments, and Rallye's risk prevention documents, as well as the Chairman's Report on internal control and risk management procedures.

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 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.

The Committee reviewed the European statutory audit reform and advised that the appropriate changes be made to its charter. Within the new regulatory framework, it also approved the implementation of a procedure for the pre-approval by the Audit Committee of non-audit services carried out by Group's Statutory Auditors, based on their type and amount.

The Chairman of the Audit Committee reported to the Board on the work done at each of these meetings.

## Appointments and Compensation Committee

### ■ COMPOSITION

The Appointments and Compensation Committee has had two members since Sophie Guieysse, an independent Director, resigned in December 2016. Jean Chodron de Courcel, independent Director and Chairman, and Odile Muracciole have been appointed for the duration of their terms as Directors.

The Chairman of the Board of Directors takes part in the selection process for new Directors.

### ■ 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.

The Appointments and Compensation Committee established a charter, confirming its powers and authorities with regard to the assessment the Board of Directors’ performance and verifying that the corporate governance principles and code of conduct are being properly applied and adhered to.

### ■ ACTIVITIES IN 2016

The Appointments and Compensation Committee met four times in 2016, 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 Appointments and Compensation Committee issued its recommendations regarding reducing the number of Directors from 11 to 10 and gave its favourable opinion of the renewal of the appointments of Directors and the appointment of two new non-voting Directors submitted to the Shareholders’ Meeting of 18 May 2016. The Committee also expressed a favourable opinion on the renewal of the appointment of the Chairman of the Board of Directors, the General Manager and the Deputy General Manager, and made recommendations regarding the composition of the Board’s Committees following the changes to the composition of the Board.

At the end of 2016, the Committee implemented the selection procedure for a new female Director to prepare its recommendation for the Shareholders’ Meeting on 10 May 2017. The Committee expressed its support for the methods for determining 2016 fixed and variable compensation, and long-term variable compensation for the General Manager and the Deputy General Manager, as well as for the Chief Financial Officer and employee.

The Committee drew conclusions primarily based on a study carried out by an independent specialist firm.

The Committee also reviewed the award of stock options and free shares to managerial staff and employees of the Company and related companies, as well as the 2015/2016 Director’s fees to be awarded to Board members, non-voting Directors, and members of the special committees.

To comply with Afep-Medef Corporate Governance Code recommendations on advisory shareholder votes, the Committee reviewed the information and components of the compensation due or awarded in 2015 to executive corporate officers provided to the Shareholders’ Meeting.

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.

When the terms of office of the General Manager and the Deputy General Manager were renewed, the Committee formulated recommendations on maintaining the limitation on the powers of Executive Management and on the specific annual authorisations granted to it.

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 of 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.

Its conclusions will be presented to the Appointments and Compensations Committee then to the Board of Directors on 10 May 2017.

## 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 to 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.

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.



## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Executive Management

As regards rules concerning avoiding and managing conflicts of interest, the internal rules specify that all Directors are required to advise the Board of any actual or potential conflict 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 specify that each Director appointed by the Shareholders' Meeting, individual, legal entity or permanent representative is also committed to hold a number of shares in the Company equivalent to the sum of at least one year's directors' fees, which can be used to buy shares.

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 Company updated its internal rules following changes in laws and regulations for the prevention of market abuse, specifically, European Regulation 596/2014 of 16 April 2014, which came into force on 3 July 2016.

Based on the recommendation of the Appointments and Compensation Committee, the Board of Directors amended its internal rules and adopted a stock market code of conduct. The code 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 day prior to the publication by the Company of a press release announcing quarterly financial information 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, with the exception of those between Jean-Charles Naouri and Gabriel Naouri.

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 assistance from Euris, its ultimate controlling parent of which Jean-Charles Naouri is the main controlling shareholder and which provides ongoing strategic and development consulting services. The terms and conditions of these services are set forth in an agreement signed in 2003 and its two amendments dated 16 June 2008 and 28 January 2015 (previously authorised by the Board of Directors and approved by the Shareholders' Meeting pursuant to the procedure for related-party agreements and commitments), and a third amendment signed 16 December 2016 following authorisation by the Board of Directors on 15 December 2016, under which €1.99 million (excluding taxes) was invoiced in 2016 using terms and conditions applicable since 2015.

The agreement was also renewed for a period of three years retaining the same billing terms and conditions in accordance with amendment no. 4 of 14 March 2017 authorised by the Board to Directors on 6 March 2017.

Amendments nos. 3 and 4 were submitted to the Shareholders' Meeting of 10 May 2017 and are mentioned in the Statutory Auditors' special report in this Registration Document.

Moreover, Euris provides strategic consulting services to Company subsidiaries, and particularly to the Casino Group. 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 175 of this Registration Document).

Jean-Charles Naouri, Jacques Dumas, Jean-Marie Grisard, Didier Lévêque, Gabriel Naouri, Virginie Grin and Odile Muracciole, Directors or permanent representatives of Group companies, as well as Didier Carlier and 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 208.

- 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 2016, directly or through an intermediary, between a Company subsidiary and the General Manager and/or the Deputy 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 16 December 2016 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 INFORMATION IN THE CHAIRMAN’S REPORT

### Methods for attending Shareholders’ Meetings

Methods for attending Shareholders’ Meetings are set forth in Articles 25, 27 and 28 of the articles of association (see pages 247 and 248 of this Registration Document).

### Factors which may have an impact in the event of a public offer

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 22 *et seq.*

The articles of association contain no restrictions on voting rights or the transfer of shares. There are no agreements known to the Company by virtue of Article L. 233-11 of the French Commercial Code that contain pre-emption rights with respect to the sale or purchase of the Company’s shares.

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.

There are no employee share schemes where the voting rights are not exercised directly by the employees. The rules governing the appointment and replacement of Board members and amendment of the articles of association are described on pages 245 *et seq.*

The powers of the Board of Directors are described on page 72.

The Board’s powers to issue and buy back shares are described on page 24 and page 22 respectively.

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 offer.

## COMPENSATION RECEIVED BY SENIOR EXECUTIVES AND OTHER CORPORATE OFFICERS

### Methods for determining the compensation and benefits awarded to senior executives and other corporate officers

#### Executive Management

The compensation paid to Didier Carlier in his capacity as General Manager, and to Franck Hattab in his capacity as Deputy General Manager and Chief Financial Officer includes both a fixed and variable portion. The basis for their determination is decided each year by the Board of Directors, after consulting with the Appointments and Compensation Committee, and as applicable, based on studies carried out by external consultants.

Variable compensation is assessed in accordance with objectives corresponding to Rallye Group’s key business indicators and aligned with the Company’s primary objectives.

To assess achievement, each criteria also has a pre-defined minimum threshold, a target level in line with Company objectives and an outperformance level.

2016 compensation for the General Manager and Deputy General Manager was established as follows:

#### 1/ 2016 FIXED COMPENSATION FOR THE GENERAL MANAGER AND THE DEPUTY GENERAL MANAGER

Gross fixed compensation for 2016 is set at €535,500 for the General Manager, and at €350,000 for the Deputy General Manager.

#### 2/ 2016 ANNUAL VARIABLE COMPENSATION FOR THE GENERAL MANAGER AND THE DEPUTY GENERAL MANAGER

2016 variable compensation for the General Manager and the Deputy General Manager is determined based on terms and conditions defined by the Board of Directors on 8 March 2016.

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Executive Management

It was assessed based on:

- two quantitative objectives: the reduction in the cost of debt and improvement in the ratio of consolidated EBITDA to financial expenses;
- individual qualitative objectives;
- managerial attitudes and behaviour.

The Group quantitative objectives have been established in advance and precisely defined and are assessed according to Rallye Group's key business indicators. A new target level corresponding to the Group's objectives and a minimum achievement threshold and an outperformance level have also been established in advance. Detailed figures are not published for confidentiality reasons.

#### General Manager

2016 annual variable compensation for Didier Carlier, in his capacity as General Manager, will represent €200,000 (37% of fixed compensation) in the event that all targets and objectives are achieved, and up to €400,000 (74% of fixed compensation) in the event that they are exceeded. Based on the level of achievement, 2016 variable compensation, decided by the Board of Directors on 6 March 2017, amounted to €279,000, and therefore attained 139.5% of the target amount, representing 52% of fixed compensation.

#### Deputy General Manager

2016 annual variable compensation for Franck Hattab, in his capacity as Deputy General Manager and Chief Financial Officer, will represent €100,000 (28% of fixed compensation) in the event that all targets and objectives are achieved, and up to €200,000 (56% of fixed compensation) in the event that they are exceeded. Based on the level of achievement, 2016 variable compensation, decided by the Board of Directors on 6 March 2017, amounted to €174,750, and therefore attained 174.8% of the target amount, representing 50% of fixed compensation.

### 3/ DEFERRED AND CONDITIONAL BONUS

In July 2016, the General Manager and the Deputy General Manager were awarded deferred and conditional bonuses determined exclusively based on three strictly quantitative objectives (i) the cost of debt, (ii) the ratio of consolidated EBITDA to financial expenses and (iii) the change in the Rallye share price, for a gross target amount of €208,000 with a minimum achievement threshold and a target level corresponding to the Group's objectives without any reward in the event that objectives are exceeded. Deferred and conditional bonuses will be paid at the end of a period expiring on 28 July 2018, subject to continued employment with the Group and performance conditions.

### Other corporate officers

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 18 May 2016, 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 2016 to Directors, non-voting Directors, and members of the special committees for the term then ended, totalled €260,000, compared to €230,000 for the previous term.

## 2016 compensation of Jean-Charles Naouri as Chairman of the Board of Directors

### 1. Compensation and directors' fees due and paid by Rallye

The compensation, directors' fees and all types of benefits due and paid by Rallye to Jean-Charles Naouri, Chairman of the Board of Directors, for and during 2015 and 2016 are as follows:

| (In €)                             | 2015                      |                            | 2016                      |                            |
|------------------------------------|---------------------------|----------------------------|---------------------------|----------------------------|
|                                    | Amount due <sup>(1)</sup> | Amount paid <sup>(2)</sup> | Amount due <sup>(1)</sup> | Amount paid <sup>(2)</sup> |
| Fixed compensation                 | -                         | -                          | -                         | -                          |
| Annual variable compensation       | -                         | -                          | -                         | -                          |
| Multi-annual variable compensation | -                         | -                          | -                         | -                          |
| Deferred variable compensation     | -                         | -                          | -                         | -                          |
| Exceptional bonus                  | -                         | -                          | -                         | -                          |
| Directors' fees <sup>(3)</sup>     | 10,000                    | 10,000                     | 10,000                    | 10,000                     |
| Benefits in kind                   | -                         | -                          | -                         | -                          |
| <b>TOTAL</b>                       | <b>10,000</b>             | <b>10,000</b>              | <b>10,000</b>             | <b>10,000</b>              |

(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.

(3) Corresponds to directors' fees due or awarded by the Company in 2015 and 2016. Jean-Charles Naouri is not paid any additional directors' fees in his capacity as Chairman of Rallye's Board of Directors.

## 2. Stock options 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 Rallye shares, 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 all types of benefits due and paid to the Chairman of the Board of Directors for and during 2015 and 2016, by Rallye, by the companies that it controls or that control it or are controlled by the latter:

| (In €)   | 2015             |                          | 2016             |                                |
|--|------------------|--------------------------|------------------|--------------------------------|
|  | Amount due       | Amount paid              | Amount due       | Amount paid                    |
| Compensation due for the year (gross)          | 1,328,508        | 1,337,639 <sup>(1)</sup> | <b>1,947,620</b> | <b>1,322,500<sup>(2)</sup></b> |
| Value of stock options granted during the year | No grant         |                          | <b>No grant</b>  |                                |
| Value of free shares awarded during the year   | No grant         |                          | <b>No grant</b>  |                                |
| <b>TOTAL</b>                                   | <b>1,328,508</b> | <b>1,337,639</b>         | <b>1,947,620</b> | <b>1,322,500</b>               |

(1) Compensation and/or directors’ fees paid in 2015 by Casino, Guichard-Perrachon (fixed compensation of €480,000 with no variable compensation paid, and directors’ fees of €12,500), Cnova (directors’ fees for 2014 and 2015 of €15,139), Rallye (directors’ fees of €10,000) and Euris (€820,000, comprising a fixed portion of €520,000 and a variable portion of €300,000).

(2) Compensation and/or directors’ fees paid in 2016 by Casino, Guichard-Perrachon (fixed compensation of €480,000 with no variable compensation paid, and directors’ fees of €12,500), Rallye (directors’ fees of €10,000) and Euris (€820,000, comprising a fixed portion of €520,000 and a variable portion of €300,000).

## 4. Employment contract, supplementary retirement plan, severance pay and non-compete clause compensation: 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  |

## 2016 compensation for Didier Carlier, General Manager until 3 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 2015 and 2016 are as follows:

| (In €)                                      | 2015                      |                            | 2016                      |                            |
|---|---------------------------|----------------------------|---------------------------|----------------------------|
|   | Amount due <sup>(3)</sup> | Amount paid <sup>(4)</sup> | Amount due <sup>(3)</sup> | Amount paid <sup>(4)</sup> |
| Fixed compensation <sup>(1)</sup>           | 510,000                   | 510,000                    | <b>535,500</b>            | <b>535,500</b>             |
| Annual variable compensation <sup>(2)</sup> | 269,682                   | 251,190                    | <b>279,000</b>            | <b>269,682</b>             |
| Multi-annual variable compensation          | -                         | -                          | -                         | -                          |
| Deferred variable compensation              | -                         | -                          | -                         | -                          |
| Exceptional bonus                           | -                         | -                          | -                         | -                          |
| Directors’ fees                             | -                         | -                          | -                         | -                          |
| Benefits in kind                            | -                         | -                          | -                         | -                          |
| <b>TOTAL</b>                                | <b>779,682</b>            | <b>761,190</b>             | <b>814,500</b>            | <b>805,182</b>             |

(1) Gross compensation before taxes and charges.

(2) The basis for determining 2016 variable compensation is detailed on page 77 of this Registration Document.

(3) Compensation awarded for the year irrespective of the payment date.

(4) Total compensation paid by the Company during the year.

On 28 July 2016, Didier Carlier, in his capacity as General Manager, was awarded a deferred and conditional bonus in the target amount of €208,000, which will be paid to him at the end of a period expiring on 28 July 2018, subject to performance and continued service conditions.

### 2. Stock options for new or existing shares and free shares awarded the General Manager by the Company and/or companies that it controls, that control it or that are controlled by the latter: none

In 2016, no stock options for new or existing shares or free shares were awarded to Didier Carlier, in his capacity as General Manager, by Rallye, or by the companies that it controls or companies controlling it or the companies that are controlled by the latter.

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Executive Management

### 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 all types of benefits due and paid for and during 2015 and 2016, by Rallye, by the companies that it controls or that control it or are controlled by the latter:

| (In €)   | 2015           |                        | 2016           |                        |
|--|----------------|------------------------|----------------|------------------------|
|  | Amount due     | Amount paid            | Amount due     | Amount paid            |
| Compensation due for the year (gross)          | 779,682        | 777,690 <sup>(1)</sup> | 827,000        | 816,182 <sup>(2)</sup> |
| Value of stock options granted during the year |                | No grant               |                | No grant               |
| Value of free shares awarded during the year   |                | No grant               |                | No grant               |
| <b>TOTAL</b>                                   | <b>779,682</b> | <b>777,690</b>         | <b>827,000</b> | <b>816,182</b>         |

(1) Compensation and/or directors' fees and/or benefits in kind paid by Casino, Guichard-Perrachon (€12,500), Rallye (€761,190) and Groupe GO Sport (€4,000).

(2) Compensation and/or directors' fees and/or benefits in kind paid by Casino, Guichard-Perrachon (€71,000) and Rallye (€814,500).

### 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 <sup>(1)</sup>    |    | X <sup>(2)</sup>              |    |  | X  |   | X  |

(1) Didier Carlier's employment contract dated 4 May 1994 was suspended on 28 February 2013 when he was appointed as General Manager.

(2) Didier Carlier is a member of the Group mandatory pension and supplementary retirement plan set for all Group employees. He also benefits from the defined-benefit supplementary retirement plan in force in the Company.

## 2016 compensation of Franck Hattab, Deputy General Manager and Chief Financial Officer until 3 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 2015 and 2016 are as follows:

| (In €)                             | 2015                      |                            | 2016                      |                            |
|------------------------------------|---------------------------|----------------------------|---------------------------|----------------------------|
|                                    | Amount due <sup>(2)</sup> | Amount paid <sup>(3)</sup> | Amount due <sup>(2)</sup> | Amount paid <sup>(3)</sup> |
| Fixed compensation <sup>(1)</sup>  | 312,000                   | 312,000                    | 350,000                   | 350,000                    |
| Annual variable compensation       | 134,591                   | 118,989                    | 174,750                   | 134,591                    |
| Multi-annual variable compensation | -                         | -                          | -                         | -                          |
| Deferred variable compensation     | -                         | -                          | -                         | -                          |
| Exceptional bonus                  | -                         | -                          | -                         | -                          |
| Directors' fees                    | -                         | -                          | -                         | -                          |
| Benefits in kind                   | -                         | -                          | -                         | -                          |
| <b>TOTAL</b>                       | <b>446,591</b>            | <b>430,989</b>             | <b>524,750</b>            | <b>484,591</b>             |

(1) Gross compensation before taxes and charges. For his salaried duties as Chief Financial Officer, Franck Hattab received fixed compensation of €300,800 in 2015 and €337,500 in 2016, and fixed compensation for his duties as Deputy General Manager since 28 February 2013 of €11,200 in 2015 and of €12,500 in 2016.

(2) The basis for determining 2016 variable compensation is detailed on page 77 of this Registration Document.

(3) Compensation awarded for the year irrespective of the payment date; All compensation paid by the Company during the year.

On 28 July 2016, Franck Hattab, in his capacity as Deputy General Manager and Chief Financial Officer, was awarded a deferred and conditional bonus in the target amount of €208,000, which will be paid to him at the end of a period expiring on 28 July 2018, subject performance and continuous service conditions.

## 2. Stock options 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 2016, 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 all types of benefits due and paid for and during 2015 and 2016 by Rallye, by the companies that it controls or that control it or are controlled by the latter:

| (In €)   | 2015           |                        | 2016           |                              |
|--|----------------|------------------------|----------------|------------------------------|
|  | Amount due     | Amount paid            | Amount due     | Amount paid                  |
| Compensation due for the year (gross)          | 446,591        | 434,989 <sup>(1)</sup> | <b>524,750</b> | <b>484,591<sup>(2)</sup></b> |
| Value of stock options granted during the year |                | No grant               |                | <b>No grant</b>              |
| Value of free shares granted during the year   |                | No grant               |                | <b>No grant</b>              |
| <b>TOTAL</b>                                   | <b>446,591</b> | <b>434,989</b>         | <b>524,750</b> | <b>484,591</b>               |

(1) Compensation and/or directors' fees and/or benefits in kind paid by Rallye (€430,989) and by Groupe GO Sport (€4,000).

(2) 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 <sup>(1)</sup>    |    | X <sup>(2)</sup>              |    |  | X  |   | X  |

(1) Since 1 March 1999 Franck Hattab has mainly exercised his salaried duties of Chief Financial Officer. As the Deputy General Manager, he assists the General Manager.

(2) Franck Hattab is a member of the Group mandatory pension and supplementary retirement plan set up for all Group employees. He also benefits from the defined benefits supplementary retirement plan in force within the Group.

### Shareholders' Meeting advisory opinion on compensation for executive corporate officers

In accordance with the recommendations of the Afep-Medef Corporate Governance Code, at the Company's Annual Shareholders' Meeting of 10 May 2017, the shareholders will be asked to give an advisory opinion on the components of compensation due or awarded to executive corporate officers in respect of 2016. For this purpose, a specific document summarising all of these items and any relevant information relating to them is presented on page 211.

### Methods for determining 2017 compensation and all types of benefits awarded to executive corporate officers

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code (*Code de commerce*), the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components comprising the aggregate total compensation and benefits in kind for 2017 for which executive corporate officers are eligible in connection with their terms of office must be approved by shareholders at the Shareholders' Meeting of 10 May 2017.

Based on the recommendations of the Appointments and Compensation Committee, the Board of Directors approved at its meetings on 6 March 2017 and 3 April 2017 the components for determining the 2017 compensation package for the Company's executive corporate officers.

The Board of Directors' special report on the components of compensation, pursuant to Article L. 225-37-2 of the French Commercial Code, is provided on page 214.

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### Executive Management

## Compensation received by other corporate officers

The total amount of compensation and directors' fees paid to Company officers other than Jean-Charles Naouri, Didier Carlier 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 2015                               |                        | In 2016         |                                   |
|                                     | Directors' fees                       | Other compensation     | Directors' fees | Other compensation <sup>(1)</sup> |
| Philippe Charrier                   | 40,000                                | -                      | 40,000          | -                                 |
| Jean Chodron de Courcel             | 40,000                                | -                      | 40,000          | -                                 |
| André Crestey (non-voting director) | 20,000                                | 64,000                 | 20,000          | 45,000                            |
| Jacques Dumas                       | 20,000                                | 891,487 <sup>(2)</sup> | 20,000          | 903,801 <sup>(2)</sup>            |
| Catherine Fulconis                  | 20,000                                | -                      | 20,000          | -                                 |
| Jean-Marie Grisard <sup>(3)</sup>   | 10,000                                | -                      | 10,000          | -                                 |
| Sophie Guieysse <sup>(4)</sup>      | -                                     | -                      | 30,000          | -                                 |
| Virginie Grin <sup>(5)</sup>        | -                                     | -                      | -               | 327,017 <sup>(5)</sup>            |
| Didier Lévêque                      | 10,000                                | 796,198 <sup>(6)</sup> | 10,000          | 802,784 <sup>(6)</sup>            |
| Odile Muracciole                    | 10,000                                | 480,000 <sup>(7)</sup> | 10,000          | 502,904 <sup>(7)</sup>            |
| Gabriel Naouri <sup>(8)</sup>       | 20,000                                | 755,618                | 20,000          | 759,326 <sup>(9)</sup>            |
| Christian Paillot                   | 30,000                                | -                      | 30,000          | -                                 |

(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) In 2016, gross other compensation amounted to €903,801, including gross variable compensation of €388,000 in respect of 2015, gross fixed compensation of €494,837 and €3.5 thousand in benefits in kind, excluding gross exceptional bonuses of €2,625,000 and other directors' fees. In 2015, excluding gross exceptional bonuses of €1,100,000.

(3) Jean-Marie Grisard is also a Manager of Frégatinvest, which received €55,000 excluding taxes in consulting fees from Casino in 2015 and 2016.

(4) Sophie Guieysse was appointed Director on 19 May 2015 and stepped down from her duties on 10 December 2016.

(5) Virginie Grin was appointed permanent director of Finatis on 18 May 2016. In 2016, gross other compensation amounted to €327,017, including gross variable compensation of €50,517 in respect of 2015, and gross fixed compensation of €234,000, excluding other directors' fees.

(6) In 2016, other gross compensation amounted to €802,784, including gross variable compensation of €197,512 in respect of 2015, and gross fixed compensation of €495,745, excluding gross exceptional bonuses of €95,000 and other directors' fees. In 2015, excluding gross exceptional bonuses of €219,000.

(7) In 2016, gross other compensation amounted to €502,904, including gross variable compensation of €190,000 in respect of 2015, and gross fixed compensation of €277,696, excluding gross exceptional bonuses of €100,000 and other directors' fees. In 2015, excluding gross exceptional bonuses of €75,000.

(8) Representative of Euris, the Group parent company, which received a total of €5.8 million in 2016 for providing ongoing strategy consulting services to the Rallye Group parent companies and their subsidiaries.

(9) In 2016, gross other compensation amounted to €759,326 including gross variable compensation of €189,800 in respect of 2015, and gross fixed compensation of €566,269 and €3.2 thousand in benefits in kind.



## STOCK OPTIONS AND FREE SHARES AWARDED TO CORPORATE OFFICERS AND OPTIONS EXERCISED

No stock options for new or existing shares were awarded in 2016 by Rallye to the Company’s executives and employees of related companies who are also corporate officers, nor to the companies that it controls.

The free shares awarded in 2016 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 <sup>(1)</sup> | Date after which the shares may be sold | Number of free shares awarded |
|------------------|---------------|--|---------------------------------------|---|-------------------------------|
| Jacques Dumas    | 27/07/2016    | €9.95  | 27/07/2018                            | 27/07/2020                              | 3,930                         |
| Didier Lévêque   | 27/07/2016    | €9.95  | 27/07/2018                            | 27/07/2020                              | 14,828                        |
| Virginie Grin    | 27/07/2016    | €9.95  | 27/07/2018                            | 27/07/2020                              | 10,399                        |
| Odile Muracciole | 27/07/2016    | €9.95  | 27/07/2018                            | 27/07/2020                              | 13,588                        |

(1) The vesting of the awarded free shares is subject to the condition of the beneficiary’s 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 2016 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 <sup>(1)</sup> | Date after which the shares may be sold | Number of free shares awarded |
|---------------|---------------------------|--|---------------------------------------|---|-------------------------------|
| Jacques Dumas | 13/05/2016 <sup>(2)</sup> | €44.63   | 13/11/2017                            | 13/05/2018                              | 5,335                         |
|               | 13/05/2016 <sup>(2)</sup> | €34.38   | 13/05/2018                            | 13/05/2020                              | 9,699                         |
|               | 14/10/2016 <sup>(1)</sup> | €35.69   | 14/10/2018                            | 14/10/2018                              | 2,898                         |

(1) The free share grants are contingent only on continued employment with the Group until the vesting date.

(2) The share grants are contingent on continued employment with the company until the vesting date and on the achievement of two performance conditions assessed over a two-year period (2016 and 2017), 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).

In 2016, employees of the Company and of related companies, who are also corporate officers, did not exercise any stock options on Rallye shares.

The free shares vested in 2016 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 <sup>(1)</sup> | Number of free shares originally awarded | Number of free shares vested <sup>(1)</sup> | Date after which the shares may be sold |
|------------------|---------------|---------------------------------------|--|---|---|
| Jacques Dumas    | 17/12/2013    | 17/12/2016                            | 1,512                                    | 1,512                                       | 17/12/2018                              |
| Virginie Grin    | 17/12/2013    | 17/12/2016                            | 4,013                                    | 4,013                                       | 17/12/2018                              |
| Didier Lévêque   | 17/12/2013    | 17/12/2016                            | 5,718                                    | 5,718                                       | 17/12/2018                              |
| Odile Muracciole | 17/12/2013    | 17/12/2016                            | 5,400                                    | 5,400                                       | 17/12/2018                              |

(1) The vesting of the awarded free shares is subject to the condition of the beneficiary’s employment in the Group on the date of 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.

## AUDITING OF THE FINANCIAL STATEMENTS

### STATUTORY AUDITORS

In compliance with legal requirements, Rallye appoints two Statutory Auditors and two Alternate Auditors:

#### Statutory Auditors

##### KPMG

**Signing partner:** Catherine Chassaing (since October 2013).

**Date of first appointment:** 29 June 1993.

**Current term of office expires:** at the close of the 2019 Shareholders' Meeting.

##### Ernst & Young et Autres

**Signing partner:** Henri-Pierre Navas (since March 2016).

**Date of first appointment:** 1 June 1999.

**Current term of office expires:** at the close of the 2017 Shareholders' Meeting.

#### Alternate Auditors

##### KPMG Audit ID

Alternate Statutory Auditor for KPMG.

**Date of first appointment:** 19 May 2010.

**Current term of office expires:** at the close of the 2019 Shareholders' Meeting.

##### Auditex

Alternate Auditors for Ernst & Young et Autres.

**Date of first appointment:** 4 May 2011.

**Current term of office expires:** at the close of the 2017 Shareholders' Meeting.

One and/or the other of these audit firms are Statutory Auditors of the Company's main subsidiaries.

Ernst & Young et Autres's appointment expired at the close of the Shareholders' Meeting called on 10 May 2017 to approve the 2016 financial statements. 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. On the recommendation of the Audit Committee, the Board of Directors will propose at the Shareholders' Meeting on 10 May 2017 to renew Ernst & Young et Autres term for a period of six years ending at the close of the Shareholders' Meeting called to approve the 2022 financial statements. In accordance with the provisions of Article L. 823-1 paragraph 2 of the French Commercial Code, the appointment of the alternate auditor to Ernst & Young et Autres will not be renewed.

### FEES PAID TO STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS BY THE GROUP IN 2015 AND 2016

|   | Ernst & Young |              |            |            | KPMG                  |            |            |            |
|---|---------------|--------------|------------|------------|-----------------------|------------|------------|------------|
|   | Amount        |              | %          |            | Amount                |            | %          |            |
| (€ thousands)   | 2016          | 2015         | 2016       | 2015       | 2016                  | 2015       | 2016       | 2015       |
| <b>Audit</b>  |               |              |            |            |                       |            |            |            |
| <b>Statutory audits, certifications, review of parent company and consolidated financial statements</b> |               |              |            |            |                       |            |            |            |
| Issuer  | 225           | 247          | 3          | 4          | 213                   | 236        | 2          | 28         |
| Fully consolidated subsidiaries   | 7,571         | 5,884        | 95         | 91         | 323                   | 347        | 3          | 42         |
| <b>Other assignments and services directly connected to the Statutory Audit engagement</b>              |               |              |            |            |                       |            |            |            |
| Issuer  | -             | -            | -          | -          | -                     | -          | -          | -          |
| Fully consolidated subsidiaries   | 139           | 305          | 2          | 4          | 32                    | 28         | -          | 3          |
| <b>Sub-total</b>  | <b>7,935</b>  | <b>6,437</b> | <b>99</b>  | <b>99</b>  | <b>568</b>            | <b>611</b> | <b>5</b>   | <b>73</b>  |
| <b>Other services provided by the networks to fully consolidated subsidiaries</b>                       |               |              |            |            |                       |            |            |            |
| Legal, tax, employee-related  | -             | -            | -          | -          | 192                   | 150        | 2          | 19         |
| Other   | 60            | 60           | 1          | 1          | 10,250 <sup>(1)</sup> | 70         | 93         | 8          |
| <b>Sub-total</b>  | <b>60</b>     | <b>60</b>    | <b>1</b>   | <b>1</b>   | <b>10,442</b>         | <b>220</b> | <b>95</b>  | <b>27</b>  |
| <b>TOTAL</b>  | <b>7,995</b>  | <b>6,497</b> | <b>100</b> | <b>100</b> | <b>11,010</b>         | <b>831</b> | <b>100</b> | <b>100</b> |

(1) Including €10.2 million for the KPMG engagement regarding the review of Cnova Brazil's 2014, 2015 and 2016 financial statements.

# INTERNAL CONTROL PROCEDURES IMPLEMENTED BY RALLYE

At the request of 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 section on "Risk factors and insurance" 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 their own internal control system.

### General organisation of internal control

The internal control 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 as 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.

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Internal control procedures implemented by Rallye

#### 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 2016 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 as well as 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 control 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 by 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. Compensation for all other employees is validated by Executive Management.

##### ■ PROCEDURES FOR PREPARING AND PROCESSING FINANCIAL AND ACCOUNTING INFORMATION

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

- the compliance of published financial and accounting 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 correctly directed, 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 74. 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 the new European regulations (Regulation (EU) No. 537/2014 and Directive 2014/56/EU), implemented in French law by the decree of 17 March 2016 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 are in line with ongoing operations. Functions effecting 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 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.

## CORPORATE GOVERNANCE – CHAIRMAN'S REPORT

### Internal control procedures implemented by Rallye

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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.

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

When signing their employment contract, each employee signs 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.

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.

## STATUTORY AUDITORS’ REPORT

PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE  
(*CODE DE COMMERCE*), ON THE REPORT PREPARED BY THE CHAIRMAN  
OF THE BOARD OF DIRECTORS OF RALLYE

### Year ended 31 December 2016

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

To the Shareholders,

In our capacity as Statutory Auditors of Rallye, and in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2016.

It is the Chairman’s responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 the French Commercial Code relating to matters such as corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman’s report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code (*Code de commerce*), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

## INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman’s report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman’s report is based, and of existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman’s report.

On the basis of our work, we have nothing to report on the information in respect of the company’s internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of the French Commercial Code (*Code de commerce*).

## OTHER DISCLOSURES

We hereby attest that the Chairman’s report includes the other disclosures required by Article L.225-37 of the French Commercial Code (*Code de commerce*).

Paris-La Défense, 15 March 2017

The Statutory Auditors

*French original signed by*

### KPMG Audit

Département de KPMG S.A.

Catherine Chassaing

Partner

### ERNST & YOUNG et Autres

Henri-Pierre Navas

Partner





## chapter 3

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# CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

| (€ millions)                                      | Notes <sup>(1)</sup> | 2016         | 2015 restated <sup>(2)</sup> |
|---|----------------------|--------------|------------------------------|
| <b>Continuing operations</b>                      |                      |              |                              |
| Net sales   | 5                    | 36,784       | 35,999                       |
| Cost of goods sold                                | 6.2                  | (27,824)     | (27,218)                     |
| <b>Gross margin</b>                               |                      | <b>8,960</b> | <b>8,781</b>                 |
| Other income                                      |                      | 553          | 547                          |
| Selling expenses                                  | 6.3                  | (7,120)      | (7,062)                      |
| General and administrative expenses               | 6.3                  | (1,361)      | (1,269)                      |
| <b>Recurring operating income</b>                 | <b>5.1</b>           | <b>1,033</b> | <b>996</b>                   |
| Other operating income                            | 6.5                  | 257          | 550                          |
| Other operating expenses                          | 6.5                  | (891)        | (899)                        |
| <b>Operating income</b>                           |                      | <b>399</b>   | <b>647</b>                   |
| Income from cash and cash equivalents             | 11.3.1               | 110          | 128                          |
| Cost of gross financial debt                      | 11.3.1               | (545)        | (486)                        |
| <b>Cost of net financial debt</b>                 |                      | <b>(435)</b> | <b>(358)</b>                 |
| Other financial income                            | 11.3.2               | 308          | 219                          |
| Other financial expenses                          | 11.3.2               | (358)        | (549)                        |
| <b>Income before tax</b>                          |                      | <b>(85)</b>  | <b>(40)</b>                  |
| Income tax expense                                | 9.1                  | (40)         | (21)                         |
| Share of net income of equity-accounted investees | 3.3.3                | 19           | 65                           |
| <b>NET INCOME FROM CONTINUING OPERATIONS</b>      |                      | <b>(107)</b> | <b>3</b>                     |
| <b>Attributable to owners of the parent</b>       |                      | <b>(150)</b> | <b>(177)</b>                 |
| Attributable to non-controlling interests         |                      | 43           | 180                          |
| <b>Discontinued operations</b>                    |                      |              |                              |
| <b>Net income from discontinued operations</b>    | <b>3.5.2</b>         | <b>2,161</b> | <b>47</b>                    |
| <b>Attributable to owners of the parent</b>       |                      | <b>1,353</b> | <b>11</b>                    |
| Attributable to non-controlling interests         |                      | 808          | 36                           |
| <b>CONSOLIDATED NET INCOME</b>                    |                      | <b>2,054</b> | <b>50</b>                    |
| <b>Attributable to owners of the parent</b>       |                      | <b>1,203</b> | <b>(166)</b>                 |
| Attributable to non-controlling interests         | 12.8                 | 851          | 216                          |

| (in €)   | Notes   | 2016   | 2015 restated <sup>(2)</sup> |
|--|---------|--------|------------------------------|
| <b>Earnings per share attributable to owners of the parent</b> |         |        |                              |
| From continuing operations                                     |         |        |                              |
| - Basic  | 12.10.3 | (3.08) | (3.68)                       |
| - Diluted  | 12.10.3 | (3.20) | (4.12)                       |
| From continuing and discontinued operations                    |         |        |                              |
| - Basic  | 12.10.3 | 24.77  | (3.46)                       |
| - Diluted  | 12.10.3 | 24.51  | (3.89)                       |

(1) In addition to the notes indicated in the consolidated income statement, lease expenses and payroll expenses are detailed in notes 7 and 8, respectively.

(2) The financial statements published previously have been restated (note 1.3)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (€ millions)   | 2016         | 2015           |
|--|--------------|----------------|
| <b>Consolidated net income</b>   | <b>2,054</b> | <b>50</b>      |
| Cash flow hedges   | (2)          | (1)            |
| Hedges of net investments in foreign operations <sup>(3)</sup>                                       | 42           | (2)            |
| Foreign currency translation reserves <sup>(1)</sup> (note 12.7.1)                                   | 1,599        | (2,842)        |
| Change in the fair value of available-for-sale financial assets                                      |              | (47)           |
| Share of items of equity-accounted investees that may be subsequently reclassified to profit or loss | 22           | (30)           |
| Income tax effects   | (15)         | 5              |
| <b>Items that may be subsequently reclassified to profit or loss<sup>(2)</sup></b>                   | <b>1,645</b> | <b>(2,917)</b> |
| Actuarial gains and losses   | (11)         | (34)           |
| Income tax effects   |              | 12             |
| <b>Items that will never be reclassified to profit or loss<sup>(2)</sup></b>                         | <b>(11)</b>  | <b>(22)</b>    |
| <b>Other comprehensive income (loss), net of tax</b>   | <b>1,634</b> | <b>(2,939)</b> |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>   | <b>3,688</b> | <b>(2,889)</b> |
| <b>Attributable to owners of the parent</b>  | <b>1,535</b> | <b>(825)</b>   |
| Attributable to non-controlling interests  | 2,153        | (2,064)        |

(1) The €1,599 million positive net translation adjustment in 2016, primarily reflects the appreciation of the Brazilian currency for €1,719 million. The €2,842 million negative net translation adjustment in 2015 arose primarily from the depreciation of the Brazilian and Colombian currencies, for €2,381 million and €414 million, respectively.

(2) The impacts of the disposal of operations in Thailand and Vietnam are presented in note 3.5.2.

(3) Including a positive €47 million impact in 2016 from reclassifying to income the net investment hedge of operations in Asia following their sale (note 3.5.2)

Changes in other comprehensive income are presented in note 12.7.2.

## CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

| (€ millions)                              | Notes <sup>(1)</sup> | 31 December 2016 | 31 December 2015 |
|---|----------------------|------------------|------------------|
| Goodwill                                  | 10.1                 | 10,609           | 11,365           |
| Intangible assets                         | 10.2                 | 3,161            | 3,672            |
| Property, plant and equipment             | 10.3                 | 8,167            | 8,810            |
| Investment property                       | 10.4                 | 416              | 777              |
| Investments in equity-accounted investees | 3.3                  | 627              | 632              |
| Other non-current assets                  | 6.9                  | 1,214            | 2,013            |
| Deferred tax assets                       | 9.2                  | 596              | 491              |
| <b>Total non-current assets</b>           |                      | <b>24,790</b>    | <b>27,760</b>    |
| Inventories                               | 6.6                  | 4,157            | 5,040            |
| Trade and other receivables               | 6.7                  | 900              | 1,306            |
| Other current assets                      | 6.8                  | 1,555            | 1,630            |
| Other current financial assets            | 11.1                 | 87               | 401              |
| Current tax assets                        |                      | 221              | 189              |
| Cash and cash equivalents                 | 11.1                 | 5,836            | 4,667            |
| Assets held for sale                      | 3.5                  | 6,120            | 538              |
| <b>Total current assets</b>               |                      | <b>18,876</b>    | <b>13,770</b>    |
| <b>TOTAL ASSETS</b>                       |                      | <b>43,666</b>    | <b>41,530</b>    |

(1) In addition to the notes indicated in the statement of financial position, the information below appears in the following notes:  
off-balance sheet commitments entered into in the ordinary course of business - notes 6.11 and 7.6;  
non-recurring off-balance sheet commitments - note 3.4.2;  
fair value of financial instruments - note 11.4;  
risk management - note 11.5.

## EQUITY AND LIABILITIES

| (€ millions)   | Notes <sup>(1)</sup> | 31 December 2016 | 31 December 2015 |
|--|----------------------|------------------|------------------|
| Share capital  | 12.2                 | 146              | 146              |
| Consolidated reserves attributable to owners of the parent             |                      | 1,656            | 284              |
| <b>Equity attributable to owners of the parent</b>                     |                      | <b>1,803</b>     | <b>430</b>       |
| Non-controlling interests  | 12.8                 | 10,829           | 10,145           |
| <b>Total equity</b>  |                      | <b>12,631</b>    | <b>10,575</b>    |
| Non-current provisions for employee benefits                           | 8.2                  | 317              | 311              |
| Other non-current provisions   | 13.1                 | 615              | 542              |
| Non-current financial liabilities                                      | 11.2                 | 10,064           | 11,722           |
| Non-current put options granted to owners of non-controlling interests | 3.4.1                | 41               | 50               |
| Other non-current liabilities  | 6.10                 | 648              | 805              |
| Deferred tax liabilities   | 9.2                  | 1,095            | 1,225            |
| <b>Total non-current liabilities</b>                                   |                      | <b>12,780</b>    | <b>14,656</b>    |
| Current provisions for employee benefits                               | 8.2                  | 11               | 9                |
| Other current provisions   | 13.1                 | 171              | 194              |
| Trade payables   |                      | 7,044            | 8,162            |
| Current financial liabilities  | 11.2                 | 3,333            | 3,308            |
| Current put options granted to owners of non-controlling interests     | 3.4.1                | 341              | 102              |
| Current tax liabilities  |                      | 54               | 93               |
| Other current liabilities  | 6.10                 | 2,896            | 4,247            |
| Liabilities associated with assets held for sale                       | 3.5                  | 4,404            | 184              |
| <b>Total current liabilities</b>                                       |                      | <b>18,254</b>    | <b>16,299</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                    |                      | <b>43,666</b>    | <b>41,530</b>    |

(1) In addition to the notes indicated in the statement of financial position, the information below appears in the following notes:  
off-balance sheet commitments entered into in the ordinary course of business - notes 6.11 and 7.6;  
non-recurring off-balance sheet commitments - note 3.4.2;  
fair value of financial instruments - note 11.4;  
risk management - note 11.5.

CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (€ millions)   | Notes       | 2016           | 2015 restated <sup>(1)</sup> |
|--|-------------|----------------|------------------------------|
| Net income before tax from continuing operations   |             | (85)           | (40)                         |
| Net income before tax from discontinued operations   | 3.5.2       | 2,198          | 88                           |
| <b>Consolidated net income before tax</b>  |             | <b>2,113</b>   | <b>48</b>                    |
| Depreciation and amortisation expense  | 6.4         | 677            | 707                          |
| Provision expense  | 4.5         | 224            | 134                          |
| Unrealised losses/(gains) arising from changes in fair value   | 11.3.2      | (81)           | 288                          |
| Expenses/(income) on share-based payment plans   | 8.3.1       | 16             | 9                            |
| Other non-cash items   |             | (20)           | (19)                         |
| (Gains)/losses on disposals of non-current assets  |             | (25)           | (62)                         |
| (Gains)/losses due to changes in percentage ownership of subsidiaries resulting in acquisition/loss of control |             | 76             | (263)                        |
| Dividends received from equity-accounted investees   | 3.3.1/3.3.3 | 41             | 116                          |
| Cost of net financial debt   | 11.3.1      | 435            | 358                          |
| Factoring costs  | 11.3.2      | 78             | 53                           |
| Gains/(losses) on disposal of discontinued operations, net of tax  | 3.5.2       | (2,893)        |                              |
| Adjustments related to discontinued operation  |             | 948            | 519                          |
| <b>Net cash from operating activities before change in working capital and income tax</b>                      |             | <b>1,589</b>   | <b>1,888</b>                 |
| Income tax paid  |             | (233)          | (164)                        |
| Change in operating working capital  | 4.1         | 705            | 696                          |
| Income tax paid and change in operating working capital: discontinued operations                               |             | (375)          | 417                          |
| <b>Net cash from operating activities</b>  |             | <b>1,686</b>   | <b>2,837</b>                 |
| <i>Of which continuing operations</i>  |             | <b>1,808</b>   | <b>1,813</b>                 |
| Acquisitions of property, plant and equipment, intangible assets and investment property                       | 4.6         | (1,181)        | (1,245)                      |
| Disposals of property, plant and equipment, intangible assets and investment property                          | 4.7         | 369            | 156                          |
| Acquisitions of financial assets   |             | (120)          | (42)                         |
| Disposals of financial assets  |             | 12             | 39                           |
| Effect of changes in scope of consolidation resulting in acquisition or loss of control                        | 4.2         | (116)          | (161)                        |
| Effect of changes in scope of consolidation related to equity-accounted investees                              |             | (1)            | 42                           |
| Change in loans and advances granted   |             | (50)           | (166)                        |
| Net cash from/(used in) investing activities of discontinued operations  |             | 3,670          | (113)                        |
| <b>Net cash from/(used in) investing activities</b>  |             | <b>2,583</b>   | <b>(1,490)</b>               |
| <i>Of which continuing operations</i>  |             | <b>(1,087)</b> | <b>(1,377)</b>               |
| Dividends paid to owners of the parent   | 12.9        | (89)           | (89)                         |
| Dividends paid to non-controlling interests  | 4.8         | (334)          | (271)                        |
| Dividends paid to holders of deeply subordinated perpetual bonds (TSSDI)                                       | 12.9        | (47)           | (48)                         |
| Repayment of mandatory convertible bonds   | 2           | (500)          |                              |
| Capital reductions/increases for cash  |             | (7)            | 1                            |
| Transactions between the Group and owners of non-controlling interests   | 4.3         | 96             | (80)                         |
| Purchases and sale of treasury shares  |             | (15)           | (82)                         |
| Change in financial assets related to liabilities  |             | 29             | (29)                         |
| Increase in borrowings   | 4.4         | 1,720          | 3,656                        |
| Repayments of borrowings   | 4.4         | (2,779)        | (5,047)                      |
| Interest paid, net   | 4.9         | (263)          | (503)                        |
| Net cash used in investing activities of discontinued operations   |             | (573)          | (718)                        |
| <b>Net cash used in financing activities</b>   |             | <b>(2,762)</b> | <b>(3,211)</b>               |
| <i>Of which continuing operations</i>  |             | <b>(2,189)</b> | <b>(2,493)</b>               |
| Effect of changes in exchange rates on cash and cash equivalents of continuing operations                      |             | 453            | (634)                        |
| Effect of changes in exchange rates on cash and cash equivalents of discontinued operations                    |             | 304            | (415)                        |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>   | 4.4         | <b>2,264</b>   | <b>(2,913)</b>               |
| Net cash and cash equivalents at beginning of period   |             | 4,599          | 7,512                        |
| – Of which net cash and cash equivalents of continuing operations  | 11.1        | 4,470          | 7,512                        |
| – Of which net cash and cash equivalents of discontinued operations  | 3.5.2       | 129            |                              |
| Net cash and cash equivalents at end of period   |             | 6,863          | 4,599                        |
| – Of which net cash and cash equivalents of continuing operations  | 11.1        | 5,690          | 4,470                        |
| – Of which net cash and cash equivalents of discontinued operations  | 3.5.2       | 1,174          | 129                          |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>   |             | <b>2,264</b>   | <b>(2,913)</b>               |

(1) The financial statements published previously have been restated to reflect the change in presentation of net financial expense (note 1.3) and discontinued operations (note 3.5.2).



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (€ millions)   | Share capital <sup>(1)</sup> | Addition-<br>al paid-in<br>capital | Treasury<br>shares | Retained<br>earnings<br>and net<br>income for<br>the year | Cash flow<br>hedges | Net investment<br>hedges | Foreign<br>currency<br>translation<br>reserves | Actuarial<br>gains<br>and<br>losses | Available-<br>for-sale<br>financial<br>assets | Equity<br>attributable<br>to owners of<br>the parent | Non-<br>controlling<br>interests <sup>(2)</sup> | Total<br>equity |
|--|------------------------------|------------------------------------|--------------------|---|---------------------|--------------------------|--|-------------------------------------|---|--|---|-----------------|
| <b>At 1 January 2015</b>   | <b>146</b>                   | <b>1,440</b>                       | <b>(19)</b>        | <b>136</b>  | <b>11</b>           | <b>(15)</b>              | <b>(416)</b>                                   | <b>(16)</b>                         | <b>68</b>                                     | <b>1,334</b>   | <b>12,601</b>                                   | <b>13,935</b>   |
| Income and expenses recognised directly in equity <sup>(3)</sup>   |                              |                                    |                    |   |                     | (1)                      | (604)  | (12)                                | (43)  | (660)  | (2,280)   | (2,940)         |
| Net income for the year  |                              |                                    |                    | (165)   |                     |                          |  |                                     |   | (166)  | 216   | 50              |
| <b>Total recognised income and expenses</b>  |                              |                                    |                    | <b>(165)</b>  |                     | <b>(1)</b>               | <b>(604)</b>                                   | <b>(12)</b>                         | <b>(43)</b>                                   | <b>(825)</b>   | <b>(2,064)</b>                                  | <b>(2,889)</b>  |
| Equity transactions  |                              |                                    |                    |   |                     |                          |  |                                     |   |  | 2   | 2               |
| Purchases and sales of treasury shares   |                              |                                    | 5                  | 25  |                     |                          | (9)  |                                     |   | 21   | (102)   | (81)            |
| Dividends paid <sup>(2)</sup>  |                              |                                    |                    | (89)  |                     |                          |  |                                     |   | (89)   | (279)   | (368)           |
| Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries <sup>(4)</sup>     |                              |                                    |                    |   |                     |                          |  |                                     |   |  | 157   | 157             |
| Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries <sup>(5)</sup> |                              |                                    |                    | (10)  |                     |                          | (19)   |                                     |   | (29)   | (135)   | (164)           |
| Other movements  |                              |                                    |                    | 17  |                     |                          |  |                                     |   | 17   | (35)  | (18)            |
| <b>At 31 December 2015</b>   | <b>146</b>                   | <b>1,440</b>                       | <b>(14)</b>        | <b>(86)</b>   | <b>11</b>           | <b>(16)</b>              | <b>(1,048)</b>                                 | <b>(28)</b>                         | <b>25</b>                                     | <b>429</b>   | <b>10,145</b>                                   | <b>10,575</b>   |
| Income and expenses recognised directly in equity <sup>(3)</sup>   |                              |                                    |                    |   | (5)                 | 16                       | 328  | (6)                                 | (1)   | 332  | 1,302   | 1,634           |
| Net income for the year  |                              |                                    |                    | 1,203   |                     |                          |  |                                     |   | 1,203  | 851   | 2,054           |
| <b>Total recognised income and expenses, net</b>   |                              |                                    |                    | <b>1,203</b>  | <b>(5)</b>          | <b>16</b>                | <b>328</b>                                     | <b>(6)</b>                          | <b>(1)</b>                                    | <b>1,535</b>   | <b>2,153</b>                                    | <b>3,688</b>    |
| Equity transactions  |                              |                                    |                    |   |                     |                          |  |                                     |   |  | (6)   | (6)             |
| Purchases and sales of treasury shares   |                              |                                    | 14                 | 5   |                     |                          | (3)  |                                     |   | 16   | (32)  | (16)            |
| Dividends paid <sup>(2)</sup>  |                              |                                    |                    | (89)  |                     |                          |  |                                     |   | (89)   | (340)   | (429)           |
| Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries <sup>(4)</sup>     |                              |                                    |                    | 5   |                     |                          |  |                                     |   | 5  | (504)   | (499)           |
| Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries <sup>(5)</sup> |                              |                                    |                    | (90)  |                     |                          | (11)   |                                     |   | (101)  | (539)   | (640)           |
| Other movements  |                              |                                    |                    | 7   |                     |                          |  |                                     |   | 7  | (49)  | (42)            |
| <b>AT 31 DECEMBER 2016</b>   | <b>146</b>                   | <b>1,440</b>                       |                    | <b>955</b>  | <b>6</b>            |                          | <b>(734)</b>                                   | <b>(34)</b>                         | <b>24</b>                                     | <b>1,802</b>   | <b>10,829</b>                                   | <b>12,632</b>   |

(1) Note 12.2 Components of equity

(2) Note 12.8 Material non-controlling interests

(3) Note 12.7.2 Consolidated comprehensive income

(4) The €499 million negative impact in 2016 primarily corresponded to the disposal of businesses in Vietnam and Thailand (see note 3.1.1). In 2015, the €157 million positive impact corresponded to the measurement of non-controlling interests in Disco based on the acquisition-date fair value (note 3.2.1).

(5) The €640 million negative impact in 2016 mainly reflected (a) exercise of the call option on Monoprix mandatory convertible bonds (negative €502 million impact, note 2); (b) the public tender offer for Cnova shares (negative €193 million impact, note 2) and (c) the acquisitions of Éxito and GPA shares described in notes 3.1.2 and 3.1.3, offset by (d) creation of the Viva Malls real estate trust in Colombia (positive €113 million impact, note 3.1.7). In 2015, the negative impact of €164 million primarily reflected (a) the put option on Disco shares (negative €90 million impact, note 3.2.1); (b) the change in put options granted to owners of non-controlling interests in Franprix-Leader Price (negative €15 million impact), (c) the change in Rallye's interest in Casino (negative €126 million), offset by (d) the change in the ownership interest of Monoprix in its subsidiary Simonop1 (positive €72 million impact, note 3.2.6).

## CONSOLIDATED FINANCIAL STATEMENTS

# 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 2016 consolidated financial statements of Rallye were approved for publication by the Board of Directors on 6 March 2017. They will be submitted for approval by the Shareholders’ Meeting to be held on 10 May 2017.

## 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 have been 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 2016.

These standards are available on the European Commission’s website: ([http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)).

The accounting policies described below have been applied consistently to all periods presented taking into account, or except for, the new standards, amendments to existing standards and interpretations described 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 2016**

Annual Improvements to IFRSs – 2010-2012 Cycle, concerning in particular the following standards:

#### ■ IFRS 2 – Share-based Payment

These amendments provide a clearer definition of “vesting conditions” by separately defining “performance condition” and “service condition”.

#### ■ IFRS 3 – Business Combinations:

These amendments clarify that changes in the fair value of contingent consideration which are not adjustments in the measurement period are to be recognised in profit or loss.

#### ■ IFRS 8 – Operating Segments

These amendments are applicable on a retrospective basis. They require entities to disclose in the notes to the financial statements the judgements made by management in applying the aggregation criteria to operating segments.

#### ■ IAS 24 – Related Party Disclosures

These amendments are applicable on a retrospective basis. They clarify that related party entities include entities providing key management personnel services to the reporting entity or to the parent of a reporting entity. In this case, the reporting entity is not required to provide details of the compensation it pays to key management personnel pursuant to IAS 24.17, but must indicate the amount of fees paid to the entity that provides the service.

#### ■ Amendments to IAS 1 – Disclosure Initiative:

These amendments clarify requirements in two areas:

- applying the materiality concept: the amendment states that materiality applies to the whole financial statements including the accompanying notes, and that including information that is not material can obscure useful information;
- applying professional judgement: the amendment makes minor changes to certain prescriptive language that is perceived as impeding the exercise of judgements.

### 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 the 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 sub-totals 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 in accordance with IFRS 5 (note 3.5);
- assessment of the degree of control exercised over Viva Malls in Colombia (note 3.1.7);
- recoverable amounts of deferred tax assets (note 9);
- provisions for risks – particularly tax and employee-related risks – and recognition and measurement of the recoverable amount of tax credits (VAT or similar) (notes 5.1 and 13).

### 1.3. | Restatement of comparative information

The table below shows the impact of discontinued operations (note 3.5.2), and the revised presentation of non-recourse factoring costs within net financial income/(expense) (note 11.3).

| (€ millions)  | 2015 reported | Non-recourse factoring costs <sup>(1)</sup> | Discontinued operations <sup>(2)</sup> | 2015 restated |
|---|---------------|---|--|---------------|
| Net sales   | 46,832        |   | (10,833)                               | 35,999        |
| Recurring operating income                            | 1,445         |   | (449)                                  | 996           |
| Operating income                                      | 967           |   | (320)                                  | 647           |
| Net financial income (expense)                        | (924)         |   | 237                                    | (687)         |
| Cost of net debt                                      | (686)         | 304   | 24                                     |               |
| Other financial income and expenses, net              | (238)         | (304)                                       | 213                                    |               |
| Income before tax                                     | 43            |   | (83)                                   | 40            |
| Income tax expense                                    | (69)          |   | 48                                     | (21)          |
| <b>Net income (loss) from continuing operations</b>   | <b>46</b>     |   | <b>(43)</b>                            | <b>3</b>      |
| <b>Net income (loss) from discontinued operations</b> | <b>4</b>      |   | <b>43</b>                              | <b>47</b>     |
| <b>CONSOLIDATED NET INCOME</b>                        | <b>50</b>     |   |  | <b>50</b>     |
| Attributable to owners of the parent                  | (166)         |   |  | (166)         |
| Attributable to non-controlling interests             | 216           |   |  | 216           |

(1) Including €53 million related to continuing operations and €251 million relating to discontinued operations (exclusively Via Varejo and Cnova Brazil).

(2) Corresponding to the non-food/E-commerce businesses in Brazil (Via Varejo and Cnova Brazil) and Casino Group operations in Asia.

## NOTE 2 | SIGNIFICANT EVENTS OF THE YEAR

Significant events of the year included:

### Disposal of operations in Thailand and Vietnam in first-half 2016

The Group's operations in Thailand and Vietnam were sold during the first half of 2016 as part of the deleveraging plan announced by the Casino Group in late 2015 (note 3.1.1).

### Rating downgrade

On 21 March 2016, Standard & Poor's announced the downgrade of Casino's rating from BBB- to BB+ outlook stable. The downgrade followed Standard & Poor's announcement on 15 January 2016 that it was placing the BBB- rating under CreditWatch in the context of the Group's problems in emerging markets, notably the Brazilian recession.

The rating downgrade resulted in a 125-bps step-up in the annual coupon paid on the Group's bonds, applicable for each bond issue as from the first annual interest period beginning after 21 March 2016. This clause added €15 million to cost of gross debt for 2016. The 2017 increase is estimated at €63 million, taking into account the bonds bought back in 2016 (see below). Casino's debt documentation does not include any rating-based acceleration clause and there is no covenant related to Casino's rating.

On 14 December 2016, Fitch Ratings changed the outlook for Casino's BBB- rating to negative. This change had no financial impact for the Group.

### Exercise of the call option on Monoprix mandatory convertible bonds

On 3 May 2016, Casino exercised its call option on all of the mandatory convertible bonds issued by Monoprix in December 2013 and subscribed by Crédit Agricole CIB. The transaction took place on 10 May 2016 at a strike price of €508 million (€500 million nominal value and €8 million interest), leading to the recognition of financial income of €13 million under "Cost of net debt" and to a €502-million reduction in equity (with €460 million deducted from non-controlling interests and €42 million from equity attributable to owners of the parent).

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#### Financial agreement with the Baud family and acquisition of control of Geimex

On 25 May 2016, the Casino Group and the Baud family came to a financial agreement to end their legal dispute that had been ongoing since 2007. Pursuant to this agreement and after approval of France's anti-trust authorities, on 18 October 2016 the Casino Group acquired the Baud family's 50% stake in Geimex, owner of international rights to the Leader Price brand and previously jointly owned by both parties, for €45 million excluding transaction costs (note 3.1.6).

#### Bond buybacks

The following buyback offers were launched in 2016 for bonds representing a total nominal amount of €978 million:

- two offers were launched by the Casino Group in June and September 2016 for bonds due in August 2019, January 2023, February 2025 and August 2026. A total of €871 million worth of bonds were tendered to these offers and were bought back and cancelled on 15 June and 30 September 2016, respectively;
- during the first half of the year, the Group also purchased on the market €108 million worth of bonds included in these issues (€13 million due in January 2023, €42 million due in February 2025 and €53 million due in August 2026).

The impact on the consolidated financial statements was as follows:

- decrease in gross debt, including the fair value hedges component: €1,015 million (note 11.2.1);
- decrease in hedging instruments with a positive fair value: €37 million (note 11.2.1);
- Recognition in "Cost of net debt" of a €33 million pre-tax gain (before taking into account future savings in interest) (note 11.3.1).

#### Successful issue by Rallye of a €200 million bond exchangeable for existing Casino shares, with no dilutive impact

On 26 October 2016, Rallye issued a €200 million bond exchangeable for existing Casino shares maturing in February 2022 and paying annual interest at 5.25%.

#### Interim dividend paid by Casino

On 30 November 2016, Casino paid an interim dividend of €171 million (note 12.9).

#### Creation of two non-food central purchasing organisations with the Conforama Group

On 19 September 2016, the Casino Group and Conforama announced the creation of a joint non-food central purchasing organisation named Mano, to optimise their respective purchases in France.

Shortly afterwards, on 30 November 2016, the two groups announced the creation of an international purchasing organisation named SICA that will also include other brands of Steinhoff International group.

The two organisations will be up and running by the time the 2017 commercial negotiations begin. The impact of the Group's investment in these new companies on the 2016 consolidated statement of financial position and income statement was not material.

#### 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. The transaction's scope is the whole of the Latam Electronics operating segment including Cnova Brazil which operates the E-commerce business in Brazil. Following this decision, in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations:

- the assets and liabilities to be included in the transaction have been reclassified in the consolidated statement of financial position under "Assets held for sale" for €6,039 million and "Liabilities associated with assets held for sale" for €4,404 million. The €1,635 million net asset value at 31 December 2016 includes an impairment loss of €461 million recorded to reduce the carrying amount of the disposal group to its fair value less costs to sell, as estimated by reference to the stock exchange price at the year-end (note 3.5.2);
- Via Varejo's 2016 net income is reported in the consolidated income statement under "Net income from discontinued operations", net of the impairment loss referred to above;
- the consolidated income statement and statement of cash flows for the year ended 31 December 2015 have been restated on the same basis (note 3.5.2);
- the tables included in the notes on operating lease commitments and contingent liabilities (respectively note 7.3 and note 13.3) do not take into account Via Varejo's activities for 2016. If necessary, specific information for Via Varejo has been disclosed in a footnote. Where appropriate, readers are referred to a note containing specific information on Via Varejo.

#### Reorganisation of the E-commerce business and launch of a cash tender offer for Cnova NV ordinary shares

On 6 December 2016, Casino, Guichard-Perrachon launched a voluntary tender offer on the U.S. market and Euronext for all of the outstanding Cnova NV shares not already held, at a price of USD 5.5 per share. The Group companies that hold Cnova NV shares did not participate in the offer, which therefore applied to 10.37% of the 344.5 million outstanding shares, representing a maximum potential investment of USD 197 million. An amount of €219 million was placed in escrow as a guarantee for the Company's obligations under the offer (note 11.1).

The impact on the consolidated financial statements included recognition of a €187 million financial liability under "Current put options granted to owners of non-controlling interests" and a corresponding adjustment to equity (note 3.4.1). This liability corresponded to the euro-equivalent value at 31 December 2016 of the maximum potential amount payable for shares tendered to the offer. The offer costs, in the amount of €6 million net of tax, were recorded as a deduction from equity.

On 31 January 2017, the Casino Group announced the final results of the tender offer and that it had acquired 31.7 million shares, representing 9.2% of Cnova NV's capital, for €163 million. Following this operation, the Group now holds 98.88% of Cnova NV's capital and 99.41% of the voting rights, leaving a free float of 1.12% of the capital and 0.59% of the voting rights.

The offer followed the business merger, on 31 October 2016, between Cnova Brazil and Via Varejo, and Via Varejo's subsequent acquisition of the entire capital of Cnova Brazil from Cnova NV in exchange for its own interest in Cnova NV and €12 million in cash. The recovered shares were considered as cancelled by Cnova NC on 31 December 2016. The reorganisation diluted the Casino Group's interest in Cnova Brazil from 55.35% to 14.38%. Its impact on the consolidated financial statements included a €22 million increase in equity attributable to owners of the parent and a corresponding decrease in non-controlling interests to reflect the changes in the percentage interests in Cnova NV and Cnova Brazil, and the recognition in the income statement, under "Net income from discontinued operations", of €25 million in costs and tax effects related to the reorganisation.

## 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 16).

### 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 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 requires 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 net income or loss and 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. The Group follows a transparent approach to accounting for associates under the equity method and takes into account, if relevant, its final percentage in the associate for the purpose of determining the proportion of net income (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 net income (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, 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 the 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.

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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.

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 2016

#### 3.1.1. | Disposal of operations in Asia

##### ■ DISPOSAL OF OPERATIONS IN THAILAND

On 14 January 2016, the Group announced its intention 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).

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).

##### ■ 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 (note 3.5).

Following the disposal of its operation 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 profit of its Thai and Vietnamese operation 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").

The consolidated income statement for the year ended 31 December 2015 has been restated in order to present discontinued operations separately from continuing operations (notes 1.3 and 3.5).

#### 3.1.2. | 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 4.3), 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.

#### 3.1.3. | 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 4.3). 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.



### 3.1.4. | Changes in scope relating to Franprix-Leader Price subgroup

As part of the continuation of the franchisee redeployment projects at Franprix-Leader Price, the subsidiary sold a group of Franprix and Leader Price stores to two master franchisees during the year that were loss-making under the integrated management mode. The Group sold a 51% interest in the stores, 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 operations 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 revaluation of the retained interest) and (iv) the Group's share of net income (loss) of equity-accounted investees would have been reduced by €6 million. In addition, 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 profitable 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 during the year. The amounts disbursed for these acquisitions totalled €32 million and generated provisional goodwill of €35 million. Since 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 contribution of these groups to consolidated net sales and pre-tax net income for the period from the acquisition date to the 2016 year-end amounted to €23 million and a negative €11 million, respectively.

If the acquisitions had been completed 1 January 2016, net sales for the year would have been increased by €16 million and pre-tax net income would have been reduced by €1 million respectively.

### 3.1.5. | Transfer 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 €46 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).

### 3.1.6. | Acquisition of control of Geimex

Following signature of a settlement agreement, the Casino Group acquired control of Geimex (note 2). 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, leading to the recognition of provisional goodwill of €69 million. The transaction costs amounted to €1 million.

The change in accounting method from the equity method at 50% to full consolidation resulted in the recognition, in accordance with IFRS 3, of a €16 million gain from the re-measurement of the previously-held interest which was recognised in "Other operating income".

Geimex's contribution to 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 net sales and €1 million to consolidated net income.

### 3.1.7. | 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 had been paid as of 31 December 2016 and €121 million will be paid over the next 18 months. FIC's stake in Viva Malls was 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 trust's governance is specified in the agreement between the parties. Éxito is the majority partner and FIC has rights with respect to certain 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.

The transaction has been accounted for as a transaction between shareholders, 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).

## 3.2. | Transaction affecting the scope of consolidation in 2015

### 3.2.1. | Acquisition of control of the Uruguayan subsidiary Disco

The Disco subgroup in Uruguay was previously jointly controlled by the Group through its subsidiary Éxito which held a 62.49% stake. This subgroup was therefore accounted for using the equity method until 31 December 2014. Following the signing of a contractual agreement granting it more than 75% of the voting rights and exclusive control over strategic decisions, Éxito acquired control of the Disco sub-group with effect from 1 January 2015. 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.



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The change in accounting method from the equity method at 62.49% (percentage of Éxito's holding) to full consolidation (no change in the percentage of interest) resulted in the recognition, in accordance of IFRS 3, of a €262 million gain from the re-measurement of the interest previously held which was recognised under "Other operating income" (see note 6.5).

The measurement of the identifiable assets and liabilities at fair value resulted in the recognition of €304 million in goodwill that was allocated to the Uruguay CGU. There were no changes in fair value at 1 January 2016.

The Disco subgroup's contribution to consolidated net sales and consolidated net income (excluding the gain from remeasurement at fair value of the previously-held interest) for the period from 1 January to 31 December 2015 amounted to €436 million and €33 million respectively. The costs related to the acquisition of control of the stores were not material.

Furthermore, the Casino Group has granted a put option on 29.8% of Disco's capital to the family shareholders. The option is exercisable until 21 June 2021. The exercise price is based on Disco's average consolidated EBITDA or net income for the previous two years and the subgroup's net debt, with a floor price of USD 41 million plus interest of 5% p.a. The put option is recognised in the consolidated statement of financial position for an amount of €115 million at 31 December 2016 (note 3.4.1) (31 December 2015: €90 million).

#### 3.2.2. | Exercise of the call option on Super Inter stores

On 15 April 2015, Éxito exercised a call option that enabled it to acquire 29 Super Inter stores operated by Éxito since October 2014 as well as the Super Inter brand. The acquisition price was COP 343,920 million (€124 million) of which COP 284,173 million (€99 million) had been paid as of 31 December 2015. There was no change in the fair value of the assets and liabilities between 2015 and the date when the call option was exercised, on 15 April 2016. Goodwill recognised on the acquisition amounted to €95 million.

#### 3.2.3. | Changes in scope concerning the Franprix-Leader Price subgroup

In 2015, Franprix-Leader Price acquired control of various subgroups. The total purchase price paid was €53 million, generating goodwill of €55 million.

If these acquisitions had been completed on 1 January 2015, net sales would have been increased by €66 million and pre-tax net income would have been reduced by €3 million.

Furthermore, as part of its franchisee redeployment project, during 2015 Franprix-Leader Price sold a 51% stake in a group of loss-making Franprix and Leader Price stores under the integrated management system to two master franchisees. The net loss on the sales amounted to €58 million and was recorded in "Other operating expenses".

If these disposals had been carried out on 1 January 2015, net sales would have been reduced by €51 million and there would have been no impact on pre-tax income.

At the same time, the two master franchisees acquired a 49% interest in a group of profitable Franprix and Leader Price stores. These disposals without loss of control reduced equity attributable to owners of the parent by €26 million and increased non-controlling interests by the same amount.

#### 3.2.4. | Asset exchange agreement between Éxito and Cafam

On 23 February 2015, Éxito and La Caja de Compensación Familiar – CAFAM entered into an agreement providing for:

- the acquisition by Éxito of stores owned by Cafam but operated by Éxito since September 2010. The acquisition price paid was €44 million, generating an equivalent amount of deductible goodwill;
- the sale to Cafam of drugstores owned by Éxito, some of which had been operated by Cafam since September 2010, for a total of €27 million recognised under "Other operating income";
- termination of the operating contract that had been signed in September 2010.

The costs related to the acquisition of control of the stores were not material.

#### 3.2.5. | Acquisition of non-controlling interests in Lanin

On 26 February 2015, following the exercise of put options, the Casino Group acquired all the non-controlling interests in Lanin (3.18%), a holding company that owns all the shares in Devoto, an operator of stores in Uruguay. The amount disbursed for this acquisition was €17 million (note 4.3).

#### 3.2.6. | Creation of SCI Simonop'1 and sale of an interest in the company to outside investors

In October 2015, Monoprix and two of its subsidiaries created SCI Simonop'1. Subsequently, on 22 December 2015, Monoprix and its two subsidiaries transferred to SCI Simonop'1 eleven property assets housing Monoprix supermarkets valued at €138 million. On the same date, 49% of Simonop'1 shares were sold to three property investment companies managed by Ciloger for a total price of €73 million (note 4.3). The transaction had the effect of increasing equity by €72 million (including a €2 million increase in equity attributable to owners of the parent).

### 3.3. | Investments in equity-accounted investees

#### 3.3.1. | Significant associates and joint ventures

The following table presents the condensed financial statements (on a 100% basis) for the three 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 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:

|   | 2016                     |               |                    | 2015                     |               |                         |
|---|--------------------------|---------------|--------------------|--------------------------|---------------|-------------------------|
|   | Banque du Groupe         |               |                    | Banque du Groupe         |               |                         |
| (€ millions)  | Mercialys <sup>(1)</sup> | Casino        | FIC <sup>(2)</sup> | Mercialys <sup>(1)</sup> | Casino        | FIC <sup>(2)</sup>      |
| Country   | France                   | France        | Brazil             | France                   | France        | Brazil                  |
| Business  | Real estate              | Banking       | Banking            | Real estate              | Banking       | Banking                 |
| Type of relationship  | Associate                | Joint venture | Associate          | Associate                | Joint venture | Associate               |
| % interest and voting rights <sup>(3)</sup>                     | 40%                      | 50%           | 50%                | 40%                      | 50%           | 50%                     |
| Net sales   | 192                      | 136           | 290                | 172                      | 122           | 302                     |
| Net income from continuing operations                           | 94                       | 3             | 61                 | 87                       | 2             | 61                      |
| Other comprehensive income                                      |                          |               |                    |                          |               |                         |
| <b>Total comprehensive income</b>                               | <b>94</b>                | <b>3</b>      | <b>61</b>          | <b>87</b>                | <b>2</b>      | <b>61</b>               |
| Non-current assets  | 2,923                    | 22            | 13                 | 2,797                    | 25            | 9                       |
| Current assets <sup>(4)</sup>                                   | 149                      | 864           | 1,184              | 117                      | 826           | 903                     |
| Non-current liabilities   | (1,263)                  | (6)           | (4)                | (1,243)                  | (2)           | (4)                     |
| Current liabilities   | (386)                    | (779)         | (889)              | (239)                    | (756)         | (712)                   |
| <i>of which consumer finance business liabilities</i>           |                          | <i>(759)</i>  | <i>(889)</i>       |                          | <i>(738)</i>  | <i>(712)</i>            |
| <b>Net assets</b>   | <b>1,423</b>             | <b>101</b>    | <b>303</b>         | <b>1,432</b>             | <b>94</b>     | <b>197</b>              |
| <i>Of which net assets attributable to owners of the parent</i> | <i>1,317</i>             | <i>101</i>    | <i>303</i>         | <i>1,326</i>             | <i>94</i>     | <i>197</i>              |
| <b>Share of net assets</b>                                      | <b>530</b>               | <b>51</b>     | <b>151</b>         | <b>534</b>               | <b>47</b>     | <b>98</b>               |
| Goodwill  | 20                       | 33            |                    | 20                       | 33            |                         |
| Elimination of Group share of intra-group margins               | (184)                    |               |                    | (177)                    |               |                         |
| Reclassified as "Assets held for sale"                          |                          |               | (42)               |                          |               |                         |
| Other adjustments <sup>(5)</sup>                                |                          |               | (17)               |                          |               | (14)                    |
| <b>Investments in equity-accounted investees (note 3.3.3)</b>   | <b>366</b>               | <b>84</b>     | <b>92</b>          | <b>376</b>               | <b>80</b>     | <b>84</b>               |
| <b>Dividends received from associates</b>                       | <b>37</b>                |               |                    | <b>61</b>                |               | <b>41<sup>(6)</sup></b> |

(1) At 31 December 2016, the Casino Group held 40.22% of the capital of Mercialis. The Group considers that it exercises significant influence over the financial and operating policies of the Mercialis Group. This position is based on an analysis of the effective voting rights cast at Shareholders' General Meetings of Mercialis (showing that Casino and its related parties do not control shareholder decisions at General Meetings), 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, and the governance rules stipulating that Casino's representatives on the Mercialis Board may not take part in decisions concerning transactions carried out with the Casino Group and business contracts entered into between the Casino Group and Mercialis on an arm's length basis.

(2) The main associate of the GPA subgroup 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 subgroup 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 FIC, where it corresponds to the interest held by the GPA subgroup.

(4) The current assets and liabilities of Banque du Groupe Casino and FIC primarily concern their consumer finance business.

(5) Corresponding to the reserve allocated to Itaú Unibanco in FIC's bylaws that is deducted for the purpose of determining the value of the Group's investment in FIC.

(6) Of which €11 million in dividends classified under "Net income from discontinued operations".

#### 3.3.2. | Other investments in associates and joint ventures

At 31 December 2016, the carrying amounts of investments in other associates and joint ventures stood at €41 million and €43 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 €2 million in 2016 (2015: €26 million).

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**3.3.3. | Changes in investments in equity-accounted investees**

| (€ millions)                                     | At<br>1 January | Impair-<br>ment<br>loss | Share of net<br>income (loss)<br>for the year | Dividends    | Reclassified<br>as "Assets<br>held for sale" | Other               | At<br>31 December |
|--|-----------------|-------------------------|---|--------------|--|---------------------|-------------------|
| <b>Associates</b>                                |                 |                         |   |              |  |                     |                   |
| GPA Group associates (FIC & BINV)                | 122             |                         | 30 <sup>(3)</sup>                             | (34)         |  | (30)                | 88                |
| Mercialys  | 457             |                         | 34  | (61)         |  | (55) <sup>(1)</sup> | 376               |
| Franprix-Leader Price Group associates           | 21              |                         | (9)   |              |  | (2)                 | 10                |
| Other  | 47              |                         | (1)   | (1)          |  | (8)                 | 37                |
| <b>Joint ventures</b>                            |                 |                         |   |              |  |                     |                   |
| Disco <sup>(2)</sup>                             | 129             |                         |   |              |  | (129)               |                   |
| Banque du Groupe Casino                          | 80              |                         | 1   |              |  | (1)                 | 80                |
| Geimex   | 50              |                         | 3   | (25)         |  |                     | 28                |
| Other  | 8               |                         | 14  |              |  | (9)                 | 13                |
| <b>2015</b>                                      | <b>913</b>      |                         | <b>73</b>                                     | <b>(121)</b> |  | <b>(234)</b>        | <b>632</b>        |
| <b>Associates</b>                                |                 |                         |   |              |  |                     |                   |
| GPA Group associates (FIC & BINV)                | 88              |                         | 28 <sup>(3)</sup>                             | (7)          | (42) <sup>(4)</sup>                          | 26                  | 92                |
| Mercialys  | 376             |                         | 35  | (37)         |  | (8) <sup>(1)</sup>  | 366               |
| Franprix-Leader Price Group associates           | 10              |                         | (40)  |              |  | 32                  | 2                 |
| Other  | 37              | (2)                     | (3)   | (2)          |  | 8                   | 39                |
| <b>Joint ventures</b>                            |                 |                         |   |              |  |                     |                   |
| Banque du Groupe Casino                          | 80              |                         | 1   |              |  | 3                   | 84                |
| Geimex <sup>(5)</sup>                            | 28              |                         |   |              |  | (28)                |                   |
| Éxito Group joint ventures (Tuya) <sup>(6)</sup> |                 |                         | 3   |              |  | 25                  | 28                |
| Other  | 13              |                         | 2   | (2)          |  | 3                   | 15                |
| <b>2016</b>                                      | <b>632</b>      | <b>(2)</b>              | <b>26</b>                                     | <b>(48)</b>  | <b>(42)</b>                                  | <b>62</b>           | <b>627</b>        |

(1) The negative amounts of €8 million in 2016 and €55 million in 2015 correspond mainly to the neutralisation of gains on sales of property assets by Casino to Mercialis for the portion corresponding to Casino's percentage interest in Mercialis.

(2) Disco has been fully consolidated since the date the Group acquired control (1 January 2015).

(3) Of which €8 million share of net income of associates classified in discontinued operations respectively in 2016 and 2015.

(4) The investments in BINV and FIC held by Via Varejo have been reclassified as "Assets held for sale".

(5) Geimex has been fully consolidated since 1 November 2016 (note 3.1.6).

(6) 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.

**3.3.4. | Impairment losses on investments in equity-accounted investees**

With the exception of Mercialis, 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 Mercialis at the reporting date was €712 million, determined using the market price at 31 December 2016 (31 December 2015: €691 million). This value does not reflect any impairment. Mercialis' EPRA NNNNAV at 31 December 2016 amounted to €1,861 million on a 100% basis.

The impairment tests carried out at 31 December 2016 and 31 December 2015 did not result in the recognition of any impairment loss.

**3.3.5. | Share of contingent liabilities of equity-accounted investees**

At 31 December 2016 and 31 December 2015, none of the Group's associates and 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.

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| (€ millions) | 2016               |          |                |          | 2015               |          |                |          |
|--------------|--------------------|----------|----------------|----------|--------------------|----------|----------------|----------|
|              | Associates         |          | Joint ventures |          | Associates         |          | Joint ventures |          |
|              | Transactions       | Balances | Transactions   | Balances | Transactions       | Balances | Transactions   | Balances |
| Loans        | 32                 | 52       |                |          | 21                 | 21       | (27)           |          |
| Receivables  | 26                 | 122      | (3)            | 3        | 68                 | 95       | (13)           | 6        |
| Payables     | 2                  | 13       | (5)            | 2        | (19)               | 11       | (5)            | 7        |
| Expenses     | 109 <sup>(1)</sup> |          | 50             |          | 73 <sup>(1)</sup>  |          | 56             |          |
| Income       | 737 <sup>(2)</sup> |          | 31             |          | 468 <sup>(2)</sup> |          | 27             |          |

(1) Of which rental revenue excluding occupancy costs for the 79 leases signed with Mercialis for €59 million in 2016 (2015: 105 leases for €42 million). At 31 December 2016, future minimum lease payments due to Mercialis on property assets amounted to €117 million, including €60 million due within one year.

(2) Of which income related to property development transactions with Mercialis reported in "Other revenue" for €77 million (2015: €303 million) and with a master franchisee for €53 million. Income of €737 million in 2016 and €468 million in 2015 also include for an amount of €577 million and €132 million respectively in 2016 and 2015 Franprix-Leader Price sales of goods to equity-accounted master franchisees.

## ■ 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 2016, the related management fees amounted to €6 million (2015: €5 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. Mercialis has extended the partnership agreement with Casino for a further three years, until end-2020.
- Support services agreement: the Casino Group provides administrative, accounting, IT and real estate support services to Mercialis. In 2016, the related fees amounted to €2 million (2015: €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 2016 or 2015.
- Exclusive sale mandate: Casino seeks buyers for real estate assets on behalf of Mercialis. In 2016, the related fees for the Casino Group amounted to €1 million (2015: €2 million).
- Current account and cash management agreement: Casino has provided Mercialis with a €50 million confirmed line of credit expiring in December 2019 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 2016 or 2015.

Under the partnership agreement between Casino and Mercialis and in line with the asset sales carried out in 2014 and 2015, during 2016 Casino sold property development projects (including two Monoprix sites) to Mercialis for a total of €77 million. Based on each project's percentage of completion, the sale led to the recognition of €62 million in "Other income" and a €29 million positive contribution to EBITDA after eliminating a portion corresponding to the Group's percentage interest in Mercialis.

Mercialis also entered into an agreement with OPPCI SEREIT France under which it transferred to SCI Rennes – Anglet the buildings housing two hypermarkets, a shopping mall and a mid-sized store that were developed by Casino and sold to Mercialis in 2014. SCI Rennes – Anglet is 30%-owned by Mercialis and 70% by OPPCI SEREIT France. The transaction led to the recognition in "Other income" of €15 million – corresponding to the additional fraction of 70% of the property development profit that had previously been eliminated on a 40% basis – and to an €11 million contribution to EBITDA.

The Casino Group also has a call option exercisable on 31 July 2018, at its initiative and subject to certain conditions, on either (i) the property assets held by SCI Rennes – Anglet, valued at a fixed price of €64 million or (ii) 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.

## ■ TRANSACTIONS WITH OTHER RELATED PARTIES

In connection with its property trading business, on 21 December 2016 the Casino Group sold a portfolio of ten Leader-Price store premises to a master franchisee for €53 million recorded in "Other income" generating a positive contribution to EBITDA of €5 million.

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#### 3.3.7. | Commitments to joint ventures

At 31 December 2016 and 31 December 2015, there were no material commitments to joint ventures.

#### 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 put options on non-controlling interests in fully consolidated subsidiaries are recognised as financial liabilities. Fixed price options are recognised in financial liabilities at their discounted present value and variable price options at fair value. Furthermore, these options may be exercisable at any time or on a specified date. Since 2015, these “NCI puts” are 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 2016:

| (€ millions)   | % ownership held<br>by the Casino<br>Group | Commitment by the<br>Casino Group to non-<br>controlling interests | Fixed or<br>variable<br>exercise price | Non-current<br>liabilities <sup>(4)</sup> | Current<br>liabilities <sup>(4)</sup> |
|--|--|--|--|---|---------------------------------------|
| Franprix-Leader Price <sup>(1)</sup>                 | 49.00% to 70.00%                           | 30.00% to 51.00%   | F/V                                    | 41  | 29                                    |
| Éxito (Disco) <sup>(2)</sup>                         | 62.49%                                     | 29.82%   | V                                      | -   | 115                                   |
| Casino, Guichard-Perrachon (Cnova NV) <sup>(3)</sup> | 89.63%                                     | 10.37%   | F                                      | -   | 187                                   |
| Other  |  |  |  | -   | 10                                    |
| <b>TOTAL NCI PUT LIABILITIES</b>                     |  |  |  | <b>41</b>                                 | <b>341</b>                            |

(1) The exercise price of these put options on non-controlling interests in subsidiaries of the Franprix-Leader Price subgroup is generally based on net income. A 10% increase or decrease in the indicator would not have a material impact. The options expire between 2016 and 2031.

(2) The option is exercisable until 21 June 2021.

(3) Concerns the final results of the Group's public tender offer for Cnova NV shares (note 2).

(4) At 31 December 2015, NCI put liabilities amounted to €151 million, of which current liabilities of €102 million. The increase in 2016 was mainly due to the public tender offer for Cnova NV shares (note 2) for €187 million.

##### 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.

Put options on non-controlled companies stood at €5 million at 31 December 2016 (31 December 2015: €19 million), and concerned the Franprix-Leader Price subgroup exclusively.

The Casino Group has been granted the following call options in connection with transactions carried out with Mercialys:

- call option on 100% of the assets or 100% of the shares of Hyperthetis Participations, exercisable between 30 September 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 SREIT France, valued at the company's market value (NAV), based on the property portfolio's appraisal value of €64 million excluding transfer costs.

Lastly, in connection with the transactions carried out with master franchisees described in notes 3.1.4 and 3.1.5, the Casino Group has call options on stores that are exercisable between 2019 and 2022 at prices based on a percentage of the improvement in EBITDA.

The total value of these call options was €423 million at 31 December 2016 (31 December 2015: €311 million).

### 3.5. | Assets and liabilities 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 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 2016 |              | 31 December 2015 |             |
|--|-------|------------------|--------------|------------------|-------------|
|  |       | Assets           | Liabilities  | Assets           | Liabilities |
| Via Varejo   | 3.5.2 | 6,039            | 4,404        |                  |             |
| Vietnam subgroup   | 3.5.2 |                  |              | 507              | 184         |
| Other  |       | 81               |              | 31               |             |
| <b>TOTAL</b>   |       | <b>6,120</b>     | <b>4,404</b> | <b>538</b>       | <b>184</b>  |
| Net assets   |       | 1,716            |              | 354              |             |
| <i>Of which attributable to owners of the parent of the selling subsidiary</i> | 11.2  | 768              |              | 315              |             |

The increase in this item reflects the transactions described in notes 2 and 3.1.1.

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#### 3.5.2. | Discontinued operations

Following the transactions described in note 2, discontinued operations mainly consist of operations in Thailand and Vietnam and Via Varejo (including Cnova Brazil in the table below). Net income from discontinued operations breaks down as follows:

| (€ millions)   | 2016 <sup>(1)</sup> | Of which Via Varejo <sup>(2)</sup> | 2015      | Of which Via Varejo |
|--|---------------------|------------------------------------|-----------|---------------------|
| Net sales  | 6,757               | 6,009                              | 10,833    | 6,842               |
| Expenses   | (6,990)             | (6,280)                            | (10,745)  | (7,000)             |
| 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                        | 91                  |                                    |           |                     |
| Impairment loss resulting from the measurement of Via Varejo at fair value less costs to sell <sup>(3)</sup> | (461)               | (461)                              |           |                     |
| <b>Net income before tax from discontinued operations</b>  | <b>2,198</b>        | <b>(732)</b>                       | <b>88</b> | <b>(158)</b>        |
| Income tax expense (benefit)   | (46)                | (9)                                | (50)      | 2                   |
| Share of net income of equity-accounted investees  | 8                   | 8                                  | 8         | 8                   |
| <b>NET INCOME FROM DISCONTINUED OPERATIONS</b>   | <b>2,161</b>        | <b>(734)</b>                       | <b>47</b> | <b>(148)</b>        |
| Attributable to owners of the parent   | 1,353               | (116)                              | 11        | (50)                |
| Attributable to non-controlling interests  | 808                 | (618)                              | 36        | (97)                |

(1) Mainly corresponding to the two months of business up to the date of disposal of operations in Thailand on 21 March 2016, the four months of business up to the date of disposal of operations in Vietnam on 29 April 2016 and 12 months of business for Via Varejo.

(2) Via Varejo reported EBITDA and recurring operating income of €251 million and €184 million respectively in 2016.

(3) The fair value of Via Varejo (including Cnova Brazil) is estimated at €1,656 million (before estimated costs to sell of €20 million), based on the share price of BRL 10.75 at 31 December 2016 plus an estimated control premium. This value was confirmed by an independent valuation performed by the banks retained by the GPA Group to assist with the sale process. It was determined using Level 3 inputs. A 20% increase or decrease in the estimated fair value would reduce or increase the impairment loss by €295 million (at constant exchange rates).

Earnings per share of discontinued operations are presented in note 12.10.

Other comprehensive income of discontinued operations – mainly operations in Thailand, Vietnam and Via Varejo as Via Varejo had no impact – are presented below:

| (€ millions)   | 2016         | 2015       |
|--|--------------|------------|
| <b>Items that may be subsequently reclassified to profit or loss</b> | <b>(148)</b> | <b>34</b>  |
| Foreign currency translation reserves                                | (178)        | 34         |
| Hedges of net investments in foreign operations                      | 47           |            |
| Income tax effects   | (17)         |            |
| <b>Items that will never be reclassified to profit or loss</b>       | <b>5</b>     | <b>(1)</b> |
| Actuarial gains and losses   | 6            | (1)        |
| Income tax effects   | (1)          |            |
| <b>OTHER COMPREHENSIVE INCOME (LOSS) OF DISCONTINUED OPERATIONS</b>  | <b>(143)</b> | <b>34</b>  |



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The impacts on the Casino Group's consolidated statement of financial position of the disposal of operations in Thailand and Vietnam and the reclassification of Via Varejo as "Assets held for sale" are presented below:

|   | 2016                                |                           | 2015 <sup>(3)</sup> |
|---|-------------------------------------|---------------------------|---------------------|
|   | Thailand and Vietnam <sup>(1)</sup> | Via Varejo <sup>(2)</sup> |                     |
| (€ millions)  |                                     |                           |                     |
| Goodwill, intangible assets, property, plant and equipment, and investment property     | 1,940                               | 1,908                     | 184                 |
| Non-current fair value hedges-assets <sup>(5)</sup>                                     |                                     | 17                        |                     |
| Other non-current assets  | 161                                 | 1,087                     | 107                 |
| <b>Total non-current assets</b>   | <b>2,100</b>                        | <b>3,013</b>              | <b>291</b>          |
| Current fair value hedges - assets <sup>(5)</sup>                                       |                                     | 26                        |                     |
| Other current assets  | 451                                 | 1,827                     | 87                  |
| Cash and cash equivalents <sup>(5)</sup>  | 118                                 | 1,174                     | 129                 |
| Assets held for sale (Vietnam) <sup>(4)</sup>   | 460                                 |                           |                     |
| <b>Current assets</b>   | <b>1,029</b>                        | <b>3,026</b>              | <b>216</b>          |
| <b>Total assets</b>   | <b>3,130</b>                        | <b>6,039</b>              | <b>507</b>          |
| Total non-current financial liabilities <sup>(5)</sup>                                  | 145                                 | 57                        | 36                  |
| Other non-current liabilities   | 78                                  | 792                       |                     |
| <b>Non-current liabilities</b>  | <b>223</b>                          | <b>848</b>                | <b>36</b>           |
| Current financial liabilities <sup>(5)</sup>  | 355                                 | 402                       | 30                  |
| Trade payables  | 486                                 | 1,529                     | 94                  |
| Other current liabilities   | 202                                 | 1,625                     | 24                  |
| Liabilities associated with assets held for sale (Vietnam) <sup>(6)</sup>               | 144                                 |                           |                     |
| <b>Total current liabilities</b>  | <b>1,187</b>                        | <b>3,555</b>              | <b>148</b>          |
| <b>Total liabilities</b>  | <b>1,410</b>                        | <b>4,404</b>              | <b>184</b>          |
| <b>Net assets</b>   | <b>1,719</b>                        | <b>1,636</b>              | <b>323</b>          |
| Of which net assets attributable to owners of the parent of the selling subsidiary      | 1,160                               | 697                       | 289                 |
| Of which net assets attributable to non-controlling interests of the selling subsidiary | 559                                 | 939                       | 34                  |
| Consideration received in cash net of costs paid  | 3,962                               |                           |                     |
| Cash and cash equivalents sold  | 225                                 |                           |                     |
| <b>Net cash inflow</b>  | <b>3,737</b>                        |                           |                     |

(1) At the date on which control was lost for each discontinued operation

(2) Including Cnova Brazil

(3) Reflects the breakdown of assets held for sale and associated liabilities of the Vietnam subgroup's Retail and E-commerce operations at 31 December 2015.

(4) Of which €107 million of cash and cash equivalents

(5) At 31 December 2016, Via Varejo had cash and cash equivalents of €1,174 million and debt (net of fair value hedges) of €416 million, representing a net cash position of €758 million.

(6) Including borrowings and financial liabilities of €64 million

### 3.5.3. | Irregularities at the Cnova Brazil subsidiary

Investigations into the irregularities were completed in June 2016 and an additional net loss of €35 million was recorded under "Net income from discontinued operations" following the Casino Group's decision to dispose of Via Varejo. The net loss mainly comprised €16 million of impairment on intangible assets, €10 million in cut-off adjustments

and €5 million of scrapped assets. The Casino Group considers that the portion of adjustments corresponding to corrections of prior year errors were not sufficiently material to justify restating previously published financial statements.

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## NOTE 4 | ADDITIONAL CASH FLOW DISCLOSURES

The statement of cash flows is prepared using the indirect method starting from consolidated net income (loss) before tax 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 changes in operating working capital

|   |       | 31<br>December<br>2015 | Cash flows                      |  |            | Changes in                     |                   | Reclassifications |              | 31<br>December<br>2016 |
|---|-------|------------------------|---------------------------------|--|------------|--------------------------------|-------------------|-------------------|--------------|------------------------|
|   |       |                        | from<br>operating<br>activities | from<br>operating<br>activities,<br>discontinued<br>operations | Other      | scope of<br>consoli-<br>dation | exchange<br>rates | Held<br>for sale  | Other        |                        |
| (€ millions)                              | Notes |                        |                                 |  |            |                                |                   |                   |              |                        |
| Goods inventories                         | 6.6   | (4,758)                | 38                              | 48   |            | 318                            | (488)             | 891               | (2)          | <b>(3,953)</b>         |
| Property development work in progress     | 6.6   | (280)                  | 139                             |  |            | 11                             | (5)               |                   | (69)         | <b>(204)</b>           |
| Trade payables                            | B/S   | 8,162                  | 460                             | (166)  |            | (503)                          | 776               | (1,529)           | (156)        | <b>7,045</b>           |
| Trade and other receivables               | 6.7   | (928)                  | (21)                            | (228)  |            | 92                             | (65)              | 254               | (3)          | <b>(900)</b>           |
| Consumer finance receivables              | 6.7   | (376)                  | (120)                           | 112  |            |                                | (98)              | 483               | (1)          |                        |
| Consumer finance liabilities              | 6.10  | 576                    | 135                             |  |            |                                | 164               | (875)             | (2)          | <b>(2)</b>             |
| Other receivables/payables <sup>(1)</sup> |       | 434                    | 74                              | (134)  | 248        | (19)                           | (17)              | 230               | (126)        | <b>690</b>             |
| <b>Total</b>                              |       | <b>2,830</b>           | <b>705</b>                      | <b>(368)</b>   | <b>248</b> | <b>(101)</b>                   | <b>267</b>        | <b>(546)</b>      | <b>(359)</b> | <b>2,675</b>           |

(1) See notes 6.8.1, 6.9, 6.10 and 11.1.1.

|   |       | 31<br>December<br>2014 | Cash flows                                    |  |              | Changes in                     |                   | Reclassifications |             | 31<br>December<br>2015 |
|---|-------|------------------------|---|--|--------------|--------------------------------|-------------------|-------------------|-------------|------------------------|
|   |       |                        | from<br>operating<br>activities<br>(restated) | from<br>operating<br>activities,<br>discontinued<br>operations | Other        | scope of<br>consoli-<br>dation | exchange<br>rates | Held<br>for sale  | Other       |                        |
| (€ millions)                              | Notes |                        |   |  |              |                                |                   |                   |             |                        |
| Goods inventories                         | 6.6   | (5,235)                | (337)   | 90   |              | (20)                           | 690               | 54                | 1           | (4,758)                |
| Property development work in progress     | 6.6   | (237)                  | 65  |  |              | (6)                            | 14                |                   | (116)       | (280)                  |
| Trade payables                            | B/S   | 8,413                  | 843   | 310  |              | 63                             | (1,034)           | (94)              | (338)       | 8,162                  |
| Trade and other receivables               | 6.7   | (900)                  | (63)  | (2)  |              | (30)                           | 56                | 12                |             | (928)                  |
| Consumer finance receivables              | 6.7   | (631)                  | 108   | 3  |              |                                | 144               |                   |             | (376)                  |
| Consumer finance liabilities              | 6.10  | 893                    | (107)   |  |              |                                | (211)             |                   |             | 576                    |
| Other receivables/payables <sup>(1)</sup> |       | (120)                  | 188   | 87   | (133)        | 26                             | 5                 | 5                 | 377         | 434                    |
| <b>Total</b>                              |       | <b>2,182</b>           | <b>696</b>                                    | <b>488</b>   | <b>(133)</b> | <b>33</b>                      | <b>(336)</b>      | <b>(24)</b>       | <b>(77)</b> | <b>2,830</b>           |

(1) See notes 6.8.1, 6.9, 6.10 and 11.1.1.

#### 4.2. | Effect on cash and cash equivalents of changes in scope of consolidation resulting in acquisition or loss of control

| (€ millions)   | 2016         | 2015         |
|--|--------------|--------------|
| Amount paid for acquisitions of subsidiaries   | (89)         | (241)        |
| Cash/(bank overdrafts) acquired  | (6)          | 37           |
| Proceeds from disposals of subsidiaries  | 1            | 41           |
| (Cash)/bank overdrafts sold  | (22)         | 3            |
| <b>Effect of changes in scope of consolidation resulting in acquisition or loss of control</b> | <b>(116)</b> | <b>(161)</b> |

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 3.1.6) and the acquisition of various controlling interests in the Franprix-Leader Price subgroup (cash outflow of €31 million) (note 3.1.4).

In 2015, the impact of these transactions on the Casino Group cash position mainly comprised:

- acquisition of control of Super Inter (cash outflow of €124 million) (note 3.2.2);

- acquisition of controlling interests in various subgroups by Franprix-Leader Price (cash outflow of €53 million);
- Disco cash acquired (€49 million) (note 3.2.1);
- assets exchanged under the agreement with Cafam (cash outflow of €17 million) (note 3.2.4).

#### 4.3. | Impact on cash and cash equivalents of transactions with non-controlling interests not resulting in change of control

| (€ millions)  | Notes | 2016      | 2015 restated |
|---|-------|-----------|---------------|
| Éxito - Viva Malls  | 3.1.7 | 115       |               |
| Acquisition of GPA shares   | 3.1.3 | (11)      |               |
| Acquisition of Éxito shares   | 3.1.2 | (10)      |               |
| Monoprix: Simonop   | 3.2.6 |           | 73            |
| Lanin/Devoto  | 3.2.5 |           | (17)          |
| Increase in number of Casino shares held by Rallye  |       |           | (89)          |
| Payment of Sendas debt  |       |           | (21)          |
| Other   |       | 2         | (26)          |
| <b>Effect on cash and cash equivalents of transactions with non-controlling interests</b> |       | <b>96</b> | <b>(80)</b>   |

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#### 4.4. | Reconciliation between change in cash and cash equivalents and change in net debt

| (€ millions)  | Notes       | 2016         | 2015 restated  |
|---|-------------|--------------|----------------|
| <b>Change in cash and cash equivalents</b>                              |             | <b>2,264</b> | <b>(2,913)</b> |
| New borrowings <sup>(1)</sup>   |             | (1,720)      | (3,656)        |
| Repayments of borrowings <sup>(1)</sup>                                 |             | 2,779        | 5,047          |
| Non-cash changes in debt <sup>(1)</sup>                                 |             | (338)        | 149            |
| Change in net assets held for sale attributable to owners of the parent |             | 44           | (15)           |
| Change in other financial assets  |             | (51)         | 131            |
| Effect of changes in scope of consolidation                             |             | (1)          | (13)           |
| Change in cash flow and fair value hedges                               |             | (126)        | 70             |
| Change in accrued interest  |             | (172)        | 14             |
| Interest on Monoprix mandatory convertible bonds                        | 11.3.1      | 13           | 11             |
| Other   |             | (45)         | (49)           |
| Effect of movements in exchange rates <sup>(1)</sup>                    |             | (347)        | 549            |
| Change in debt of discontinued operations                               |             | 113          | 304            |
| <b>Change in net debt</b>   | <b>11.2</b> | <b>2,752</b> | <b>(520)</b>   |
| Net debt at beginning of period   | 11.2        | 9,180        | 8,660          |
| Net debt at end of period   | 11.2        | 6,428        | 9,180          |

(1) These impacts relate exclusively to continuing operations.

#### 4.5. | Reconciliation of provision expense

| (€ millions)  | Notes  | 2016         | 2015 restated |
|---|--------|--------------|---------------|
| Goodwill impairment   | 10.1.2 | (2)          | (3)           |
| Impairment of intangible assets   | 10.2.2 | (14)         | (20)          |
| Impairment of property, plant and equipment   | 10.3.2 | (98)         | (95)          |
| Impairment of investment property   | 10.4.2 |              |               |
| Net additions to provisions for risks and charges                                     | 13.1   | (190)        | (21)          |
| Net impairment of available-for-sale financial assets                                 |        | (6)          | (7)           |
| <b>Provision expense adjustment in the statement of cash flows</b>                    |        | <b>(312)</b> | <b>(147)</b>  |
| Provision expense adjustment reported under "Net income from discontinued operations" |        | 88           | 13            |
| <b>Provision expense adjustment in the statement of cash flows</b>                    |        | <b>(224)</b> | <b>(134)</b>  |

#### 4.6. | Reconciliation of acquisitions of fixed assets

| (€ millions)   | Notes  | 2016         | 2015 restated |
|--|--------|--------------|---------------|
| Additions to and acquisitions of intangible assets   | 10.2.2 | 206          | 209           |
| Additions to and acquisitions of property, plant and equipment   | 10.3.2 | 983          | 1,304         |
| Additions to and acquisitions of investment property   | 10.4.2 | 79           | 79            |
| Change in amounts due to suppliers of fixed assets   |        | 26           | (62)          |
| New finance leases   |        | (31)         | (14)          |
| Capitalised borrowing costs (IAS 23)   | 10.3.3 | (15)         | (5)           |
| Effect of discontinued operations  |        | (66)         | (266)         |
| <b>Cash used in acquisitions of intangible assets, property, plant and equipment and investment property</b> |        | <b>1,181</b> | <b>1,245</b>  |

#### 4.7. | Reconciliation of disposals of fixed assets

| (€ millions)   | Notes  | 2016       | 2015 restated |
|--|--------|------------|---------------|
| Derecognition of intangible assets   | 10.2.2 | 24         | 15            |
| Derecognition of property, plant and equipment   | 10.3.2 | 287        | 283           |
| Derecognition of investment property   | 10.4.2 |            |               |
| Reclassification of disposals of property development assets   |        |            | (113)         |
| Gains (losses) on disposals of non-current assets  |        | (2)        | 3             |
| Change in receivables related to non-current assets  |        | 15         | (23)          |
| Reclassification of non-current assets as "Assets held for sale" in accordance with IFRS 5             |        | 50         | 2             |
| Effect of discontinued operations  |        | (5)        | (11)          |
| <b>Cash from disposals of intangible assets, property, plant and equipment and investment property</b> |        | <b>369</b> | <b>156</b>    |

#### 4.8. | Reconciliation of dividends paid to non-controlling interests

| (€ millions)   | Note | 2016         | 2015 restated |
|--|------|--------------|---------------|
| Dividends paid and payable to non-controlling interests  | 12.8 | (340)        | (277)         |
| Payment during the year of a debt accrued at the prior year-end  |      | 1            | (70)          |
| Effect of movements in exchange rates  |      | 5            | (6)           |
| Effect of discontinued operations  |      |              | 82            |
| <b>Dividends paid to non-controlling interests as presented in the statement of cash flows (continuing operations)</b> |      | <b>(334)</b> | <b>(271)</b>  |

#### 4.9. | Reconciliation of net interest paid

| (€ millions)  | Notes         | 2016         | 2015 restated |
|---|---------------|--------------|---------------|
| <b>Cost of net debt reported in the income statement</b>                              | <b>11.3.1</b> | <b>(435)</b> | <b>(358)</b>  |
| Neutralisation of unrealised exchange gains/losses                                    |               | 5            | (62)          |
| Neutralisation of amortisation of debt issuance/redemption costs and premiums         |               | 47           | 42            |
| Neutralisation of adjustment of interest rate on Monoprix mandatory convertible bonds |               | (13)         | (11)          |
| Capitalised borrowing costs   | 11.3.2        | (15)         | (4)           |
| Change in accrued interest and fair value hedges of borrowings <sup>(1)</sup>         |               | 226          | (58)          |
| Non-recourse factoring costs  | 11.3.1        | (78)         | (53)          |
| <b>Interest paid, net as presented in the statement of cash flows</b>                 |               | <b>(263)</b> | <b>(504)</b>  |

(1) This includes mainly the impact of unwinding and adjusting interest rate swaps for the French scope for an amount of €155 million.

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## 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 subgroups 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 NV 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

| ( <i>€ millions</i> )                                | 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                           | <b>36,784</b>                 |
| EBITDA   | 872 <sup>(1)</sup>         | 816 <sup>(2)</sup> | 10         | 13                            | <b>1,710</b>                  |
| Net depreciation and amortisation expense (note 6.4) | (364)                      | (278)              | (21)       | (14)                          | <b>(677)</b>                  |
| Recurring operating income                           | 508                        | 538 <sup>(2)</sup> | (11)       | (1)                           | <b>1,033</b>                  |

(1) Of which €87 million for property development transactions carried out in France

(2) Latam Retail EBITDA and recurring operating income include 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.

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| (€ millions)   | Food and general retailing |              |            | Holdings and other activities | Continuing operations in 2015 (restated) |
|--|----------------------------|--------------|------------|-------------------------------|--|
|  | France Retail              | Latam Retail | E-commerce |                               |  |
| External net sales                                   | 18,890                     | 14,714       | 1,708      | 687                           | 35,999                                   |
| EBITDA   | 726 <sup>(1)</sup>         | 980          | (17)       | 15                            | 1,704                                    |
| Net depreciation and amortisation expense (note 6.4) | (389)                      | (281)        | (21)       | (16)                          | (708)                                    |
| Recurring operating income                           | 337                        | 698          | (39)       | (1)                           | 996                                      |

(1) Of which €167 million for property development transactions carried out in France

## 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 |               |
| <b>External net sales for 2016</b>     | <b>20,771</b>              | <b>15,252</b> | <b>7</b> | <b>696</b>                    | <b>59</b>     | <b>36,784</b> |
| External net sales for 2015 (restated) | 20,579                     | 14,726        | 7        | 631                           | 56            | 35,999        |

| (€ millions)  | Food and general retailing |               |           | Holdings and other activities |          | Total         |
|---|----------------------------|---------------|-----------|-------------------------------|----------|---------------|
|   | France Retail              | Latin America | Asia      | Other regions                 | France   |               |
| <b>Non-current assets at 31 December 2016<sup>(1)</sup></b> | <b>12,762</b>              | <b>10,151</b> | <b>47</b> | <b>122</b>                    | <b>9</b> | <b>23,091</b> |
| Non-current assets at 31 December 2015 <sup>(1)</sup>       | 13,092                     | 10,143        | 2,066     | 43                            | 117      | 25,471        |

(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.

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## 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, management of investments, miscellaneous service revenues, incidental revenues and revenues from secondary activities, including travel package sales commissions, franchising fees 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)   | 2016          | 2015 restated |
|----------------|---------------|---------------|
| Net sales      | 36,784        | 35,999        |
| Other income   | 553           | 547           |
| <b>Revenue</b> | <b>37,338</b> | <b>36,545</b> |

### 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, 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 transportation costs are recognised under logistics costs.

| (€ millions)                         | Note | 2016            | 2015 restated   |
|--------------------------------------|------|-----------------|-----------------|
| Purchases and changes in inventories |      | (26,382)        | (25,783)        |
| Logistics costs                      | 6.3  | (1,442)         | (1,435)         |
| <b>Cost of goods sold</b>            |      | <b>(27,824)</b> | <b>(27,218)</b> |



### 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)                           | Note | Logistics costs <sup>(1)</sup> | Selling expenses | General and administrative expenses | 2016           |
|--|------|--------------------------------|------------------|-------------------------------------|----------------|
| Employee benefits expense              |      | (486)                          | (3,253)          | (800)                               | <b>(4,540)</b> |
| Other expenses                         |      | (918)                          | (3,358)          | (428)                               | <b>(4,705)</b> |
| Depreciation/amortisation for the year | 6.4  | (37)                           | (508)            | (132)                               | <b>(677)</b>   |
| <b>Total</b>                           |      | <b>(1,442)</b>                 | <b>(7,120)</b>   | <b>(1,361)</b>                      | <b>(9,922)</b> |

| (€ millions)                           | Note | Logistics costs <sup>(1)</sup> | Selling expenses | General and administrative expenses | 2015 restated  |
|--|------|--------------------------------|------------------|-------------------------------------|----------------|
| Employee benefits expense              |      | (504)                          | (3,268)          | (753)                               | (4,524)        |
| Other expenses                         |      | (889)                          | (3,262)          | (383)                               | (4,534)        |
| Depreciation/amortisation for the year | 6.4  | (42)                           | (532)            | (133)                               | (708)          |
| <b>Total</b>                           |      | <b>(1,435)</b>                 | <b>(7,062)</b>   | <b>(1,269)</b>                      | <b>(9,766)</b> |

(1) Logistics costs are reported in the consolidated income statement under "Cost of goods sold".

A competitiveness and employment tax credit (CICE) was introduced in France, corresponding to 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 in 2016 (SMIC). The rate was 6% in 2016 (9% for Vindémia),

rising to 7% for salaries paid as from 1 January 2017. The Group recognised this CICE tax credit of €100 million (2015: €97 million) as a deduction from employee benefits expense and sold without recourse its receivable for €92 million net of the discount (2015: €92 million).

### 6.4. | Depreciation and amortisation

| (€ millions)   | Notes      | 2016         | 2015         |
|--|------------|--------------|--------------|
| Amortisation of intangible assets  | 10.2.2     | <b>(139)</b> | (143)        |
| Depreciation of property, plant and equipment  | 10.3.2     | <b>(611)</b> | (722)        |
| Depreciation of investment property  | 10.4.2     | <b>(10)</b>  | (35)         |
| Lease payments for land use  |            | <b>(2)</b>   | (13)         |
| <b>Total depreciation and amortisation expense</b>   |            | <b>(762)</b> | <b>(913)</b> |
| Depreciation and amortisation expense reclassified under "Net income from discontinued operations" |            | <b>84</b>    | 205          |
| <b>Depreciation and amortisation expense of continuing operations</b>                              | <b>6.3</b> | <b>(677)</b> | <b>(708)</b> |

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## 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 and charges to/reversals of provisions for litigation and risks;

- 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 for the acquisition of subsidiaries, gains and losses from disposals of subsidiaries, remeasurement at fair value of previously-held interests).

| (€ millions)  | 2016         | 2015 restated |
|---|--------------|---------------|
| Total other operating income  | 257          | 550           |
| Total other operating expenses  | (891)        | (899)         |
|   | <b>(634)</b> | <b>(349)</b>  |
| <b>Breakdown by type</b>  |              |               |
| Gains and losses on disposal of non-current assets <sup>(6)</sup>   | 19           | 36            |
| Net impairment losses <sup>(1)(6)</sup>   | (58)         | (38)          |
| Net income/(expense) related to changes in scope of consolidation <sup>(2)(6)</sup>   | (155)        | 72            |
| <b>Gains and losses on disposal of non-current assets, net impairment losses, and net income (expense) related to changes in scope of consolidation</b> | <b>(194)</b> | <b>70</b>     |
| Restructuring provisions and expenses <sup>(3)(6)</sup>   | (254)        | (252)         |
| Provisions and expenses for litigation and risks <sup>(4)(6)</sup>  | (121)        | (122)         |
| Other operating income and expenses <sup>(5)</sup>  | (65)         | (44)          |
| <b>Other operating income and expenses</b>  | <b>(440)</b> | <b>(418)</b>  |
| <b>Total other operating income (expense), net</b>  | <b>(634)</b> | <b>(349)</b>  |

(1) Impairment losses recognised in 2016 mainly concerned isolated store assets in the France Retail segment (mainly Franprix-Leader Price and Distribution Casino France) for €28 million and the E-commerce segment for €10 million. In 2015, impairment losses primarily concerned isolated assets in the France Retail and E-commerce segments for €15 million and €10 million, respectively.

(2) In 2016, the €155 million net expense related to changes in the scope of consolidation concerned the France Retail segment for €143 million, primarily reflecting changes in the Franprix-Leader Price subgroup for €72 million (including €59 million for the transactions described in note 3.1.4) and Distribution Casino France for €34 million (note 3.1.5), and 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 3.1.6). The €72 million net income recognised in 2015 included the €262 million positive effect of measuring at fair value the previously-held interest in Disco when the Group acquired control of this company (note 3.2.1), costs of €56 million for the reorganisation of operations in Latin America, and the effects of changes in consolidation scope in the France Retail segment, together with related expenses, for a total of €125 million (mainly €58 million for the transaction at Franprix-Leader Price described in note 3.2.3 and €48 million in development fees).

(3) These restructuring expenses for 2016 relate chiefly to the France Retail segment for €207 million (including employee-related costs of €58 million, rents for closed stores of €25 million, external costs of €57 million and impairment losses and scrapped assets of €67 million) and to GPA for €26 million. Restructuring provisions and expenses for 2015 mainly concerned the France Retail segment for €195 million (including employee severance costs of €50 million, store closure costs of €70 million and costs of €71 million for deployment of the new concept) and GPA for €31 million.

(4) Provisions and expenses for litigation and risks concerned GPA for an amount of €106 million, mainly covering tax risks. In 2015, provisions and expenses for litigation and risks concerned the Latam Retail segment (primarily GPA) for €92 million and the France Retail segment for €28 million. The largest single item concerned the litigation with Morzan Empreendimentos (€113 million).

(5) Including €45 million related to the 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 impairment losses with the analysis of changes in non-current assets:

| (€ millions)   | Notes  | 2016         | 2015 restated |
|--|--------|--------------|---------------|
| Goodwill impairment losses   | 10.1.2 | (2)          | (3)           |
| Impairment (losses)/reversals on intangible assets, net                                      | 10.2.2 | (14)         | (20)          |
| Impairment (losses)/reversals on property, plant and equipment, net                          | 10.3.2 | (98)         | (95)          |
| Impairment (losses)/reversals on available-for-sale financial assets                         |        | (6)          | (9)           |
| Impairment (losses)/reversals on other assets, net   |        | (3)          | (8)           |
| <b>Total net impairment losses</b>   |        | <b>(124)</b> | <b>(134)</b>  |
| Net impairment losses of discontinued operations   |        |              | 2             |
| <b>Total net impairment losses of continuing operations</b>                                  |        | <b>(124)</b> | <b>(132)</b>  |
| Of which presented under "Restructuring provisions and expenses" <sup>(1)</sup>              |        | (58)         | (48)          |
| Of which presented under "Net impairment (losses)/reversals on other assets"                 |        | (57)         | (38)          |
| Of which presented under "Net income/(expense) related to changes in scope of consolidation" |        | (8)          | (46)          |
| Of which presented under "Gains and losses on disposal of non-current assets"                |        | (1)          | 4             |

(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 subgroup 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 Casino Group recognises assets and projects in progress in inventories.

|                    | 31 December 2016 |              |              | 31 December 2015 |              |              |
|--------------------|------------------|--------------|--------------|------------------|--------------|--------------|
|                    | Gross value      | Impairment   | Net value    | Gross value      | Impairment   | Net value    |
| (€ millions)       |                  |              |              |                  |              |              |
| Consumer goods     | 4,013            | (60)         | 3,953        | 4,838            | (79)         | 4,758        |
| Property           | 247              | (43)         | 204          | 319              | (38)         | 281          |
| <b>Inventories</b> | <b>4,259</b>     | <b>(103)</b> | <b>4,157</b> | <b>5,157</b>     | <b>(117)</b> | <b>5,040</b> |

## 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)  | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| Trade and other receivables                                   | 980              | 1,025            |
| Accumulated impairment losses on trade and other receivables  | (80)             | (96)             |
| Trade receivables from consumer finance activity (Via Varejo) |                  | 435              |
| Impairment of consumer finance receivables (Via Varejo)       |                  | (59)             |
| <b>Net trade and other receivables</b>                        | <b>900</b>       | <b>1,306</b>     |

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**6.7.2. | Accumulated impairment losses on trade receivables**

| (€ millions)  | 2016        | 2015        |
|---|-------------|-------------|
| <b>Accumulated impairment losses on trade and other receivables</b> |             |             |
| <b>At 1 January</b>   | <b>(96)</b> | <b>(96)</b> |
| Additions   | (140)       | (57)        |
| Reversals   | 144         | 53          |
| Changes in scope of consolidation                                   | 1           |             |
| Reclassified as "Assets held for sale" in accordance with IFRS 5    | 15          |             |
| Other reclassifications   | (2)         |             |
| Effect of movements in exchange rates                               | (3)         | 3           |
| <b>At 31 December</b>   | <b>(80)</b> | <b>(96)</b> |
| <b>Accumulated impairment losses on consumer receivables</b>        |             |             |
| <b>At 1 January</b>   | <b>(59)</b> | <b>(73)</b> |
| Additions   | (17)        | (5)         |
| 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)        | 19          |
| <b>At 31 December</b>   |             | <b>(59)</b> |

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 2016 | 31 December 2015 |
|--|--------|------------------|------------------|
| Other receivables  |        | 1,193            | 1,205            |
| Tax and employee-related receivables in Brazil                                   | 6.9    | 158              | 208              |
| Current accounts of non-consolidated companies                                   |        | 64               | 76               |
| Accumulated impairment losses on other receivables and current accounts advances | 6.8.2  | (29)             | (35)             |
| Derivatives not qualifying for hedge accounting and cash flow hedges – assets    | 11.5.1 | 26               | 29               |
| Prepaid expenses   |        | 143              | 147              |
| <b>Other current assets</b>  |        | <b>1,555</b>     | <b>1,630</b>     |

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)   | 2016        | 2015        |
|--|-------------|-------------|
| <b>At 1 January</b>  | <b>(35)</b> | <b>(74)</b> |
| Additions  | (30)        | (23)        |
| Reversals  | 32          | 62          |
| Changes in scope of consolidation                                |             |             |
| Reclassified as "Assets held for sale" in accordance with IFRS 5 | 4           |             |
| Other reclassifications and movements                            |             | (2)         |
| Effect of movements in exchange rates                            |             | 2           |
| <b>At 31 December</b>  | <b>(29)</b> | <b>(35)</b> |

## 6.9. | Other non-current assets

| (€ millions)  | Notes         | 31 December 2016 | 31 December 2015 |
|---|---------------|------------------|------------------|
| Securities in the investment portfolio                            |               | 54               | 84               |
| Other available-for-sale assets                                   |               | 58               | 63               |
| <b>Available-for-sale financial assets (AFS)</b>                  |               | <b>112</b>       | <b>147</b>       |
| <b>Non-current fair value hedges – assets</b>                     | <b>11.5.1</b> | <b>278</b>       | <b>438</b>       |
| Loans   |               | 146              | 99               |
| Derivatives not qualifying for hedge accounting – assets          | 11.5.1        | 19               |                  |
| Loans and advances to non-consolidated companies and others       |               | 94               | 99               |
| Legal deposits paid by GPA  | 13.2          | 193              | 229              |
| Other long-term receivables                                       |               | 77               | 219              |
| <b>Other financial assets</b>                                     |               | <b>530</b>       | <b>646</b>       |
| <b>Tax and employee-related receivables in Brazil (see below)</b> |               | <b>184</b>       | <b>567</b>       |
| <b>Prepaid expenses</b>   |               | <b>111</b>       | <b>215</b>       |
| <b>Other non-current assets</b>                                   |               | <b>1,214</b>     | <b>2,013</b>     |

GPA has a total of €342 million in tax receivables (of which €184 million for the non-current portion), corresponding primarily to ICMS (VAT) for €159 million, PIS/COFINS (VAT) and INSS (employer social security contributions). The subsidiary estimates that the main tax receivable (ICMS) will be recovered in the following periods:

| (€ millions)                            | 31 December 2016 |
|---|------------------|
| Within one year                         | 54               |
| In one to five years                    | 89               |
| In more than five years                 | 16               |
| <b>Total GPA tax receivables (ICMS)</b> | <b>159</b>       |

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 (note 6.2).

## 6.10. | Other liabilities

| (€ millions)  | 31 December 2016    |                 |              | 31 December 2015    |                 |              |
|---|---------------------|-----------------|--------------|---------------------|-----------------|--------------|
|   | Non-current portion | Current portion | Total        | Non-current portion | Current portion | Total        |
| Derivative instruments – liabilities <sup>(1)</sup> (note 11.5.1) | 371                 | 1               | 373          | 269                 | 281             | 551          |
| Accrued tax and employee-related liabilities                      | 173                 | 1,496           | 1,669        | 142                 | 1,634           | 1,776        |
| Sundry liabilities  | 34                  | 884             | 919          | 39                  | 1,177           | 1,216        |
| Amounts due to suppliers of fixed assets                          | 60                  | 272             | 332          | 20                  | 310             | 331          |
| Current account advances  |                     | 39              | 39           |                     | 39              | 39           |
| Consumer finance liabilities (Via Varejo) <sup>(2)</sup>          |                     |                 |              | 39                  | 535             | 575          |
| Deferred income <sup>(3)</sup>                                    | 9                   | 204             | 212          | 295                 | 269             | 564          |
| <b>Other liabilities</b>  | <b>648</b>          | <b>2,896</b>    | <b>3,544</b> | <b>805</b>          | <b>4,247</b>    | <b>5,052</b> |

(1) Primarily comprises the fair value of total return swaps (TRS) and forward instruments (note 11.3.2).

(2) Reclassified as "Liabilities associated with assets held for sale" in accordance with IFRS 5.

(3) Including, in 2015, deferred income of BRL 777 million (€180 million) recognised in the accounts of Via Varejo in respect of an BRL 850 million (€264 million) advance received in 2014 under an agreement for the exclusive sale of extended warranties with Zurich Minas Brasil Seguros S.A. Via Varejo also received a BRL 704 million (€163 million) advance in 2015 under the renegotiated agreement with Bradesco for the issue of Casas Bahia store cards. The amount recorded in deferred income at 31 December 2015 was BRL 699 million (€162 million). The two advances have been reclassified as "Liabilities associated with assets held for sale" in accordance with IFRS 5.

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## 6.11. | Off-balance sheet commitments

To the best of Management's knowledge, at 31 December 2016 there were no off-balance sheet commitments likely to have a material effect on the Group's current or future financial position other than those described below.

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.

### 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 2016 | 31 December 2015 |
|--|------------------|------------------|
| Assets pledged as collateral <sup>(1)</sup>  | 252              | 205              |
| Securities and bank guarantees given <sup>(2)</sup>                                | 2,139            | 1,969            |
| Guarantees given in connection with disposals of non-current assets <sup>(3)</sup> | 45               | 257              |
| Other commitments  | 126              | 136              |
| <b>Total commitments given<sup>(4)</sup></b>                                       | <b>2,563</b>     | <b>2,567</b>     |
| Due:   |                  |                  |
| Within one year  | 181              | 439              |
| In one to five years   | 2,352            | 2,073            |
| In more than five years  | 30               | 56               |

(1) Assets pledged, mortgaged or otherwise given as collateral. Concerns GPA for €252 million (31 December 2015: €202 million), mainly in connection with the tax disputes described in note 13.2.

(2) At 31 December 2016, includes bank guarantees issued on behalf of GPA, mainly in connection with the tax disputes described in note 13.2 for €2,057 million (31 December 2015: €1,826 million including Cnova Brazil for €30 million).

(3) Including €200 million in relation to the issue of Monoprix mandatory convertible bonds at 31 December 2015 (note 12.6).

(4) Including €34 million of bank guarantees issued on behalf of Big C Thailand at 31 December 2015.

### 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 2016 | 31 December 2015 |
|---|------------------|------------------|
| Securities and bank guarantees received         | 96               | 85               |
| Secured financial assets                        | 80               | 78               |
| Undrawn confirmed lines of credit (note 11.5.7) | 5,839            | 5,972            |
| Other commitments                               | 69               | 40               |
| <b>Total commitments received<sup>(1)</sup></b> | <b>6,084</b>     | <b>6,175</b>     |
| Due:  |                  |                  |
| Within one year                                 | 761              | 858              |
| In one to five years                            | 4,867            | 4,387            |
| In more than five years                         | 456              | 930              |

(1) Including €204 million in confirmed, undrawn lines of credit available to Big C Thailand at 31 December 2015.

## 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.

**Finance leases** which transfer to the Group the majority of the risks and rewards inherent in the ownership of the leased assets are recognised in the statement of financial position at the start of the lease period at the fair value of the leased asset or, if lower, at the present value of the minimum payments under the terms of the lease.

Non-current assets available to the Group through finance leases are recognised under non-current assets (based on their type) and are offset by a loan recorded as a financial liability.

Assets acquired under finance leases are depreciated over their expected useful life in the same way as other non-current assets of the same type, or over the term of the lease, if shorter and if the Group is not reasonably certain that it will gain ownership of the asset at the end of the lease.

Future payments made under finance leases are discounted and posted in the Group statement of financial position under financial liabilities. Payments made under operating leases are recorded as an expense in the year in which they are incurred.

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 7.3) correspond to fixed future minimum payments calculated over the non-cancellable term of operating leases.

**Prepaid rents:** in certain countries, the Group makes lease payments in advance linked to the use of the land. These advance lease payments are recognised as prepaid expenses and are amortised over the lease term.

### 7.1. | Operating lease expenses

Payments under operating leases amounted to €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) and €942 million in 2015 (including €862 million for real estate leases, of which €557 million in the France Retail segment and €163 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 subleases are presented in note 7.3.

### 7.2. | Prepaid rents

Non-current prepaid expenses (note 6.9) included prepaid rents of €135 million at 31 December 2015. They corresponded to payments for the right to use land in Thailand over an average period of 26 years, and were recorded over the period covered by the rights.

### 7.3. | 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 2016              | 31 December 2015 |
| Due within one year                  | 715                           | 829              |
| Due in one to five years             | 1,138                         | 1,188            |
| Due in more than five years          | 554                           | 765              |
| <b>Total</b>                         | <b>2,407</b>                  | <b>2,782</b>     |
| - of which France retail             | 1,361                         | 1,294            |
| - of which GPA food                  | 99                            | 68               |
| - of which Via Varejo <sup>(1)</sup> |                               | 241              |
| - of which Éxito                     | 491                           | 453              |
| - of which Uruguay                   | 75                            | 98               |
| - of which Thailand                  |                               | 259              |
| - of which E-commerce                | 53                            | 49               |

(1) Minimum lease payments relating to the discontinued operations of Via Varejo and not included in the above table represented €332 million at 31 December 2016.

Future minimum lease payments receivable under non-cancellable sub-leases amounted to €50 million at 31 December 2016 (31 December 2015: €88 million, including €45 million for Thailand).

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#### 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 2016              | 31 December 2015 |
| Due within one year         | 94                            | 68               |
| Due in one to five years    | 275                           | 158              |
| Due in more than five years | 67                            | 43               |
| <b>Total<sup>(1)</sup></b>  | <b>436</b>                    | <b>269</b>       |

(1) Primarily equipment leases in the France Retail segment.

#### 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 2016              | 31 December 2015 |
| Due within one year         | 56                            | 108              |
| Due in one to five years    | 95                            | 112              |
| Due in more than five years | 59                            | 73               |
| <b>Total<sup>(1)</sup></b>  | <b>210</b>                    | <b>294</b>       |

(1) Including, at 31 December 2015, €101 million of future minimum lease payments receivable in Thailand.

Conditional rental revenue received by the Group and recorded in the income statement in 2016 amounted to €15 million (2015: €12 million).

#### 7.4. | Finance lease expenses

Contingent rental payments related to finance leases included in the income statement amounted to €7 million in 2016 (2015: €1 million).

Future payments for finance leases and future minimum lease payments receivable under non-cancellable subleases are presented in note 7.6.

#### 7.5. | Finance leases

The Group's finance leases can be analysed as follows:

| (€ millions)                                      | 31 December 2016 |               |            | 31 December 2015 |               |            |
|---|------------------|---------------|------------|------------------|---------------|------------|
|   | Gross            | Depr. & amort | Net        | Gross            | Depr. & amort | Net        |
| Intangible assets                                 | 102              | (56)          | 46         | 87               | (44)          | 43         |
| Land  | 27               | (2)           | 24         | 29               | (2)           | 27         |
| Buildings   | 189              | (108)         | 81         | 201              | (111)         | 91         |
| Equipment and other property, plant and equipment | 439              | (415)         | 23         | 497              | (460)         | 37         |
| <b>Assets acquired under finance leases</b>       | <b>757</b>       | <b>(581)</b>  | <b>176</b> | <b>815</b>       | <b>(617)</b>  | <b>198</b> |



## 7.6. | Finance lease commitments (off-balance sheet)

### Finance leases on real estate where the Group is lessee

The Casino Group has entered into finance leases for real estate assets and investment property. At 31 December 2016, the Group had lease liabilities of €79 million (note 11.2), of which €18 million related to real estate leases and €61 million to equipment leases.

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 2016              |  | 31 December 2015              |  |
|---|-------------------------------|--|-------------------------------|--|
|   | 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   | 6                             | 2  | 5                             | 3  |
| Due in one to five years                                    | 19                            | 7  | 17                            | 9  |
| Due in more than five years                                 | 49                            | 9  | 38                            | 7  |
| <b>Total future minimum lease payments</b>                  | <b>73</b>                     | <b>18</b>                                      | <b>60</b>                     | <b>19</b>                                      |
| Interest expense  | (55)                          |  | (42)                          |  |
| <b>Total present value of future minimum lease payments</b> | <b>18</b>                     |  | <b>19</b>                     |  |

### Finance leases on equipment where the Group is lessee

The Casino Group has entered into finance leases and hire purchase agreements for various types of equipment. 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 2016              |  | 31 December 2015              |  |
|---|-------------------------------|--|-------------------------------|--|
|   | 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   | 16                            | 13   | 17                            | 13   |
| Due in one to five years                                    | 50                            | 47   | 50                            | 40   |
| Due in more than five years                                 | 1                             | 1  | 10                            | 9  |
| <b>Total future minimum lease payments</b>                  | <b>67</b>                     | <b>61</b>                                      | <b>78</b>                     | <b>62</b>                                      |
| Interest expense  | (7)                           |  | (16)                          |  |
| <b>Total present value of future minimum lease payments</b> | <b>61</b>                     |  | <b>62</b>                     |  |

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## 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 2016    |                 |            | 31 December 2015    |                 |            |
|---|---------------------|-----------------|------------|---------------------|-----------------|------------|
|   | Non-current portion | Current portion | Total      | Non-current portion | Current portion | Total      |
| (€ millions)  |                     |                 |            |                     |                 |            |
| Pensions  | 268                 | 10              | 278        | 260                 | 8               | 268        |
| Jubilees  | 36                  | 1               | 37         | 37                  | 1               | 38         |
| Bonuses of services rendered  | 13                  | 1               | 14         | 14                  |                 | 14         |
| <b>Provisions for pensions and other post-employment benefits and for long-term employee benefits</b> | <b>317</b>          | <b>11</b>       | <b>328</b> | <b>311</b>          | <b>9</b>        | <b>320</b> |

#### 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 Casino Group's French subsidiaries, who are covered by the general social security system, which is administered by the French government.

In 2016, the cost of defined contribution plans – covering 87% of the Casino Group's French subsidiaries – was €335 million (2015: €350 million excluding discontinued operations, covering 86% of French subsidiaries).

### 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 |             |
|--|-------------|-------------|---------------|-------------|
|  | 2016        | 2015        | 2016          | 2015        |
| Discount rate                            | 1.7%        | 2.20%       | 1.7%-7.8%     | 2.0%-7.5%   |
| Expected rate of future salary increases | 1.5%-2.0%   | 1.5%-2.0%   | 1.9%-3.5%     | 1.31%-10.0% |
| Retirement age                           | 62-64 years | 62-64 years | 57-65 years   | 55-65 years |

For French companies, the discount rate is determined by reference to the Bloomberg 15-year AA corporate composite index.

#### ■ SENSITIVITY ANALYSIS

A 100-basis point increase (decrease) in the discount rate would have the effect of reducing the projected benefit obligation by 9.8% (increasing the projected benefit obligation by 14.7%).

A 100-basis point increase (decrease) in the expected rate of salary increases would have the effect of increasing the projected benefit obligation by 14.4% (reducing the projected benefit obligation by 9.7%).

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#### ■ 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 2016 and 31 December 2015.

| (€ millions)   | France      |             | International |             | Total       |             |
|--|-------------|-------------|---------------|-------------|-------------|-------------|
|  | 2016        | 2015        | 2016          | 2015        | 2016        | 2015        |
| <b>Projected benefit obligation at 1 January</b>       | <b>269</b>  | <b>252</b>  | <b>26</b>     | <b>31</b>   | <b>295</b>  | <b>284</b>  |
| <b>Items included in the income statement</b>          | <b>14</b>   | <b>10</b>   | <b>1</b>      | <b>4</b>    | <b>15</b>   | <b>14</b>   |
| Service cost   | 14          | 12          | 1             | 2           | 14          | 14          |
| Interest cost  | 5           | 4           | 1             | 1           | 6           | 5           |
| Past service cost                                      | -           | -           | -             | 1           | -           | 1           |
| Curtailments/settlements                               | (5)         | (6)         | -             | -           | (5)         | (6)         |
| <b>Items included in other comprehensive income</b>    | <b>17</b>   | <b>32</b>   | <b>2</b>      | <b>-</b>    | <b>19</b>   | <b>32</b>   |
| Actuarial (gains) and losses related to:               | 17          | 32          | 1             | 1           | 18          | 33          |
| - changes in financial assumptions                     | 11          | (8)         | 1             | 1           | 12          | (7)         |
| - changes in demographic assumptions <sup>(1)</sup>    | 5           | 37          | -             | -           | 5           | 37          |
| - experience adjustments                               | 1           | 3           | -             | -           | 1           | 3           |
| Effect of movements in exchange rates                  | -           | -           | 1             | (1)         | 1           | (1)         |
| <b>Other</b>   | <b>(13)</b> | <b>(25)</b> | <b>(15)</b>   | <b>(10)</b> | <b>(28)</b> | <b>(35)</b> |
| Benefit payments                                       | (12)        | (11)        | (1)           | (1)         | (12)        | (12)        |
| Changes in scope of consolidation                      | (2)         | (1)         | (15)          | -           | (2)         | (1)         |
| Other movements  | 1           | (13)        | -             | (9)         | 1           | (22)        |
| <b>Projected benefit obligation at 31 December (A)</b> | <b>288</b>  | <b>269</b>  | <b>14</b>     | <b>26</b>   | <b>302</b>  | <b>295</b>  |
| <b>Weighted average duration of plans</b>              |             |             |               |             | <b>15</b>   | <b>14</b>   |

(1) In 2015, the impact was primarily the result of using revised staff turnover rates

| (€ millions)  | France     |            | International |          | Total      |            |
|---|------------|------------|---------------|----------|------------|------------|
|   | 2016       | 2015       | 2016          | 2015     | 2016       | 2015       |
| <b>Fair value of plan assets at 1 January</b>         | <b>31</b>  | <b>35</b>  | <b>-</b>      | <b>-</b> | <b>31</b>  | <b>35</b>  |
| <b>Items included in the income statement</b>         | <b>-</b>   | <b>-</b>   | <b>-</b>      | <b>-</b> | <b>-</b>   | <b>-</b>   |
| Interest on plan assets                               | -          | -          | -             | -        | -          | -          |
| <b>Items included in other comprehensive income</b>   | <b>1</b>   | <b>1</b>   | <b>-</b>      | <b>-</b> | <b>1</b>   | <b>1</b>   |
| Actuarial gains and (losses) (experience adjustments) | 1          | 1          | -             | -        | 1          | 1          |
| Effect of movements in exchange rates                 | -          | -          | -             | -        | -          | -          |
| <b>Other</b>  | <b>(3)</b> | <b>(5)</b> | <b>-</b>      | <b>-</b> | <b>(3)</b> | <b>(5)</b> |
| Benefit payments                                      | (3)        | (5)        | -             | -        | (3)        | (5)        |
| Changes in scope of consolidation                     | -          | -          | -             | -        | -          | -          |
| Other movements                                       | -          | -          | -             | -        | -          | -          |
| <b>Fair value of plan assets at 31 December (B)</b>   | <b>29</b>  | <b>31</b>  | <b>-</b>      | <b>-</b> | <b>29</b>  | <b>31</b>  |

| (€ millions)   | France     |            | International |           | Total      |            |
|--|------------|------------|---------------|-----------|------------|------------|
|  | 2016       | 2015       | 2016          | 2015      | 2016       | 2015       |
| <b>Net post-employment benefit obligation (A - B)</b>          | <b>259</b> | <b>238</b> | <b>14</b>     | <b>26</b> | <b>273</b> | <b>264</b> |
| <b>Unfunded projected benefit obligation underfunded plans</b> | <b>79</b>  | <b>71</b>  | <b>-</b>      | <b>-</b>  | <b>79</b>  | <b>71</b>  |
| Projected benefit obligation underfunded plans                 | 108        | 103        | -             | -         | 108        | 103        |
| Fair value of plan assets                                      | (29)       | (31)       | -             | -         | (29)       | (31)       |
| <b>Projected benefit obligation under unfunded plans</b>       | <b>180</b> | <b>166</b> | <b>14</b>     | <b>26</b> | <b>194</b> | <b>192</b> |

Plan assets are a euro fund consists mainly of fixed-rate bonds.

## ■ RECONCILIATION OF PROVISIONS RECOVERED IN THE STATEMENT OF FINANCIAL POSITION

| (€ millions)                                   | France     |            | International |           | Total      |            |
|--|------------|------------|---------------|-----------|------------|------------|
|  | 2016       | 2015       | 2016          | 2015      | 2016       | 2015       |
| <b>At 1 January</b>                            | <b>242</b> | <b>221</b> | <b>26</b>     | <b>31</b> | <b>268</b> | <b>252</b> |
| Expense for the year                           | 14         | 10         | 1             | 4         | 15         | 14         |
| Actuarial gains or losses recognised in equity | 16         | 31         | 1             | 1         | 18         | 32         |
| Effect of movements in exchange rates          | -          | -          | 1             | (1)       | 1          | (1)        |
| Benefit payments                               | (7)        | (6)        | (1)           | (1)       | (7)        | (7)        |
| Partial repayments of plan assets              | -          | -          | -             | -         | -          | -          |
| Changes in scope of consolidation              | (2)        | (1)        | (15)          | -         | (16)       | (1)        |
| Other movements                                | -          | (12)       | -             | (9)       | -          | (21)       |
| <b>At 31 December</b>                          | <b>264</b> | <b>242</b> | <b>14</b>     | <b>26</b> | <b>278</b> | <b>268</b> |

## ■ ANALYSIS OF THE EXPENSE FOR THE YEAR

| (€ millions)   | France    |           | International |               | Total     |               |
|--|-----------|-----------|---------------|---------------|-----------|---------------|
|  | 2016      | 2015      | 2016          | 2015 restated | 2016      | 2015 restated |
| Service cost   | 14        | 12        | 1             | 2             | 14        | 14            |
| Net interest on net defined benefit liabilities <sup>(1)</sup> | 5         | 4         | 1             | 1             | 6         | 5             |
| Past service cost  | -         | -         | -             | 1             | -         | 1             |
| Curtailments/settlements                                       | (5)       | (6)       | -             | -             | (5)       | (6)           |
| <b>Expense for the year</b>                                    | <b>14</b> | <b>10</b> | <b>1</b>      | <b>4</b>      | <b>15</b> | <b>14</b>     |
| Expense for the year of discontinued operations                | -         | -         | -             | (2)           | -         | (2)           |
| <b>Expense for the year of continuing operations</b>           | <b>14</b> | <b>10</b> | <b>1</b>      | <b>2</b>      | <b>15</b> | <b>12</b>     |

(1) Reported under "Other financial income and expenses".

## ■ UNDISCOUNTED FUTURE CASH FLOWS

| (€ millions)             | Statement of financial position | Undiscounted cash flows |      |      |      |      | Beyond 2021 |
|--------------------------|---------------------------------|-------------------------|------|------|------|------|-------------|
|                          |                                 | 2017                    | 2018 | 2019 | 2020 | 2021 |             |
| Post-employment benefits | 278                             | 9                       | 5    | 11   | 12   | 18   | 836         |

## 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.

### 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 €16 million in 2016 versus €9 million in 2015. This figure relates to Rallye (€1 million), Casino (€8 million) and GPA (€7 million). The impact on equity was an increase for the same amount.

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#### 8.3.2. | Payments in parent company shares

##### ■ STOCK OPTION PLANS

Rallye has not awarded stock option plans since 2011. At 31 December 2016, no stock options issued by the parent company were outstanding. The last plan expired in March 2016 and no options were exercised in that year.

##### ■ 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 2014, 2015, and 2016 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 2016 is provided in the table below:

| Grant date                                 | 29 July 2014 | 15 Dec. 2015 | 28 July 2016 |
|--|--------------|--------------|--------------|
| Maturity date                              | 29 July 2017 | 15 Dec. 2018 | 28 July 2018 |
| Initial number of beneficiaries            | 31           | 33           | 32           |
| Number of shares granted                   | 57,487       | 133,701      | 157,794      |
| Number of shares waived                    | 5,210        | 5,787        |              |
| Number of shares outstanding at period-end | 52,277       | 127,914      | 157,794      |
| Measurement of shares:                     |              |              |              |
| Fair value of the share (in €)             | 28.47        | 7.85         | 9.95         |
| Vesting period                             | 3 years      | 3 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 2016, no Casino, Guichard-Perrachon stock options were outstanding. The last two stock option plans expired in 2015.

## ■ 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 2016 are provided in the table below:

| Date of plan | Vesting date  | Number of free shares authorised | Of which number of performance shares <sup>(1)</sup> | Number of vested shares at 31 Dec. 2016 | Share price (in €) <sup>(2)</sup> | Fair value of the share (in €) <sup>(2)</sup> |
|--------------|---------------|----------------------------------|--|---|-----------------------------------|---|
| 15 Dec. 2016 | 15 Dec. 2018  | 11,418                           |  | 11,418                                  | 46.42                             | 41.70   |
| 15 Dec. 2016 | 15 Dec. 2017  | 2,629                            |  | 2,629                                   | 46.42                             | 41.52   |
| 14 Oct. 2016 | 14 Oct. 2019  | 20,859                           |  | 20,859                                  | 41.96                             | 32.53   |
| 14 Oct. 2016 | 1 July 2019   | 3,477                            | 3,477  | 3,477                                   | 41.96                             | 32.52   |
| 14 Oct. 2016 | 1 July 2018   | 3,477                            | 3,477  | 3,477                                   | 41.96                             | 34.77   |
| 14 Oct. 2016 | 31 March 2019 | 870                              |  | 870                                     | 41.96                             | 35.68   |
| 14 Oct. 2016 | 31 March 2018 | 939                              |  | 939                                     | 41.96                             | 37.01   |
| 14 Oct. 2016 | 14 Oct. 2018  | 33,157                           |  | 33,157                                  | 41.96                             | 35.69   |
| 14 Oct. 2016 | 14 Oct. 2017  | 77,525                           |  | 77,525                                  | 41.96                             | 35.69   |
| 14 June 2016 | 14 Jan. 2019  | 9,780                            |  | 9,780                                   | 49.98                             | 43.70   |
| 14 June 2016 | 14 June 2018  | 15,007                           |  | 13,185                                  | 49.98                             | 43.70   |
| 13 May 2016  | 13 May 2019   | 25,800                           | 25,800   | 25,800                                  | 53.29                             | 31.89   |
| 13 May 2016  | 13 May 2020   | 7,178                            | 7,178  | 7,178                                   | 53.29                             | 34.45   |
| 13 May 2016  | 13 May 2018   | 100,685                          | 99,909   | 99,909                                  | 53.29                             | 34.38   |
| 13 May 2016  | 13 Jan. 2019  | 17,610                           |  | 17,610                                  | 53.29                             | 43.89   |
| 13 May 2016  | 13 May 2018   | 57,735                           |  | 54,970                                  | 53.29                             | 47.04   |
| 13 May 2016  | 13 Jan. 2018  | 52,176                           |  | 52,176                                  | 53.29                             | 45.11   |
| 13 May 2016  | 13 Nov. 2017  | 70,491                           |  | 69,424                                  | 53.29                             | 44.63   |
| 13 May 2016  | 13 May 2017   | 70,413                           |  | 70,413                                  | 53.29                             | 46.33   |
| 6 May 2014   | 6 May 2019    | 3,750                            | 1,556  | 1,556                                   | 90.11                             | 69.28   |
| 6 May 2014   | 6 May 2017    | 36,672                           | 10,884   | 10,884                                  | 90.11                             | 67.34   |
| 6 May 2014   | 6 May 2017    | 3,046                            |  | 3,046                                   | 90.11                             | 71.12   |
| 6 May 2014   | 6 May 2018    | 1,139                            |  | 1,139                                   | 90.11                             | 76.79   |
| 18 Oct. 2013 | 18 Oct. 2017  | 2,705                            |  | 1,932                                   | 83.43                             | 70.09   |
| 18 Oct. 2013 | 18 Oct. 2018  | 7,857                            |  | 5,281                                   | 83.43                             | 66.27   |
| <b>Total</b> |               |                                  |  | <b>598,634</b>                          |                                   |   |

(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 grants                     | 2016           | 2015           |
|---------------------------------------|----------------|----------------|
| Unvested shares at 1 January          | 117,055        | 166,864        |
| Free share rights granted             | 581,226        | 5,331          |
| Free share rights cancelled           | (44,264)       | (33,144)       |
| Shares issued                         | (55,383)       | (21,996)       |
| <b>Unvested shares at 31 December</b> | <b>598,634</b> | <b>117,055</b> |

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#### 8.3.4. | GPA's stock option plans

The exercise price of Silver stock options corresponds to the average of the last 20 closing prices for GPA shares quoted on Bovespa, less a 20% discount. Silver options are exercisable for a fixed number of shares and

Gold options (A7 Series) for a variable number of shares, depending on the company's return on capital employed (ROCE). Gold options may not be exercised independently from Silver options.

| Name of plan       | Grant date    | Exercise period start date | Expiry date   | Number of options granted<br>(in thousands) | Stock option exercise price<br>(in reais) | Number of options outstanding at 31 Dec. 2016<br>(in thousands) |
|--------------------|---------------|----------------------------|---------------|---|---|---|
| C3 Series          | 30 May 2016   | 30 May 2019                | 30 Nov. 2019  | 823   | 37.21                                     | 785   |
| B3 Series          | 30 May 2016   | 30 May 2019                | 30 Nov. 2019  | 823   | 0.01                                      | 630   |
| C2 Series          | 29 May 2015   | 1 June 2018                | 30 Nov. 2018  | 337   | 77.27                                     | 282   |
| B2 Series          | 29 May 2015   | 1 June 2018                | 30 Nov. 2018  | 337   | 0.01                                      | 230   |
| C1 Series          | 30 May 2014   | 30 May 2017                | 30 Nov. 2017  | 239   | 83.22                                     | 144   |
| B1 Series          | 30 May 2014   | 30 May 2017                | 30 Nov. 2017  | 239   | 0.01                                      | 154   |
| A7 Series – Silver | 15 March 2013 | 31 March 2016              | 31 March 2017 | 358   | 80.00                                     | 85  |
| A7 Series – Gold   | 15 March 2013 | 31 March 2016              | 31 March 2017 | 358   | 0.01                                      | 84  |
|                    |               |                            |               |   | <b>29.21</b>                              | <b>2,394</b>  |

GPA uses the following assumptions to value its plans:

- dividend yield: 0.96%, 1.37% and 2.5%
- projected volatility: 22.09%, 24.34% and 30.2%
- risk-free interest rate: 11.7%, 12.72% and 13.25%.

The average fair value of outstanding stock options at 31 December 2016 was BRL 43.06.

The table below shows changes in the number of outstanding options and weighted average exercise prices in the years presented:

|   | 2016  |   | 2015  |   |
|---|---|---|---|---|
|   | Number of outstanding options<br>(in thousands) | Weighted average exercise price<br>(in reais) | Number of outstanding options<br>(in thousands) | Weighted average exercise price<br>(in reais) |
| <b>Options outstanding at 1 January</b>   | <b>1,267</b>                                    | <b>39.57</b>                                  | <b>1,128</b>                                    | <b>38.16</b>                                  |
| Of which vested options                   | 2   | 64.13   |   |   |
| Options granted during the period         | 1,645   | 18.61   | 674   | 38.64   |
| Options exercised during the period       | (374)   | 13.39   | (418)   | 32.62   |
| Options cancelled during the period       | (144)   | 40.40   | (117)   | 45.53   |
| <b>Options outstanding at 31 December</b> | <b>2,394</b>                                    | <b>29.21</b>                                  | <b>1,267</b>                                    | <b>39.57</b>                                  |
| Of which vested options                   | 169   | 80.00   | 2   | 64.13   |

#### 8.3.5. | Features of Cnova equity instruments

On 19 November 2014, Casino granted stock appreciation rights (SARs) to certain Cnova managers, entitling them to a cash payment equal to the difference, at the end of the four-year vesting period, between a) the lower of 220% of the IPO price and the market price on the vesting date

and b) 120% of the IPO price. SARs are cash-settled share-based payment transactions. The cost for the period is not material.

At the same date, Cnova granted 1.3 million deferred free shares, without conditions, to certain managers. The shares will be received on the fourth anniversary of the grant date.

## 8.4. | Gross remuneration and benefits of executives and members of Rallye's Board of Directors

| (€ millions)   | 2016     | 2015     |
|--|----------|----------|
| Short-term benefits excluding social security contributions <sup>(1)</sup> | 6        | 5        |
| Social security contributions on short-term benefits                       | 3        | 2        |
| Termination benefits for key executives                                    |          |          |
| Share-based payments   |          |          |
| <b>Total</b>   | <b>9</b> | <b>7</b> |

(1) Gross salaries, bonuses, benefits in kind and directors' fees paid by the Company and by the companies it controls.



## 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 profit nor taxable profit 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 profits.

The taxable profit 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)   | 2016      |               |             | 2015 restated |               |             |
|--|-----------|---------------|-------------|---------------|---------------|-------------|
|  | France    | International | Total       | France        | International | Total       |
| Current income tax   | (33)      | (82)          | (115)       | (16)          | (104)         | (120)       |
| Other taxes (CVAE)   | (70)      |               | (70)        | (67)          |               | (67)        |
| Deferred taxes   | 130       | 15            | 145         | 180           | (14)          | 166         |
| <b>Total income tax benefit (expense) recorded in the income statement</b>   | <b>26</b> | <b>(67)</b>   | <b>(40)</b> | <b>97</b>     | <b>(118)</b>  | <b>(21)</b> |
| Income tax on items recognised in "Other comprehensive income" (note 12.7.2) |           | (16)          | (16)        | 14            | 3             | 17          |
| Income tax on items recognised in equity                                     |           | (26)          | (26)        | 2             | 2             | 4           |

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#### 9.1.2. | Tax proof

| (€ millions)  | 2016          | 2015 restated |
|---|---------------|---------------|
| <b>Income before tax and share of net income of equity-accounted investees</b>  | <b>(85)</b>   | <b>(40)</b>   |
| <i>Theoretical tax rate<sup>(1)</sup></i>   | <b>34.43%</b> | 34.43%        |
| <b>Theoretical income tax expense</b>   | <b>29</b>     | <b>14</b>     |
| Impact of differences in foreign tax rates  | 4             | 56            |
| Gains or losses on remeasurement of previously-held interests pursuant to transactions resulting in the acquisition or loss of control and sales of shares                  | 1             | 64            |
| Recognition of previously unrecognised tax benefits on tax losses and other deductible temporary differences  | 4             | 43            |
| Unrecognised deferred tax assets/valuation allowances on recognised deferred tax assets on tax loss carry-forwards or other deductible temporary differences <sup>(2)</sup> | (84)          | (150)         |
| Modification of income tax rate to 28.92% from 2020 <sup>(3)</sup>  | 51            |               |
| CVAE net of income tax  | (46)          | (44)          |
| Non-deductible interest expense <sup>(4)</sup>  | (25)          | (33)          |
| CICE non-taxable <sup>(5)</sup>   | 35            | 33            |
| 3% surtax on distributed earnings   | (19)          | (14)          |
| Tax on gain neutralised from disposals of property assets to Mercialis  | (4)           | (22)          |
| Deductible interest on deeply subordinated perpetual bonds  | 17            | 29            |
| CREE tax (Éxito)  | (7)           | (22)          |
| Other   | 4             | 23            |
| <b>Effective tax expense</b>  | <b>(40)</b>   | <b>(21)</b>   |

(1) The reconciliation of the effective tax rate paid by the Group is based on the current French rate of 34.43%. This rate does not take into account the transitional 10.7% surtax due in 2015 by French companies with revenues in excess of €250 million.

(2) In 2016, this concerned the E-commerce segment (mainly Cdiscount France) for €48 million. The reported amount for 2015 included €85 million concerning the E-commerce segment and €59 million concerning Segisor and related to the reorganisation of the Casino Group's businesses in Latin America.

(3) Following the adoption of the 2017 French Finance Act (at 20 December 2016) relating to the progressive change in income tax rates, deferred taxes have been calculated with income tax rate applicable when the temporary difference will occur, i.e., a rate of 28.92% in 2020.

(4) Relating to the general deductible interest expense limit in France.

(5) See note 6.3.

#### 9.2. | Deferred taxes

##### 9.2.1. | Change in deferred tax assets

| (€ millions)   | 2016       | 2015       |
|--|------------|------------|
| <b>At 1 January</b>  | <b>491</b> | <b>370</b> |
| (Expense)/benefit for the year                                   | (39)       | 154        |
| Impact of changes in scope of consolidation                      | (18)       | 7          |
| Reclassified as "Assets held for sale" in accordance with IFRS 5 | 141        | (3)        |
| Effect of movements in exchange rates and reclassifications      | 34         | (53)       |
| Changes in deferred tax assets recognised directly in equity     | (13)       | 16         |
| <b>At 31 December</b>  | <b>596</b> | <b>491</b> |

The deferred tax (expense)/benefit net of deferred tax liabilities (note 9.2.2) of discontinued operations was an expense of €14 million in 2016 (2015: benefit of €12 million).

### 9.2.2. | Change in deferred tax liabilities

| (€ millions)  | 2016         | 2015         |
|---|--------------|--------------|
| <b>At 1 January</b>   | <b>1,225</b> | <b>1,426</b> |
| Expense/(benefit) for the year                                    | (169)        | (24)         |
| Impact of changes in scope of consolidation                       | (54)         | 20           |
| Reclassified as "Assets held for sale"                            | (38)         |              |
| Effect of movements in exchange rates and reclassifications       | 135          | (194)        |
| Changes in deferred tax liabilities recognised directly in equity | (5)          | (3)          |
| <b>At 31 December</b>   | <b>1,095</b> | <b>1,225</b> |

### 9.2.3. | Deferred tax assets and liabilities by source

| (€ millions)                                 | Net asset/(liability) |                  |
|--|-----------------------|------------------|
|  | 31 December 2016      | 31 December 2015 |
| Intangible assets                            | (844)                 | (970)            |
| Property, plant and equipment                | (243)                 | (543)            |
| <i>of which finance leases</i>               | (9)                   | (48)             |
| Inventories                                  | 17                    | 65               |
| Financial instruments                        | 164                   | 92               |
| Other assets                                 | (113)                 | (28)             |
| Provisions                                   | 109                   | 162              |
| Regulated provisions                         | (162)                 | (182)            |
| Other liabilities                            | 53                    | 76               |
| <i>of which finance lease liabilities</i>    | (4)                   | 10               |
| Tax loss carryforwards                       | 519                   | 593              |
| <b>Net deferred tax assets (liabilities)</b> | <b>(499)</b>          | <b>(734)</b>     |
| Deferred tax assets                          | 596                   | 491              |
| Deferred tax liabilities                     | 1,095                 | 1,225            |
| <b>Net</b>                                   | <b>(499)</b>          | <b>(734)</b>     |

The tax savings realised by the Rallye and Casino, Guichard-Perrachon tax groups amounted to €2 million and €280 million, respectively, in 2016 (2015: €1 million and €323 million).

Recognised tax loss carryforwards mainly concern GPA and Casino Guichard-Perrachon. 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 profits of the companies concerned. Deferred tax assets recognised for tax loss carryforwards related to GPA and Casino, Guichard-Perrachon, for €377 million and €33 million respectively at 31 December 2016. Casino, Guichard-Perrachon has drawn up a recovery plan to restore taxable profits that will run until 2025. A similar plan at GPA will be completed in 2018.

Expiry dates of unrecognised tax loss carryforwards are as follows:

| (€ millions)                                  | 31 December 2016 | 31 December 2015           |
|---|------------------|----------------------------|
| Within one year                               | 2                | 3                          |
| In one to two years                           |                  | 6                          |
| In two to three years                         |                  | 14                         |
| In more than three years                      | 5                | 77                         |
| Without maturity                              | 839              | 917                        |
| <b>Total unrecognised deferred tax assets</b> | <b>846</b>       | <b>1,017<sup>(1)</sup></b> |

(1) Including €31 million concerning discontinued operations.

### 9.2.4. | Unrecognised deferred taxes

At 31 December 2016, unrecognised deferred tax assets for tax loss carryforwards amounted to €2,929 million, representing an unrecognised deferred tax effect of €846 million (31 December 2015: €2,979 million, representing an unrecognised deferred tax effect of €1,017 million). The loss carryforwards mainly concern the Rallye tax consolidation group.

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## 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 each year-end, or at any sign of impairment in the CGU or CGU group to which it is

allocated. 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 2016 | 31 December 2015 <sup>(1)</sup> |
| <b>France Retail<sup>(2)</sup></b>                     | <b>6,664</b>     | <b>6,601</b>                    |
| <b>E-commerce (France)</b>                             | <b>56</b>        | <b>56</b>                       |
| <b>Latam Retail</b>                                    | <b>3,870</b>     | <b>3,206</b>                    |
| of which Argentina                                     | 11               | 13                              |
| of which Brazil (GPA food)                             | 2,932            | 2,333                           |
| of which Colombia                                      | 573              | 525                             |
| of which Uruguay                                       | 354              | 335                             |
| <b>Latam Electronics (Via Varejo and Cnova Brazil)</b> |                  | <b>718</b>                      |
| <b>Asia</b>  |                  | <b>764</b>                      |
| <b>Food and general retailing</b>                      | <b>10,590</b>    | <b>11,345</b>                   |
| <b>Other businesses</b>                                | <b>19</b>        | <b>19</b>                       |
| <b>Goodwill</b>  | <b>10,609</b>    | <b>11,365</b>                   |

(1) Following the merger between Cnova Brazil and Via Varejo, Cnova Brazil's E-commerce operations have been integrated into Latam Electronics (see note 5).

(2) 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)   | 2016          | 2015          |
|--|---------------|---------------|
| <b>Accumulated carrying amount at 1 January</b>  | <b>11,365</b> | <b>12,023</b> |
| Goodwill recognised during the year <sup>(1)</sup>                                       | 113           | 528           |
| Impairment losses recognised during the year   | (2)           | (3)           |
| Goodwill written off on disposals <sup>(2)</sup>   | (791)         | (13)          |
| Effect of movements in exchange rates  | 856           | (1,167)       |
| Goodwill reclassified as "Assets held for sale" <sup>(3)</sup> in accordance with IFRS 5 | (903)         | (4)           |
| Other reclassifications and movements  | (29)          |               |
| <b>Accumulated carrying amount at 31 December</b>  | <b>10,609</b> | <b>11,365</b> |

(1) The €113 million increase at 31 December 2016 was attributable to the acquisition of control of Geimex (note 3.1.6) for €69 million and to acquisitions of controlling interests by Franprix-Leader Price for €35 million (note 3.1.4). The €528 million increase at 31 December 2015 reflected acquisition of a controlling interest in Disco for €304 million (note 3.2.1), exercise of the call option on additional Super Inter stores for €95 million (note 3.2.2), acquisitions of controlling interests in various subgroups by Franprix-Leader Price for €55 million (note 3.2.3) and the Éxito/Cafam assets exchange for €44 million.

(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

|   | 31 December 2016                        |              |              | 31 December 2015                        |              |              |
|---|---|--------------|--------------|---|--------------|--------------|
|   | Accumulated amortisation and impairment |              | Net          | Accumulated amortisation and impairment |              | Net          |
| (€ millions)                                  | Gross                                   |              |              | Gross                                   |              |              |
| Concessions, trademarks, licences and banners | 1,814                                   | (35)         | 1,779        | 2,116                                   | (32)         | 2,085        |
| Lease premiums                                | 835                                     | (24)         | 810          | 988                                     | (40)         | 948          |
| Software                                      | 1,156                                   | (728)        | 428          | 1,120                                   | (648)        | 472          |
| Other intangible assets                       | 196                                     | (53)         | 144          | 358                                     | (191)        | 167          |
| <b>Intangible assets</b>                      | <b>4,001</b>                            | <b>(839)</b> | <b>3,161</b> | <b>4,582</b>                            | <b>(910)</b> | <b>3,672</b> |

### 10.2.2. | Movements for the year

| (€ millions)                             | Concessions, trademarks, licenses, banners | Lease premiums | Software   | Other intangible assets | Total        |
|--|--|----------------|------------|-------------------------|--------------|
| <b>At 1 January 2015</b>                 | <b>2,501</b>                               | <b>1,095</b>   | <b>527</b> | <b>207</b>              | <b>4,330</b> |
| Changes in scope of consolidation        | 59   | 8              |            | (2)                     | 65           |
| Additions and separately acquired assets | 4  | 22             | 102        | 81                      | 209          |
| Assets disposed of during the year       |  | (7)            |            | (8)                     | (15)         |
| Amortisation for the year                | (2)  | (2)            | (113)      | (26)                    | (143)        |
| Impairment (losses)/reversals, net       |  | (9)            | (11)       |                         | (20)         |
| Effect of movements in exchange rates    | (477)                                      | (151)          | (81)       | (27)                    | (736)        |
| Reclassified as "Assets held for sale"   |  |                | (5)        |                         | (5)          |
| Reclassifications and other movements    |  | (8)            | 53         | (57)                    | (12)         |
| <b>At 31 December 2015</b>               | <b>2,085</b>                               | <b>948</b>     | <b>472</b> | <b>167</b>              | <b>3,672</b> |
| 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                | (1)  | (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)                    |              |
| <b>At 31 December 2016</b>               | <b>1,779</b>                               | <b>810</b>     | <b>428</b> | <b>144</b>              | <b>3,161</b> |

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Internally-generated intangible assets (mainly information systems developments) represented €31 million in 2016 (2015: €34 million).

Intangible assets at 31 December 2016 included trademarks and lease premiums with an indefinite life, carried in the statement of financial position for €1,772 million and €810 million respectively. These assets are allocated to the following groups of CGUs:

| (€ millions)  | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| Latam Retail  | 1,533            | 1,247            |
| <i>of which Brazil (GPA food)<sup>(1)</sup></i>                     | 1,313            | 1,045            |
| <i>of which Colombia</i>  | 185              | 170              |
| <i>of which Uruguay</i>   | 34               | 32               |
| Latam Electronics (Via Varejo)                                      |                  | 698              |
| France Retail   | 994              | 1,027            |
| <i>of which Casino France</i>                                       | 73               | 78               |
| <i>of which Franprix-Leader Price</i>                               | 60               | 74               |
| <i>of which Monoprix<sup>(1)</sup></i>                              | 861              | 875              |
| Groupe GO Sport   | 45               | 41               |
| Other   | 10               | 9                |
| <b>Trademarks and lease premiums with an indefinite useful life</b> | <b>2,582</b>     | <b>3,023</b>     |

(1) Trademarks and lease premiums are allocated to the following GPA food banners in Brazil and Monoprix banners in France:

| (€ millions)    | 31 December 2016 |                | 31 December 2015 |                |
|-----------------|------------------|----------------|------------------|----------------|
|                 | Trademarks       | Lease premiums | Trademarks       | Lease premiums |
| <b>GPA Food</b> | <b>975</b>       | <b>338</b>     | <b>776</b>       | <b>269</b>     |
| Pão de Açúcar   | 304              | 105            | 242              | 80             |
| Extra           | 523              | 220            | 416              | 178            |
| Assaí           | 148              | 11             | 118              | 9              |
| Other           |                  | 2              |                  | 2              |
| <b>Monoprix</b> | <b>572</b>       | <b>289</b>     | <b>572</b>       | <b>303</b>     |
| Monoprix        | 552              | 268            | 552              | 285            |
| Naturalia       | 14               | 20             | 14               | 18             |
| MonShowRoom     | 6                |                | 6                |                |

Intangible assets were tested for impairment at 31 December 2016 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.

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. Residual values, useful lives and depreciation methods are reviewed at each year-end and revised prospectively if necessary.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. 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.

#### 10.3.1. | Analysis of property, plant and equipment

|                                      | 31 December 2016 |   |              | 31 December 2015 |   |              |
|--------------------------------------|------------------|---|--------------|------------------|---|--------------|
|                                      | Gross            | Accumulated depreciation and impairment | Net          | Gross            | Accumulated depreciation and impairment | Net          |
| (€ millions)                         |                  |   |              |                  |   |              |
| Land and land improvements           | 2,135            | (96)                                    | 2,038        | 2,198            | (94)                                    | 2,104        |
| Buildings, fixtures and fittings     | 5,097            | (1,861)                                 | 3,237        | 5,660            | (2,114)                                 | 3,546        |
| Other property, plant and equipment  | 7,824            | (4,932)                                 | 2,892        | 8,377            | (5,217)                                 | 3,160        |
| <b>Property, plant and equipment</b> | <b>15,055</b>    | <b>(6,889)</b>                          | <b>8,167</b> | <b>16,236</b>    | <b>(7,425)</b>                          | <b>8,810</b> |

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#### 10.3.2. | Movements for the year

| (€ millions)   | Land and land improvements | Buildings, fixtures and fittings | Other        | Total        |
|--|----------------------------|----------------------------------|--------------|--------------|
| <b>At 1 January 2015</b>   | <b>2,301</b>               | <b>3,992</b>                     | <b>3,385</b> | <b>9,678</b> |
| Changes in scope of consolidation                                | 79                         | 59                               | 38           | 176          |
| Additions and separately acquired assets                         | 23                         | 144                              | 1,137        | 1,304        |
| Assets disposed of during the year                               | (75)                       | (73)                             | (135)        | (283)        |
| Depreciation for the year  | (1)                        | (192)                            | (530)        | (722)        |
| Impairment (losses)/reversals, net                               | (1)                        | (1)                              | (93)         | (95)         |
| Effect of movements in exchange rates                            | (177)                      | (529)                            | (291)        | (998)        |
| Reclassified as "Assets held for sale" in accordance with IFRS 5 |                            | (17)                             | (117)        | (134)        |
| Other reclassifications and movements <sup>(2)</sup>             | (45)                       | 163                              | (234)        | (116)        |
| <b>At 31 December 2015</b>                                       | <b>2,104</b>               | <b>3,546</b>                     | <b>3,160</b> | <b>8,810</b> |
| Changes in scope of consolidation <sup>(1)</sup>                 | (175)                      | (467)                            | (149)        | (790)        |
| Additions and separately acquired assets                         | 50                         | 134                              | 799          | 983          |
| Assets disposed of during the year                               | (33)                       | (73)                             | (181)        | (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"                           | (24)                       | (211)                            | (216)        | (451)        |
| Other reclassifications and movements <sup>(2)</sup>             | (2)                        | 83                               | (220)        | (139)        |
| <b>At 31 December 2016</b>                                       | <b>2,038</b>               | <b>3,237</b>                     | <b>2,892</b> | <b>8,167</b> |

(1) Mainly reflecting the disposal of the Group's operations in Thailand.

(2) Primarily -€56 million concerning the property development business (2015: -€54 million).

Property, plant and equipment were tested for impairment at 31 December 2016 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 during the year ended 31 December 2016 amounted to €15 million, reflecting an average interest rate of 8.4% (2015: €5 million of which €1 million related to discontinued operations at an average rate of 13.1%). The increase in the capitalised amount in 2016 compared to the prior year concerned operations in Colombia.

#### 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.

After initial recognition, investment property is measured at cost less accumulated depreciation and any impairment losses. 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 2016 |   |     | 31 December 2015 |   |     |
|---------------------|------------------|---|-----|------------------|---|-----|
|                     | Gross            | Accumulated depreciation and impairment | Net | Gross            | Accumulated depreciation and impairment | Net |
| Investment property | 483              | (67)                                    | 416 | 1,041            | (265)                                   | 777 |



#### 10.4.2. | Movements for the year

| (€ millions)   | 2016       | 2015       |
|--|------------|------------|
| <b>Accumulated carrying amount at 1 January</b>                  | <b>777</b> | <b>675</b> |
| Changes in scope of consolidation <sup>(1)</sup>                 | (428)      | 32         |
| Additions and separately acquired assets                         | 79         | 79         |
| Assets disposed of during the year                               |            |            |
| Depreciation for the year  | (10)       | (35)       |
| Impairment (losses)/reversals, net                               |            | (1)        |
| Effect of movements in exchange rates                            | 26         | (32)       |
| Reclassified as "Assets held for sale" in accordance with IFRS 5 |            | (44)       |
| Other reclassifications and movements                            | (28)       | 103        |
| <b>Accumulated carrying amount at 31 December</b>                | <b>416</b> | <b>777</b> |

(1) Disposal of the Group's operations in Thailand in 2016.

At 31 December 2016, investment property totalled €416 million, of which 64% (€265 million) concerned Éxito. Investment property at 31 December 2015 amounted to €777 million, of which 54% concerned Big C Thailand and 23% 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)  | 2016 | 2015 restated |
|---|------|---------------|
| Rental revenue from investment properties                         | 65   | 55            |
| Directly attributable operating expenses on investment properties |      |               |
| – that generated rental revenue during the year                   | (18) | (16)          |
| – that did not generate rental revenue during the year            | (14) | (9)           |

#### ■ FAIR VALUE OF INVESTMENT PROPERTY

The main investment properties at 31 December 2016 were held by Éxito. The fair value of investment property at 31 December 2016 was €678 million (31 December 2015: €2,012 million, including €1,510 million for properties held by Big C Thailand). 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.

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## 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.

Except for goodwill and intangible assets with an indefinite useful life, which are systematically tested for impairment once a year, the recoverable value of an asset is assessed whenever there is an indication that the asset may have lost value.

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. Future cash flows are estimated on the basis of budgets or forecasts for a maximum five-year period; beyond this period, they are extrapolated by applying a constant or declining growth rate and discounted to present value. The discount rate used is the average cost of capital employed for each CGU. The terminal value is generally calculated based on capitalisation to perpetuity of a normative annual cash flow based on the final year's cash flow projection.

To monitor the value of goodwill, the determination of the recoverable amounts of the CGUs or associated groups of CGUs is made each year at year-end.

**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 year are reversed if, and only if, there has been a change in the assessments 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 Rallye's operating subsidiaries

The cash-generating units (CGUs) used are the Group's operating subsidiaries. Goodwill recognised against 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 2015) and a discount rate of 9.25% (9.5% in 2015).

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 2016, the Rallye 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 2016 on goodwill, intangible assets and property, plant and equipment totalled €115 million, of which €58 million arose from restructuring operations (mainly in the France Retail segment) and €49 million corresponded to individual assets (mainly in the France Retail and E-commerce segments).

Following the tests carried out in 2015, impairment losses totalling €115 million were recognised on intangible assets and property, plant and equipment excluding discontinued operations (of which €88 million arose from restructuring operations and consolidation scope changes in the France Retail segment, €15 million corresponded to individual assets in the France Retail segment and €10 million concerned capitalised software development costs in France).

#### ■ CASINO GOODWILL IMPAIRMENT

Assumptions used for internal calculations of 2016 values in use:

| Region                                   | 2016 perpetual growth rate <sup>(1)</sup> | 2016 discount rate after-tax <sup>(2)</sup> | 2015 perpetual growth rate <sup>(1)</sup> | 2015 discount rate after-tax <sup>(2)</sup> |
|--|---|---|---|---|
| France (retail) <sup>(3)</sup>           | 1.7%                                      | 5.6%  | 1.5%                                      | 5.5%  |
| France (other businesses) <sup>(3)</sup> | 1.7% to 2.2%                              | 5.6% to 7.2%                                | 1.5% and 2.0%                             | 5.5% to 7.3%                                |
| Argentina                                | 8.5%                                      | 17.1%                                       | 10.2%                                     | 17.7%                                       |
| Brazil <sup>(4)</sup>                    | 6.0%                                      | 12.4% and 11.6% <sup>(6)</sup>              | 5.5%                                      | 11.3% and 13.6%                             |
| Colombia <sup>(5)</sup>                  | 3.0%                                      | 8.9%  | 3.5%                                      | 8.5%  |
| Uruguay                                  | 6.6%                                      | 13.2%                                       | 8.5%                                      | 15.8%                                       |
| Indian Ocean <sup>(5)</sup>              | 1.7% to 5.5%                              | 5.6% to 14.2%                               | 1.5% to 5.2%                              | 5.5% to 13.0%                               |

(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 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 2016, the market capitalisation of the listed subsidiaries GPA, Éxito and Cnova was €4,247 million, €2,107 million and €1,785 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 at 31 December 2016 from the annual goodwill impairment test conducted at the end of the year.

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. Applying this sensitivity test to the Codim CGU (the France Retail subsidiary in Corsica) resulted in a recoverable amount close to the carrying amount of the net assets.

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 (2015: 5.5%).

The cash flow projections for the budget period were based on the following assumptions:

- ongoing development of the Mandarine concept at Franprix and development of a new concept at Leader Price;
- ongoing deployment of a banner strategy based on a balance between integrated management stores and franchisees;
- the profitability of the two banners will increase, led by larger product volumes and optimised store and upstream function cost bases. Franprix-Leader Price expects this strategy to lift EBITDA margin to a level in line with its historical high by the end of 2020.

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 €2,582 million in goodwill).

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| Change required for the Franprix-Leader Price CGU's carrying amount to be the same as its recoverable amount | 31 December 2016 <sup>(1)</sup> | 31 December 2015 |
|--|---------------------------------|------------------|
| After-tax discount rate (5.6%)   | +100 bps                        | +100 bps         |
| Perpetual growth rate net of inflation (0%)  | -120 bps                        | -110 bps         |
| EBITDA margin used for the annual cash flow projection   | -120 bps                        | -130 bps         |

(1) With a reasonable 100-bps increase in the discount rate, or/and 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 €250 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. In light of the less favourable economic environment in Brazil, the

Extra banner's trademark was considered to be the most exposed to a risk of impairment. However, the tests carried out at 31 December 2016 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 2016 <sup>(1)</sup> |
|--|---------------------------------|
| Perpetual growth rate net of inflation (1.5%)  | -110 bps                        |
| After-tax discount rate (12.4% and 11.6%) <sup>(2)</sup>   | +60 bps                         |
| EBITDA margin used for the annual cash flow projection   | -50 bps                         |

(1) With a reasonable 100-bps increase in the discount rate, or/and a 50-bps decrease in the EBITDA margin used for the cash flow projection and/or a 25bps decrease in the perpetual growth rate, the carrying amount of the Extra CGU (including the trademark) would exceed its recoverable amount by between zero and €424 million.

(2) 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.

## 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, short-term investments must be:

- short-term investments;
- highly liquid investments;
- readily convertible to known amounts of cash;
- subject to an insignificant risk of changes in value.

Usually, the Group's 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 program".

##### **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.

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#### ■ 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 program, 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 subgroups, 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 2016 | 31 December 2015 |
|---|-------------|------------------|------------------|
| Financial assets held for cash management purposes and short-term financial investments | 11.2        | 41               | 112              |
| Financial assets resulting from a significant disposal of non-current assets            | 11.2        | 7                | 55               |
| Derivatives (not qualifying for hedge accounting) – assets                              | 11.5.1/11.2 | 4                | 4                |
| <b>Sub-total</b>  |             | <b>52</b>        | <b>170</b>       |
| Derivatives (fair value and hedges of borrowings) – assets                              | 11.5.1      | 34               | 231              |
| <b>Sub-total</b>  |             | <b>53</b>        | <b>170</b>       |
| <b>Other current financial assets</b>   |             | <b>87</b>        | <b>401</b>       |

### 11.1.2. | Net cash and cash equivalents

| (€ millions)                           | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
| Cash equivalents                       | 2,429            | 3,009            |
| Cash                                   | 3,407            | 1,658            |
| <b>Gross cash and cash equivalents</b> | <b>5,836</b>     | <b>4,667</b>     |
| Bank overdrafts                        | (146)            | (197)            |
| <b>Net cash and cash equivalents</b>   | <b>5,690</b>     | <b>4,470</b>     |

At 31 December 2016, cash and cash equivalents were not subject to any material restrictions, except for the €219 million placed in escrow when the public tender offer for Cnova NV shares was launched (note 2). Bank guarantees are presented in note 6.11.1.

The main currencies in 2016 were the euro and the Brazilian real, corresponding to €3,135 million (54%) and €2,180 million (37%), respectively.

### 11.2. | Financial liabilities

Financial liabilities amounted to €13,397 million at 31 December 2016 (31 December 2015: €15,031 million), as follows:

| (€ millions)  | Notes  | 31 December 2016    |                 |                | 31 December 2015    |                 |                |
|---|--------|---------------------|-----------------|----------------|---------------------|-----------------|----------------|
|   |        | Non-current portion | Current portion | Total          | Non-current portion | Current portion | Total          |
| Bonds <sup>(1)</sup>  | 11.2.2 | 7,842               | 804             | 8,647          | 8,915               | 759             | 9,674          |
| Other financial liabilities   | 11.2.3 | 2,133               | 2,452           | 4,584          | 2,735               | 2,285           | 5,020          |
| Trade payables – structured programme <sup>(2)</sup>                                    |        |                     |                 |                |                     | 245             | 245            |
| Finance leases  | 7.6    | 63                  | 16              | 79             | 65                  | 15              | 80             |
| Derivatives – liabilities <sup>(3)</sup>  | 11.5.1 | 26                  | 61              | 87             | 7                   | 4               | 12             |
| <b>Total financial liabilities</b>  |        | <b>10,064</b>       | <b>3,333</b>    | <b>13,397</b>  | <b>11,722</b>       | <b>3,308</b>    | <b>15,031</b>  |
| Derivatives (fair value and cash flow hedges) – assets <sup>(4)</sup>                   | 11.5.1 | (278)               | (34)            | (312)          | (438)               | (260)           | (698)          |
| Net assets held for sale attributable to owners of the parent of the selling subsidiary | 3.5    |                     | (768)           | (768)          |                     | (315)           | (315)          |
| Other financial assets  | 11.1.1 |                     | (53)            | (53)           |                     | (170)           | (170)          |
| Cash and cash equivalents   | 11.1.2 |                     | (5,836)         | (5,836)        |                     | (4,667)         | (4,667)        |
| <b>Total financial assets</b>   |        | <b>(278)</b>        | <b>(6,691)</b>  | <b>(6,969)</b> | <b>(438)</b>        | <b>(5,412)</b>  | <b>(5,851)</b> |
| <b>Net debt</b>   |        | <b>9,786</b>        | <b>(3,358)</b>  | <b>6,428</b>   | <b>11,284</b>       | <b>(2,104)</b>  | <b>9,180</b>   |

(1) Of which bond issues totalling €7,946 million in France and €700 million at GPA at 31 December 2016.

(2) Corresponding to the Via Varejo reverse factoring programme described in the "Accounting principles" section of note 11.

(3) Of which €80 million in Brazil, €5 million in Colombia and €3 million in France at 31 December 2016.

(4) Of which €278 million in France, €31 million in Brazil and €3 million in Colombia at 31 December 2016.

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#### ■ BREAKDOWN OF NET DEBT

|  | 31 December 2016    |                           |   |              | 31 December 2015       |  |  |                         |
|--|---------------------|---------------------------|---|--------------|------------------------|--|--|-------------------------|
|  | Debt <sup>(4)</sup> | Cash and cash equivalents | Attributable net assets reclassified as "held for sale" | Net debt     | Debt <sup>(4)(5)</sup> | Cash and cash equivalents <sup>(5)</sup> | Attributable net assets reclassified as "held for sale" <sup>(5)</sup> | Net debt <sup>(5)</sup> |
| (€ millions)   |                     |                           |   |              |                        |  |  |                         |
| <b>Rallye Group<sup>(3)</sup></b>  | <b>3,146</b>        | <b>(86)</b>               |   | <b>3,060</b> | <b>3,189</b>           | <b>(81)</b>                              |  | <b>3,107</b>            |
| <b>Casino Group</b>  | <b>9,885</b>        | <b>(5,749)</b>            | <b>(768)</b>  | <b>3,367</b> | <b>11,041</b>          | <b>(4,718)</b>                           | <b>(252)</b>   | <b>6,072</b>            |
| <b>France Retail</b>   | <b>6,884</b>        | <b>(3,614)</b>            | <b>(70)</b>   | <b>3,200</b> | <b>7,787</b>           | <b>(1,681)</b>                           | <b>(24)</b>  | <b>6,081</b>            |
| <b>Latam Retail</b>  | <b>2,973</b>        | <b>(1,939)</b>            | <b>(1)</b>  | <b>1,032</b> | <b>2,231</b>           | <b>(1,236)</b>                           | <b>(2)</b>   | <b>993</b>              |
| of which GPA food  | 1,713               | (1,492)                   |   | 221          | 1,091                  | (864)                                    |  | 227                     |
| of which Éxito <sup>(1)</sup>  | 1,259               | (447)                     | (1)   | 810          | 1,140                  | (372)                                    | (2)  | 766                     |
| <b>Latam Electronics</b>   |                     |                           | <b>(697)</b>  | <b>(697)</b> | <b>429</b>             | <b>(1,549)</b>                           |  | <b>(1,119)</b>          |
| <b>Asia</b>  |                     |                           |   |              | <b>559</b>             | <b>(188)</b>                             | <b>(225)</b>   | <b>146</b>              |
| of which Thailand  |                     |                           |   |              | 306                    | (60)                                     |  | 246                     |
| of which Vietnam <sup>(2)</sup>  |                     |                           |   |              | 253                    | (128)                                    | (225)  | (100)                   |
| <b>E-Commerce<sup>(2)</sup></b>  | <b>28</b>           | <b>(196)</b>              |   | <b>(168)</b> | <b>36</b>              | <b>(64)</b>                              | <b>(1)</b>   | <b>(29)</b>             |
| <b>Total</b>   | <b>13,031</b>       | <b>(5,836)</b>            | <b>(768)</b>  | <b>6,428</b> | <b>14,228</b>          | <b>(4,796)</b>                           | <b>(252)</b>   | <b>9,180</b>            |
| Net cash after intra-group elimination of Retail and E-commerce activities in Vietnam classified as held for sale <sup>(2)</sup> |                     |                           |   |              | (66)                   | 129                                      | (63)   |                         |
| <b>Net debt</b>  | <b>13,031</b>       | <b>(5,836)</b>            | <b>(768)</b>  | <b>6,428</b> | <b>14,162</b>          | <b>(4,667)</b>                           | <b>(315)</b>   | <b>9,180</b>            |

(1) Éxito excluding GPA, including Argentina and Uruguay.

(2) In light of the Big C Vietnam disposal process (announced to the market on 15 December 2015), the Casino Group decided to apply IFRS 5 to its Vietnamese businesses (including Cdiscount Vietnam) at 31 December 2015. The cash position of these two activities (€63 million at 31 December 2015) was therefore reclassified as "Assets held for sale" in accordance with IFRS 5.

(3) Groupe GO Sport accounted for €161 million of net debt in 2016 and €150 million in 2015. 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-2016 and end-2015.

(4) Financial liabilities net of fair value and cash flow hedges and other financial assets.

(5) Following the merger between Cnova Brazil and Via Varejo, Cnova Brazil's E-commerce operations have been integrated into Latam Electronics (see note 5).



### 11.2.1. | Change in financial liabilities

| (€ millions)  | 2016          | 2015          |
|---|---------------|---------------|
| <b>Financial liabilities at 1 January (including hedging and cash flow instruments)</b>   | <b>14,333</b> | <b>16,400</b> |
| New borrowings <sup>(1)</sup>   | 2,302         | 3,864         |
| Repayments of borrowings <sup>(2)</sup>   | (3,650)       | (5,609)       |
| Change in fair value of hedged debt   | 31            | (63)          |
| Foreign currency translation reserves   | 528           | (500)         |
| Changes in scope of consolidation <sup>(3)</sup>  | (534)         | 26            |
| Financial liabilities associated with assets held for sale                                | (349)         | (66)          |
| Other reclassifications <sup>(4)</sup>  | 425           | 281           |
| <b>Financial liabilities at 31 December (including hedging and cash flow instruments)</b> | <b>13,086</b> | <b>14,333</b> |
| Financial liabilities   | 13,397        | 15,031        |
| Derivative instruments – assets   | (312)         | (698)         |

(1) New borrowings in 2016 mainly included the following: (a) net increase in short-term commercial paper for €182 million; (b) new borrowings by Éxito for €224 million, the Brazilian subsidiaries for €458 million (including €106 million for GPA and €353 million for Cnova Brazil), and Big C Thailand for €207 million and Rallye for €213 million, and (c) bond issues by GPA and Rallye for €262 million and €270 million, respectively, together with two promissory notes issues by GPA for €260 million. In 2015, new borrowings primarily comprised the following: (a) drawdowns on lines of credit by Casino, Guichard-Perrachon for €625 million and Rallye for €338 million, (b) new borrowings by the Brazilian subsidiaries for €743 million, and (c) new borrowings by Éxito in connection with the reorganisation of operations in Latin America for €1,785 million, and (d) new borrowings by Rallye for €160 million.

(2) In 2016, repayments of borrowings mainly concerned Casino, Guichard-Perrachon for €1,384 million (including (a) €978 million in bond buybacks (note 2), and (b) redemption of a €386 million bond issue); GPA for €993 million (including (a) €385 million of trade payables – structured program, (b) €528 million in miscellaneous debt repayments; and Rallye for €662 million (including (a) €424 million in bond buybacks and (b) €238 million in bond redemptions), and (c) €130 million in repayments of promissory notes. In 2015, repayments of borrowings mainly concerned Casino, Guichard-Perrachon for €2,327 million (including redemption of a bond issue for €750 million, an €869 million reduction in borrowings under the short-term commercial paper programme and repayments of borrowings and drawdowns for €707 million), GPA for €1,144 million, Big C Thailand for €333 million, Éxito for €633 million and Rallye for €560 million (including €378 million in redemptions of bond issues, a €122 million reduction in borrowings under the short-term commercial paper programme and repayments of borrowings and drawdowns for €60 million).

(3) Including at 31 December 2016, a negative €502 million following the disposal of operations in Thailand and a negative €67 million relating to the disposal of operations in Vietnam (note 3.5.2).

(4) Including €238 million in trade payables – structured program in 2016 (2015: €285 million).

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**11.2.2. | Outstanding bond issues**

| (€ millions)                           | Currency | Principal <sup>(1)</sup> | Issue rate <sup>(2)</sup> | Issue date               | Maturity date  | 31 December 2016 <sup>(3)</sup> | 31 December 2015 <sup>(3)</sup> |
|--|----------|--------------------------|---------------------------|--------------------------|----------------|---------------------------------|---------------------------------|
| <b>Rallye</b>                          |          | <b>1,710</b>             |                           |                          |                | <b>1,678</b>                    | <b>1,846</b>                    |
| 2016 bonds                             | EUR      |                          | 7.625%                    | November 2009            | November 2016  |                                 | 389                             |
| 2018 EMTN                              | EUR      | 300                      | 5.000%                    | October 2012             | October 2018   | <b>303</b>                      | 304                             |
| 2019 EMTN                              | EUR      | 300                      | 4.250%                    | March 2013               | March 2019     | <b>299</b>                      | 299                             |
| 2020 exchangeable bonds <sup>(4)</sup> | EUR      | 375                      | 1.000%                    | October 2013             | October 2020   | <b>362</b>                      | 351                             |
| 2020 bonds                             | CHF      | 70                       | 4.000%                    | November 2016            | November 2020  | <b>69</b>                       |                                 |
| 2021 EMTN                              | EUR      | 465                      | 4.000%                    | April 2014               | January 2021   | <b>471</b>                      | 503                             |
| 2022 exchangeable bonds <sup>(5)</sup> | EUR      | 200                      | 5.250%                    | October 2016             | February 2022  | <b>173</b>                      |                                 |
| <b>Casino, Guichard-Perrachon</b>      |          | <b>5,981</b>             |                           |                          |                | <b>6,270</b>                    | <b>7,620</b>                    |
| 2016 bonds                             | EUR      |                          | 4.470%                    | October 2011             | April 2016     |                                 | 387                             |
| 2017 bonds                             | EUR      | 552                      | 4.380%                    | February 2010            | February 2017  | <b>552</b>                      | 552                             |
| 2018 bonds                             | EUR      | 508                      | 5.730%                    | May 2010                 | November 2018  | <b>527</b>                      | 538                             |
| 2019 bonds                             | EUR      | 850                      | 4.410%                    | August 2012; April 2013  | August 2019    | <b>884</b>                      | 1,050                           |
| 2020 bonds                             | EUR      | 600                      | 3.990%                    | March 2012               | March 2020     | <b>631</b>                      | 638                             |
| 2021 bonds                             | EUR      | 850                      | 5.980%                    | May 2011                 | May 2021       | <b>919</b>                      | 906                             |
| 2023 bonds                             | EUR      | 758                      | 3.310%                    | January 2013; April 2013 | January 2023   | <b>833</b>                      | 1,084                           |
| 2024 bonds                             | EUR      | 900                      | 3.250%                    | March 2014               | March 2024     | <b>932</b>                      | 903                             |
| 2025 bonds                             | EUR      | 450                      | 2.330%                    | December 2014            | February 2025  | <b>448</b>                      | 649                             |
| 2026 bonds                             | EUR      | 514                      | 4.050%                    | August 2014              | August 2026    | <b>543</b>                      | 914                             |
| <b>GPA<sup>(6)</sup></b>               |          | <b>703</b>               |                           |                          |                | <b>699</b>                      | <b>208</b>                      |
| 2017 bonds                             | BRL      | 146                      | 108.0% CDI                | August 2016              | January 2017   | <b>146</b>                      |                                 |
| 2019 bonds                             | BRL      | 262                      | 107.0% CDI                | September 2014           | September 2019 | <b>262</b>                      | 208                             |
| 2019 bonds                             | BRL      | 295                      | 97.5% CDI                 | December 2016            | December 2019  | <b>291</b>                      |                                 |
| <b>Total bonds</b>                     |          |                          |                           |                          |                | <b>8,646</b>                    | <b>9,466</b>                    |

(1) Corresponds to the principal of the bonds outstanding at 31 December 2016.

(2) The euro-interest paid on Casino bonds takes into account the downgrade of Casino's credit rating (see note 2), except for the 2020, 2023, 2024 and 2025 tranches, which will be affected as from first-half 2017.

(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 30<sup>th</sup> 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 a rate 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) Only the GPA loans are at variable rates, indexed to the Brazilian CDI rate (Certificado de Depósito Interbancário).

### 11.2.3. | Other borrowings

| (€ millions)                                   | Principal | Rate  | Issue date                 | Maturity date                 | 31 December 2016 | 31 December 2015 |
|--|-----------|---|----------------------------|-------------------------------|------------------|------------------|
| <b>Rallye</b>                                  |           |   |                            |                               | <b>1,505</b>     | <b>1,452</b>     |
| Bank borrowings                                | 560       | Fixed <sup>(1)</sup> /Variable                | January 2013 to May 2016   | February 2018 to January 2022 | <b>558</b>       | 566              |
| Syndicated loans – credit lines <sup>(2)</sup> | 443       | Variable                                      |                            |                               | <b>443</b>       | 458              |
| Other borrowings                               | 101       | Variable                                      |                            |                               | <b>101</b>       | 101              |
| Commercial paper                               | 353       | Fixed   | <sup>(3)</sup>             | <sup>(3)</sup>                | <b>353</b>       | 268              |
| Accrued interest <sup>(8)</sup>                |           |   |                            |                               | <b>39</b>        | 46               |
| Bank overdrafts <sup>(7)</sup>                 |           |   |                            |                               | <b>10</b>        | 14               |
| <b>Casino</b>                                  |           |   |                            |                               | <b>3,079</b>     | <b>3,569</b>     |
| <b>Casino France</b>                           |           |   |                            |                               |                  |                  |
| Commercial paper (Casino, Guichard-Perrachon)  | 522       | Fixed   | <sup>(3)</sup>             | <sup>(3)</sup>                | <b>522</b>       | 424              |
| Other Franprix-Leader Price borrowings         | 134       | Variable/fixed <sup>(4)</sup>                 | 2010 to 2016               | 2018 to 2023                  | <b>85</b>        | 74               |
| Monoprix                                       |           | Variable                                      | December 2013              | <sup>(5)</sup>                |                  | 21               |
| Other <sup>(9)</sup>                           |           |   |                            |                               | <b>30</b>        | 26               |
| <b>Casino International</b>                    |           |   |                            |                               |                  |                  |
| GPA  | 749       | Variable <sup>(6)</sup> /fixed <sup>(7)</sup> | June 2010 to December 2016 | January 2017 to May 2017      | <b>744</b>       | 902              |
| Via Varejo                                     |           |   |                            |                               |                  | 182              |
| BIG C Thailand                                 |           | Variable                                      | July 2015 to December 2015 | December 2016 to July 2019    |                  | 305              |
| Éxito  | 1,267     | Variable <sup>(6)</sup>                       | August 2015 to August 2016 | December 2018 to August 2025  | <b>1,241</b>     | 1,182            |
| Other  |           |   |                            |                               |                  | 2                |
| Bank overdrafts <sup>(7)</sup>                 |           |   |                            |                               | <b>136</b>       | 183              |
| Accrued interest <sup>(8)</sup>                |           |   |                            |                               | <b>321</b>       | 269              |
| <b>Total bank borrowings</b>                   |           |   |                            |                               | <b>4,584</b>     | <b>5,020</b>     |

(1) Of which fixed-rate loans amounting to €159 million in 2016 and 2015.

(2) Groupe GO Sport accounted for €120 million in 2016 and 2015 (note 11.5.7).

(3) Commercial paper is short-term financing generally with a maturity of less than three months.

(4) Of which fixed-rate loans amounting to €4 million at 31 December 2016 (31 December 2015: €10 million).

(5) Corresponds to the debt component of the Monoprix mandatory convertible bonds redeemed in May 2016.

(6) Variable rate loans are mostly indexed to the CDI for GPA and to the IBR for Éxito.

(7) Bank overdrafts of the Rallye scope apply to Groupe GO Sport. For the Casino Group, they are mainly located in France.

(8) The amount reported for accrued interest is for all financial liabilities including bonds. At 31 December 2016, accrued interest primarily related to Casino, Guichard-Perrachon for €157 million, GPA for €156 million and Rallye for €39 million. At 31 December 2015, accrued interest primarily related to Casino, Guichard-Perrachon for €174 million, GPA for €88 million, and Rallye for €46 million.

(9) Of which €17 million related to Cdiscount in 2016.

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## 11.3. | Cost of net debt and other financial income and expenses, net

In 2016, The Group reviewed the presentation of non-recourse factoring costs within net financial income/(expense). These costs, which were included in "Cost of net debt", will now be included in "Other financial income and expenses". The Group believes that this voluntary change of presentation improves the quality of its financial disclosures, as it permits direct reconciliations between "Cost of net debt" and "Net debt". The reclassification qualifies as a change in accounting method and has therefore been applied retrospectively, leading to the restatement of 2015 figures.

**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

interest rate and currency hedges, interest expense related to finance leases, and costs related to the structured trade payables program.

**Other financial income and expenses** include the dividends received from non-consolidated companies, changes in fair value of non-cash financial assets and 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)  | 2016         | 2015 restated <sup>(1)</sup> |
|---|--------------|------------------------------|
| Gains (losses) on disposal of cash equivalents              |              |                              |
| Income from cash and cash equivalents                       | 110          | 128                          |
| <b>Income from cash and cash equivalents</b>                | <b>110</b>   | <b>128</b>                   |
| Interest expense on borrowings after hedging <sup>(2)</sup> | (537)        | (481)                        |
| Interest expense on finance lease liabilities               | (8)          | (5)                          |
| <b>Cost of gross debt</b>                                   | <b>(545)</b> | <b>(486)</b>                 |
| <b>Cost of net debt</b>                                     | <b>(435)</b> | <b>(358)</b>                 |

(1) Following the change in presentation of non-recourse factoring costs within net financial income (expense), the 2015 financial statements have been restated. Consequently, the line "Interest expense on borrowings after hedging" at 31 December 2015 has been restated by €53 million (excluding discontinued operations).

(2) In 2016, income of €13 million was recognised following exercise of the call option on the mandatory convertible bonds issued by Monoprix (note 2). 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). In 2015, income of €11 million was recognised following an agreed reduction in the interest rate on the Monoprix mandatory convertible bonds (six-month Euribor plus 410 bps).

### 11.3.2. | Other financial income and expenses, net

| (€ millions)   | 2016         | 2015 restated <sup>(2)</sup> |
|--|--------------|------------------------------|
| Investment income  |              |                              |
| Foreign currency exchange gains (other than on borrowings)                                     | 44           | 95                           |
| Discounting and accretion adjustments  | 2            | 2                            |
| Gains on remeasurement to fair value of non-hedge derivative instruments <sup>(1)</sup>        | 201          | 52                           |
| Gains on remeasurement to fair value of financial assets at fair value through profit or loss  |              | 1                            |
| Other  | 61           | 70                           |
| <b>Other financial income</b>  | <b>308</b>   | <b>219</b>                   |
| Foreign currency exchange losses (other than on borrowings)                                    | (41)         | (39)                         |
| Discounting and accretion adjustments  | (12)         | (15)                         |
| Losses on remeasurement to fair value of non-hedge derivative instruments <sup>(1)</sup>       | (118)        | (340)                        |
| Losses on remeasurement at fair value of financial assets at fair value through profit or loss | (1)          | (1)                          |
| Non-recourse factoring costs <sup>(2)</sup>  | (78)         | (53)                         |
| Other  | (107)        | (101)                        |
| <b>Other financial expenses</b>  | <b>(358)</b> | <b>(549)</b>                 |
| <b>Total other financial income and expenses</b>   | <b>(49)</b>  | <b>(329)</b>                 |

(1) Net gain of €83 million reported in 2016 mainly reflects (a) positive fair value adjustments to the GPA TRS (€30 million), the Mercialis TRS (€1 million) and the GPA forward (€15 million including impacts of forward renegotiating the cost included), (b) the positive fair value adjustment to the Big C Thailand TRS (€23 million) which was unwound in the year, and (c) positive fair value adjustments to other derivative instruments (€12 million).

In 2015, the net expense of €288 million was primarily due to negative fair value adjustments to the Big C Thailand TRS (€17 million), the GPA TRS (€162 million) and the GPA forward (€154 million), and positive fair value adjustments to the Mercialis TRS (€3 million) and other derivative instruments (€42 million).

(2) Non-recourse factoring costs were previously reported under "Interest expense on borrowings after hedging" (note 11.3.1)

The Group entered into Total Return Swap (TRS) and forward contracts on GPA, Mercialis and Big C Thailand 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). On 23 December 2016, the contract's maturity was extended to June 2018 and the interest rate was set at the three-month Euribor plus 269.5 bps. This TRS is classified as a derivative instrument measured at fair value through profit or loss. At 31 December 2016, 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 €209 million (31 December 2015: 7.8 million ADRs, a notional amount of €332 million and a negative fair value of €247 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 interest rate currently corresponds to the three-month Libor plus 276 bps and the contract expires in February 2018. This forward is classified as a derivative instrument

measured at fair value through profit or loss. At 31 December 2016, it related to 5.8 million shares (2.2% of GPA's capital) representing a notional amount of USD 239 million (€227 million), and had a negative fair value of €134 million (31 December 2015: 5.8 million shares, a notional amount of USD 338 million (€310 million) and a negative fair value of €248 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 2016, it covered 1.8 million ADRs representing a notional amount of €31 million, and had a positive fair value of €4 million (31 December 2015: 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. At 31 December 2015, the TRS's notional amount was €127 million and its fair value was a negative €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 €339 million at 31 December 2016 (31 December 2015: negative fair value of €512 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 transaction 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.

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**11.4.1. | Financial assets and liabilities by category of instrument**

**■ FINANCIAL ASSETS**

| (€ millions)                            | Total financial assets | Held-for-trading financial assets | Assets at fair value through profit or loss | Hedging instruments | Loans and receivables | AFS - measured at fair value | AFS - measured at cost |
|---|------------------------|-----------------------------------|---|---------------------|-----------------------|------------------------------|------------------------|
| <b>31 DECEMBER 2016</b>                 |                        |                                   |   |                     |                       |                              |                        |
| Other non-current assets <sup>(1)</sup> | 915                    | 12                                | 7   | 278                 | 507                   | 110                          | 2                      |
| Trade and other receivables             | 900                    |                                   |   |                     | 900                   |                              |                        |
| Other current assets <sup>(1)</sup>     | 981                    |                                   |   | 26                  | 955                   |                              |                        |
| Other current financial assets          | 87                     | 2                                 | 8   | 32                  | 44                    | 2                            |                        |
| Cash and cash equivalents               | 5,836                  | 23                                |   |                     | 5,813                 |                              |                        |
| <b>31 December 2015</b>                 |                        |                                   |   |                     |                       |                              |                        |
| Other non-current assets <sup>(1)</sup> | 1,230                  |                                   |   | 438                 | 645                   | 142                          | 4                      |
| Trade and other receivables             | 1,306                  |                                   |   |                     | 1,306                 |                              |                        |
| Other current assets <sup>(1)</sup>     | 988                    |                                   |   | 29                  | 959                   |                              |                        |
| Other current financial assets          | 401                    |                                   | 9   | 231                 | 159                   | 2                            |                        |
| Cash and cash equivalents               | 4,667                  | 181                               |   |                     | 4,486                 |                              |                        |

(1) Excluding non-financial assets.

**■ FINANCIAL LIABILITIES**

| (€ millions)   | Total financial liabilities | Liabilities at amortised cost | NCI puts | Derivative financial instruments |
|--|-----------------------------|-------------------------------|----------|----------------------------------|
| <b>31 DECEMBER 2016</b>                                    |                             |                               |          |                                  |
| 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 <sup>(1)</sup>                           | 2,245                       | 1,873                         |          | 373                              |
| <b>31 December 2015</b>                                    |                             |                               |          |                                  |
| Bonds  | 9,674                       | 9,674                         |          |                                  |
| Other borrowings and financial liabilities                 | 5,277                       | 5,265                         |          | 12                               |
| Put options granted to owners of non-controlling interests | 151                         |                               | 151      |                                  |
| Finance leases   | 80                          | 80                            |          |                                  |
| Trade payables   | 8,162                       | 8,162                         |          |                                  |
| Other liabilities <sup>(1)</sup>                           | 3,382                       | 2,831                         |          | 552                              |

(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 2016<br>(€ millions)                                       | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|-----------------|------------|---------|---------|---------|
| <b>Assets recognised at fair value:</b>                                   |                 |            |         |         |         |
| Available-for-sale financial assets <sup>(1)</sup>                        | 112             | 112        | 23      |         | 89      |
| Fair value hedges – assets <sup>(2)</sup>                                 | 312             | 312        |         | 312     |         |
| Other derivative instruments – assets                                     | 50              | 50         |         | 50      |         |
| Other financial assets  | 8               | 8          | 8       |         |         |
| <b>Liabilities recognised at fair value:</b>                              |                 |            |         |         |         |
| Bonds <sup>(3)</sup>  | 8,647           | 9,361      | 8,669   | 692     |         |
| Other borrowings and finance leases – liabilities <sup>(4)</sup>          | 4,663           | 4,680      |         | 4,680   |         |
| Fair value hedges – liabilities <sup>(2)</sup>                            | 87              | 87         |         | 87      |         |
| Other derivative instruments – liabilities <sup>(2)</sup>                 | 373             | 373        |         | 373     |         |
| Put options granted to owners of non-controlling interests <sup>(5)</sup> | 382             | 382        | 186     |         | 196     |
| <b>At 31 December 2015</b>  |                 |            |         |         |         |
| (€ millions)  | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| <b>Assets recognised at fair value:</b>                                   |                 |            |         |         |         |
| Available-for-sale financial assets <sup>(1)</sup>                        | 145             | 145        | 22      |         | 123     |
| Fair value hedges – assets <sup>(2)</sup>                                 | 669             | 669        |         | 669     |         |
| Other derivative instruments – assets                                     | 33              | 33         |         | 33      |         |
| Other financial assets  | 5               | 5          | 5       |         |         |
| <b>Liabilities recognised at fair value:</b>                              |                 |            |         |         |         |
| Bonds <sup>(3)</sup>  | 9,674           | 9,792      | 9,418   | 374     |         |
| Other borrowings and finance leases – liabilities <sup>(4)</sup>          | 5,345           | 5,328      |         | 5,328   |         |
| Fair value hedges – liabilities <sup>(2)</sup>                            | 12              | 12         |         | 12      |         |
| Other derivative instruments – liabilities <sup>(2)</sup>                 | 551             | 551        |         | 551     |         |
| Put options granted to owners of non-controlling interests <sup>(5)</sup> | 151             | 151        |         |         | 151     |

(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.

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#### 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 2016 | 31 December 2015 |
|--|-------------|--------------------|---------------|--------------------|------------------|------------------|
| <b>Assets</b>                                    |             |                    |               |                    |                  |                  |
| Derivatives at fair value through profit or loss |             |                    | 2             | 23                 | 25               | 4                |
| Cash flow hedges                                 | 11.2        |                    | 24            |                    | 24               | 29               |
| Fair value hedges                                | 11.2        | 278                | 34            |                    | 312              | 669              |
| <b>Total derivatives – assets</b>                |             | <b>278</b>         | <b>60</b>     | <b>23</b>          | <b>362</b>       | <b>702</b>       |
| of which non-current                             | 6.9         | 275                | 2             | 19                 | 297              | 438              |
| of which current                                 | 6.8.1/11.1  | 2                  | 58            | 4                  | 65               | 264              |
| <b>Liabilities</b>                               |             |                    |               |                    |                  |                  |
| Derivatives at fair value through profit or loss | 11.4.1/6.10 |                    |               | 372                | 372              | 551              |
| Cash flow hedges                                 | 11.4.2      |                    | 1             |                    | 1                |                  |
| Fair value hedges                                | 11.2/11.4.2 | 3                  | 84            |                    | 87               | 12               |
| <b>Total derivatives – liabilities</b>           |             | <b>3</b>           | <b>85</b>     | <b>372</b>         | <b>460</b>       | <b>562</b>       |
| of which non-current                             |             |                    | 26            | 372                | 397              | 277              |
| of which current                                 |             | 3                  | 59            |                    | 63               | 286              |

At 31 December 2016, fair value hedges presented a net positive balance of €225 million. The total included interest rate hedges in France with a positive fair value of €274 million and currency hedges in Brazil and Colombia with negative fair values of €49 million and €1 million, respectively. All the currency 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 2016, the cash flow hedge reserve included in equity had a credit balance of €22 million (31 December 2015: credit balance of €29 million). These derivatives are related to France and were acquired to hedge goods purchases billed in currencies other than the euro (mainly the US dollar). 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 €350 million at 31 December 2016 (31 December 2015: negative fair value of €547 million). They included TRSs and forward contracts with a negative fair value of €339 million at 31 December 2016 (31 December 2015: negative fair value of €512 million) (note 11.3.2).

The fair value calculation at 31 December 2016 took 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 €7,691 million at 31 December 2016). 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 2016, the Group cancelled the interest rate swaps backing the bonds redeemed and cancelled during the year. The Casino Group also wished to increase its fixed-rate exposure and therefore cancelled interest rate swaps which helped reduce its exposure to variable-rate borrowings by €2 billion.

Following these cancellations, at 31 December 2016, the Group had a portfolio of 32 interest rate swaps with a dozen bank counterparties, representing a variable rate exposure on a total amount of €3,387 million. The swaps expire at various dates between 2021 and 2026.

At 31 December 2016, 56% of the Group's bond debt was at fixed rates and 44% at floating rates.



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| (€ millions)  | Notes    | 31 December 2016 | 31 December 2015 |
|---|----------|------------------|------------------|
| Casino, Guichard-Perrachon variable-rate bonds <sup>(1)</sup>                 | 11.2.2   | 3,022            | 6,396            |
| Rallye variable-rate bonds <sup>(1)</sup>                                     | 11.2.2   | 365              | 400              |
| Brazil variable-rate bonds <sup>(2)</sup>                                     | 11.2.2   | 703              | 209              |
| Other variable-rate borrowings and financial liabilities <sup>(3)(4)(5)</sup> | 11.2.3   | 2,394            | 3,037            |
| Finance leases  | 11.2/7.6 | 79               | 81               |
| <b>Total variable-rate borrowings</b>   |          | <b>6,563</b>     | <b>10,123</b>    |
| <b>Cash and cash equivalents</b>  | 11.1.2   | <b>(5,836)</b>   | <b>(4,667)</b>   |
| <b>Net variable-rate position</b>   |          | <b>727</b>       | <b>5,456</b>     |
| <b>1-point change in interest rates</b>                                       |          | <b>7</b>         | <b>55</b>        |
| Cost of net financial debt  | 11.3.1   | 435              | 358              |
| <b>Impact of change on cost of net financial debt</b>                         |          | <b>1.67%</b>     | <b>15.24%</b>    |

(1) At 31 December 2016, this corresponds to fixed-rate bonds for a nominal amount of €7,691 million (end-2015: €9,210 million) (note 11.2.2), covered by an interest rate hedge for a nominal amount of €3,387 million at 31 December 2016 (end-2015: €6,796 million).

(2) Principal.

(3) Excluding accrued interest.

(4) Including borrowings in Brazil originally denominated in dollars or euros for a nominal amount of BRL 2,458 million (€717 million) converted to reals and variable interest rates by means of cross-currency swaps (2015: BRL €3,171 million, representing €735 million).

(5) Including borrowings in Colombia originally denominated in dollars for COP 1,249 million (€395 million) of which 44% converted to pesos and variable interest rates by means of cross-currency swaps.

### 11.5.3. | Currency risk

Due to its geographical diversification, the Group is exposed to currency translation risk; in other words, its statement of financial position and income statement, and consequently its financial ratios, are sensitive to movements in exchange rates on consolidation of the financial statements of its foreign subsidiaries outside the eurozone. It is also exposed to currency risk on transactions not denominated in euros.

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.

Since these are financial investments recognised at fair value in available-for-sale financial assets, the Group's policy is to hedge the investments denominated in foreign currencies with forward sales.

|                                 | 2016         |              | 2015         |              |
|---------------------------------|--------------|--------------|--------------|--------------|
|                                 | Closing rate | Average rate | Closing rate | Average rate |
| Exchange rates against the euro |              |              |              |              |
| US dollar (USD)                 | 1.0541       | 1.1069       | 1.0887       | 1.1095       |
| Polish zloty (PLN)              | 4.4103       | 4.3632       | 4.2639       | 4.1841       |
| Romanian Leu (RON)              | 4.5390       | 4.4908       | 4.5240       | 4.4445       |
| Argentine peso (ARS)            | 16.7318      | 16.3473      | 14.0841      | 10.2584      |
| Uruguayan peso (UYU)            | 30.9120      | 33.3198      | 32.5958      | 30.2896      |
| Thai baht (THB)                 | 37.7260      | 39.0428      | 39.2480      | 38.0278      |
| Colombian peso (COP)            | 3,164.89     | 3,375.90     | 3,456.08     | 3,048.25     |
| Brazilian real (BRL)            | 3.4305       | 3.8561       | 4.3117       | 3.7004       |
| Vietnamese dong (VND)           | 23,992.37    | 24,752.54    | 24,479.42    | 24,056.41    |

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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       | 2016         | 2015         |
|---|------------|-------------|--------------|--------------|
| Exposed trade receivables   | (8)        | (10)        | (18)         | (20)         |
| Exposed other financial assets                                    | (115)      | (26)        | (141)        | (187)        |
| Exposed trade payables  | 149        | 21          | 170          | 161          |
| Hedged put options granted to owners of non-controlling interests | 115        |             | 115          | 90           |
| Exposed financial liabilities                                     | 831        | 120         | 951          | 1,220        |
| <b>Gross exposure payable/(receivable)</b>                        | <b>972</b> | <b>105</b>  | <b>1,077</b> | <b>1,263</b> |
| Hedged trade receivables  |            |             |              |              |
| Hedged other financial assets                                     | (20)       |             | (20)         | (53)         |
| Hedged trade payables   | 71         | 5           | 76           | 28           |
| Hedged put options granted to owners of non-controlling interests |            |             |              |              |
| Hedged financial liabilities                                      | 832        | 120         | 952          | 805          |
| <b>Net exposure payable/(receivable)</b>                          | <b>89</b>  | <b>(20)</b> | <b>69</b>    | <b>483</b>   |
| <b>Hedges of future purchases</b>                                 |            |             | <b>334</b>   | <b>319</b>   |

At 31 December 2015, the net statement of financial position exposure of €483 million mainly concerned the US dollar.

#### ■ SENSITIVITY ANALYSIS OF NET EXPOSURE AFTER CURRENCY HEDGING

A 10% appreciation of the euro at 31 December 2016 against these currencies would lead to an increase in net income for the amounts indicated in the following table. For the purposes of the analysis, all other variables, particularly interest rates, are assumed to be constant.

A 10% depreciation of the euro against those currencies at 31 December 2016 and 2015 would have produced the opposite effect.

| (€ millions)     | 2016     | 2015      |
|------------------|----------|-----------|
| US dollar        | 9        | 44        |
| Other currencies | (2)      | (1)       |
| <b>TOTAL</b>     | <b>7</b> | <b>43</b> |

#### 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 2016, 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 number of investments and their small size: at 31 December 2016, the portfolio had approximately 25 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:

| (€ millions)   | 2016 | 2015 |
|--|------|------|
| Statement of financial position sensitivity (fair value) | 76   | 108  |
| Shareholders' equity sensitivity                         | (6)  | (10) |
| Income statement sensitivity                             | (2)  | (1)  |

### 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<br>not yet due,<br>not impaired | Past-due receivables on the reporting date, not impaired |   |                                     | Total      | Impaired<br>receivables | Total      |
|--------------|---|--|---|-------------------------------------|------------|-------------------------|------------|
|              |   | Up to<br>one month<br>past due                           | Between one<br>and six months<br>past due | More than<br>six months<br>past due |            |                         |            |
| <b>2016</b>  | <b>736</b>                                  | <b>81</b>  | <b>16</b>                                 | <b>28</b>                           | <b>124</b> | <b>121</b>              | <b>981</b> |
| 2015         | 709   | 94   | 51  | 30                                  | 175        | 141                     | 1,025      |

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

Other assets, mainly comprising tax receivables and repayment rights, are neither past due nor impaired.

Credit risk on other financial assets – mainly comprising cash and cash-equivalents, available-for-sale financial assets 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 equivalent 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.

#### ■ 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<br>covenants at<br>31 December 2016 |
|--|---|---|
| Consolidated EBITDA <sup>(1)</sup> /Cost of consolidated net debt > 2.75 | - €725 million syndicated line of credit                        | <b>3.93</b>   |
| Rallye SA shareholders' equity > €1.2 billion                            | - Other lines of credit and bank loans totalling €1,200 million | <b>1.7</b>  |

(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 €1,134 million at 31 December 2016.

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.

Furthermore, issuance under the Rallye's €750 million commercial paper programme amounted to €353 million at 31 December 2016.

#### ■ 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 €17 million at 31 December 2016 that are secured by security interests in the financed assets and a guarantee issued by Wilkes, which is indirectly 50% owned by Casino and 50% by Éxito).

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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 €5,981 million at 31 December 2016.

Furthermore, issuance under Casino, Guichard-Perrachon's €2,000 million commercial paper programme amounted to €522 million at 31 December 2016.

The Company's bond issues (other than deeply subordinated perpetual notes) have been rated BB+ by Standard & Poor's since 21 March 2016 and BBB- by Fitch Ratings with a negative outlook since 14 December 2016.

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 is applicable for each issue as from the first annual interest period beginning after 21 March 2016. Application of the step up clause added €15 million to cost of gross debt in 2016. Based on currently outstanding bond debt, the impact in 2017 is estimated at €63 million (note 2).

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 Fitch Ratings 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).

| Type of covenant   | Main type of debt subject to covenant   | Frequency of tests | Result from the covenants at 31 December 2016 |
|--|---|--------------------|---|
| Consolidated net debt <sup>(1)</sup> /<br>consolidated EBITDA <sup>(2)</sup> < 3.5 | <ul style="list-style-type: none"> <li>– €1.2 billion syndicated credit line</li> <li>– USD 1 billion syndicated line of credit</li> <li>– Bilateral credit lines totalling €900 million</li> </ul> | Annual             | 2.4   |
| Consolidated net debt <sup>(1)</sup> /<br>consolidated EBITDA <sup>(2)</sup> < 3.7 | <ul style="list-style-type: none"> <li>– Bilateral credit lines totalling €50 million</li> </ul>  | 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 (a) cash and cash equivalents, (b) financial assets held for cash management purposes and short-term financial investments, (c) derivatives with a positive fair value classified as hedges of debt and (d) 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 bonds and commercial paper are not subject to any financial covenants.

Casino, Guichard-Perrachon bonds and commercial paper are not subject to any financial covenants.

In addition, the Group carries out non-recourse receivable discounting without continuing involvement, within the meaning of IFRS 7, as well as reverse factoring.

## ■ SUBSIDIARIES' DEBT SUBJECT TO COVENANTS

Most of the Casino Group's other loan agreements – primarily concerning GPA, Éxito and Monoprix – contain hard covenants:

| Subsidiary         | Type of covenant   | Frequency of tests               | Main types of debt subject to covenant  |
|--------------------|--|----------------------------------|---|
| Monoprix           | Net debt/EBITDA < 2.5  | Annual                           | - 370 million syndicated credit line<br>- Other confirmed credit lines totalling €240 million |
| GPA <sup>(1)</sup> | Net debt <sup>(2)</sup> must not exceed equity <sup>(3)</sup><br>Consolidated net debt/EBITDA < 3.25 | Quarterly/<br>half-year/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 at 31 December 2016.

## 11.5.7. | Group liquidity position

At 31 December 2016, the Group's liquidity position is solid.

| (€ millions)                                    | Interest rate | Amounts      |                          |
|---|---------------|--------------|--------------------------|
|   |               | Casino Group | Rallye                   |
| Confirmed bank lines < 1 year                   | Variable      | 505          | 90                       |
| Confirmed bank lines > 1 year                   | Variable      | 688          | 1,005                    |
| <b>Total authorised lines<sup>(1)</sup></b>     |               | <b>1,193</b> | <b>1,095</b>             |
| <b>Of which used lines</b>                      |               |              | <b>213</b>               |
| Syndicated lines < 1 year                       | Variable      |              |                          |
| Syndicated lines > 1 year                       | Variable      | 2,149        | 845                      |
| <b>Total authorised lines<sup>(2)</sup></b>     |               | <b>2,149</b> | <b>845<sup>(4)</sup></b> |
| <b>Of which total drawn lines<sup>(4)</sup></b> |               |              | <b>230</b>               |
| Bilateral lines < 1 year                        | Variable      | 150          |                          |
| Bilateral lines > 1 year                        | Variable      | 850          |                          |
| <b>Total authorised lines<sup>(3)</sup></b>     |               | <b>1,000</b> | <b>0</b>                 |
| <b>Of which total used lines</b>                |               |              |                          |

(1) Confirmed bank lines in the Casino Group concern Monoprix (€610 million), GPA (€394 million) and Éxito (€190 million) and bear interest at the benchmark rate (depending on the currency of the facility) plus a margin. For certain lines, the margin 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). Rallye's bank lines are remunerated on the basis of a variable benchmark rate plus a fixed margin.

(2) The Casino Group's syndicated credit lines include the €1,200 million line (the maturity of which was extended to February 2021 in 2015) and the USD 1 billion line maturing in July 2018. They are remunerated on the basis of Euribor plus a margin. This margin varies depending on the amount drawn down and the Casino Group's net debt/EBITDA ratio.

(3) The interest rates on the bilateral credit lines correspond to Euribor plus a spread. For some, 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).

(4) Of which €120 million for Groupe GO Sport.

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The table below presents a by maturity schedule of financial liabilities at 31 December 2016, 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 2016

| (€ millions)  | Carrying amount | Contractual cash flows | Due within one year | Due in one to five years | Due in more than five years |
|---|-----------------|------------------------|---------------------|--------------------------|-----------------------------|
| <b>Financial liabilities</b>  |                 |                        |                     |                          |                             |
| Bonds and other borrowings excluding derivatives  | 13,231          | 15,241                 | 3,301               | 7,760                    | 4,180                       |
| Finance lease liabilities   | 79              | 141                    | 24                  | 67                       | 50                          |
| Put options granted to non-controlling interests  | 382             | 389                    | 340                 | 5                        | 44                          |
| Trade payables and other financial liabilities (excluding tax and social security payables) | 8,917           | 8,917                  | 8,827               | 56                       | 34                          |
| <b>Total</b>  | <b>22,608</b>   | <b>24,688</b>          | <b>12,492</b>       | <b>7,888</b>             | <b>4,308</b>                |
| <b>Derivative financial instruments</b>   |                 |                        |                     |                          |                             |
| cash inflows  |                 | 852                    | 461                 | 368                      | 23                          |
| cash outflows   |                 | (931)                  | (408)               | (515)                    | (8)                         |
| derivative contracts - net settled  |                 | 34                     | 8                   | 26                       |                             |
| <b>Total</b>  | <b>(98)</b>     | <b>(45)</b>            | <b>61</b>           | <b>(121)</b>             | <b>15</b>                   |

## 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.

Transactions carried out (purchase or sale) with non-controlling interests which do not change the control of the parent company, affect shareholders' equity only. 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 48,831,113 shares representing a par value of €146 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

As 31 December 2016, Rallye did not hold any of its own shares.

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#### 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 2016, the average interest rate was 1.69%.

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 equity instruments

On 27 December 2013, Monoprix issued €500 million worth of mandatory convertible bonds to CACIB. The bonds were convertible into Monoprix preferred stock. The bonds had a three-year life and paid interest at the six-month Euribor plus 410 bps (note 11.3.1). The redemption parity was fixed.

Mandatory convertible bonds are compound financial instruments with a debt component recorded in "financial liabilities", corresponding to the discounted value of the interest payments over the life of the bonds, and an equity component, corresponding to the balance of the bonds' value net of transaction costs and tax, recorded in "non-controlling interests". At 31 December 2015, the equity component amounted to €420 million and the debt component to €21 million (note 11.2.3). The Group had a call option on mandatory convertible bonds which was exercised on 3 May 2016. The impact of buying back and cancelling the bonds is presented in note 2.



## 12.7. | Other information on additional paid-in capital, retained earnings and reserves

### 12.7.1. | Foreign currency translation reserves

| (€ 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)                  |                  |                |
| Poland   | 8                                    | (3)                    | 5                | 7   | (2)                    | 5                | 10             |
| Indian Ocean                                       | (5)                                  | 1                      | (4)              | (5)                                       | (1)                    | (6)              | (10)           |
| Vietnam  | 14                                   | (14)                   |                  | 11  | (11)                   |                  |                |
| Hong Kong  | 1                                    |                        | 1                |   |                        |                  | 1              |
| <b>Total foreign currency translation reserves</b> | <b>(1,048)</b>                       | <b>314</b>             | <b>(734)</b>     | <b>(4,156)</b>                            | <b>1,306</b>           | <b>(2,849)</b>   | <b>(3,583)</b> |

| (€ millions)                                       | Attributable to owners of the parent |                        |                  | Attributable to non-controlling interests |                        |                  | 2015 total     |
|--|--------------------------------------|------------------------|------------------|---|------------------------|------------------|----------------|
|  | 1 January 2015                       | Movements for the year | 31 December 2015 | 1 January 2015                            | Movements for the year | 31 December 2015 |                |
| Brazil   | (405)                                | (514)                  | (919)            | (1,858)                                   | (1,897)                | (3,755)          | (4,674)        |
| Argentina  | (61)                                 | (13)                   | (74)             | (56)                                      | (11)                   | (67)             | (141)          |
| Colombia   | (28)                                 | (107)                  | (135)            | (122)                                     | (307)                  | (429)            | (564)          |
| Uruguay  | 20                                   | (21)                   | (1)              | 15  | (44)                   | (29)             | (30)           |
| United States                                      | 5                                    | 7                      | 12               | 5   | 4                      | 9                | 21             |
| Thailand   | 43                                   | 8                      | 51               | 92  | 10                     | 102              | 153            |
| Poland   | 8                                    |                        | 8                | 7   |                        | 7                | 15             |
| Indian Ocean                                       | (4)                                  | (1)                    | (5)              | (5)                                       |                        | (5)              | (10)           |
| Vietnam  | 6                                    | 8                      | 14               | 3   | 8                      | 11               | 25             |
| Hong Kong  |                                      | 1                      | 1                |   |                        |                  | 1              |
| <b>Total foreign currency translation reserves</b> | <b>(416)</b>                         | <b>(632)</b>           | <b>(1,048)</b>   | <b>(1,919)</b>                            | <b>(2,237)</b>         | <b>(4,156)</b>   | <b>(5,204)</b> |

## CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the consolidated financial statements

#### 12.7.2. | Notes to the consolidated statement of comprehensive income

| (€ millions)                                 | 2016         | 2015           |
|--|--------------|----------------|
| <b>Available-for-sale financial assets</b>   |              | <b>(44)</b>    |
| Change in fair value during the year         | (2)          | (47)           |
| Reclassifications to profit or loss          | 2            |                |
| Income tax (expense)/benefit                 | 1            | 3              |
| <b>Cash flow hedges</b>                      | <b>(1)</b>   |                |
| Change in fair value during the year         | 4            | (1)            |
| Reclassifications to profit or loss          | (7)          | 1              |
| Income tax (expense)/benefit                 | 1            |                |
| <b>Net investment hedges</b>                 | <b>25</b>    | <b>(2)</b>     |
| Change in fair value during the year         | (5)          | (2)            |
| Reclassifications to profit or loss          | 47           |                |
| Income tax (expense)/benefit                 | (17)         |                |
| <b>Foreign currency translation reserves</b> | <b>1,621</b> | <b>(2,872)</b> |
| Adjustments for the year                     | 1,530        | (2,897)        |
| Reclassifications to profit or loss          | 91           | 23             |
| Income tax (expense)/benefit                 |              | 2              |
| <b>Actuarial gains and losses</b>            | <b>(11)</b>  | <b>(22)</b>    |
| Adjustments for the year                     | (11)         | (34)           |
| Income tax (expense)/benefit                 |              | 12             |
| <b>Total</b>                                 | <b>1,634</b> | <b>(2,940)</b> |

## 12.8. | Attributable to significant non-controlling interests

| (€ millions)  | GPA                         |                   | Éxito <sup>(2)</sup> | Big C<br>Thailand | Casino <sup>(7)</sup> | Other <sup>(3)</sup> | Total          |
|---|-----------------------------|-------------------|----------------------|-------------------|-----------------------|----------------------|----------------|
|   | Total<br>GPA <sup>(1)</sup> | o/w Via<br>Varejo |                      |                   |                       |                      |                |
| <b>At 1 January 2015</b>  | <b>5,872</b>                | <b>1,889</b>      | <b>1,114</b>         | <b>457</b>        | <b>4,691</b>          | <b>467</b>           | <b>12,601</b>  |
| % of ownership interests held by non-controlling interests <sup>(4)</sup> | 58.7%                       | 82.1%             | 45.2%                | 41.4%             | 51.6%                 |                      |                |
| % of voting rights held by non-controlling interests <sup>(4)</sup>       | 0.06%                       | 37.80%            | 45.2%                | 41.4%             | 39.6%                 |                      |                |
| Country   | Brazil                      | Brazil            | Colombia             | Thailand          | France                |                      |                |
| Net income (loss)   | (15)                        | 52                | 133                  | 76                | 10                    | 12                   | <b>216</b>     |
| Other comprehensive income (loss) <sup>(5)</sup>                          | (1,445)                     | (485)             | (233)                | 6                 | (607)                 | (1)                  | <b>(2,280)</b> |
| <b>Sub-total</b>  | <b>(1,460)</b>              | <b>(433)</b>      | <b>(100)</b>         | <b>82</b>         | <b>(597)</b>          | <b>11</b>            | <b>(2,064)</b> |
| Dividends paid/payable  | (20)                        |                   | (44)                 | (23)              | (182)                 | (10)                 | <b>(279)</b>   |
| Other movements   | 4                           | 1                 | 74                   | (2)               | (310)                 | 121                  | <b>(113)</b>   |
| <b>31 December 2015</b>   | <b>4,396</b>                | <b>1,457</b>      | <b>1,044</b>         | <b>514</b>        | <b>3,602</b>          | <b>589</b>           | <b>10,145</b>  |
| % of ownership interests held by non-controlling interests <sup>(4)</sup> | 67.2%                       | 85.8%             | 45.2%                | 41.4%             | 49.7%                 |                      |                |
| % of voting rights held by non-controlling interests <sup>(4)</sup>       | 0.06%                       | 37.80%            | 45.2%                | 41.4%             | 38.2%                 |                      |                |
| Average % ownership held by the Casino Group in 2015                      | 38.4%                       | 16.7%             | 54.8%                | 58.6%             |                       |                      |                |
| % of ownership interests held by the Casino Group at 31 December 2015     | 32.80%                      | 14.20%            | 54.8%                | 58.6%             |                       |                      |                |
| Net income (loss)   | (530)                       | (370)             | 39                   | 10                | 1,331                 | 1                    | <b>851</b>     |
| Other comprehensive income (loss) <sup>(5)</sup>                          | 1,092                       | 358               |                      | (53)              | 329                   | (66)                 | <b>1,302</b>   |
| <b>Sub-total</b>  | <b>562</b>                  | <b>(12)</b>       | <b>39</b>            | <b>(43)</b>       | <b>1,660</b>          | <b>(65)</b>          | <b>2,153</b>   |
| Dividends paid/payable  | (2)                         |                   | (74)                 |                   | (255)                 | (9)                  | <b>(340)</b>   |
| Other movements <sup>(6)</sup>  | (140)                       | (11)              | 83                   | (470)             | (173)                 | (430)                | <b>(1,130)</b> |
| <b>31 December 2016</b>   | <b>4,816</b>                | <b>1,434</b>      | <b>1,092</b>         |                   | <b>4,834</b>          | <b>84</b>            | <b>10,828</b>  |
| % of ownership interests held by non-controlling interests <sup>(4)</sup> | 66.8%                       |                   | 44.7%                |                   | 48.9%                 |                      |                |
| % of voting rights held by non-controlling interests <sup>(4)</sup>       | 0.06%                       |                   | 44.7%                |                   | 36.8%                 |                      |                |
| Average % ownership held by the Casino Group                              | 33.1%                       |                   | 55.2%                |                   |                       |                      |                |
| % of ownership interests held by the Casino Group at 31 December 2016     | 33.20%                      |                   | 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 described in note 2 and GPA's loss of control of Cnova, the Cnova businesses - consisting mainly of Cnova Brazil and Cdiscount - are presented in the "Via Varejo" and "Other" columns at 31 December 2016.

(2) Including Uruguay and Argentina.

(3) Including Monoprix for €488 million at 31 December 2015, 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 (note 12.6) and €68 million corresponding to the sale of shares in SCI Simonop1 to outside investors during the year (note 3.2.6).

(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, than 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 Viva Malls real estate trust in Columbia for €115 million.

(7) Including holders of deeply subordinated perpetual bonds (TSSDI) for €1,350 million.

GPA's capital consists of:

- 99,680 thousand ordinary shares with voting rights;
- 166,022 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: (a) a preferred right to a return of capital in the event of liquidation of the company, (b) an annual non-cumulative preferred dividend of at least BRL 0.08 per share; (c) 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 (b).

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 104 *et seq.* of GPA's annual report for 2015 on Form 20-F.

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#### 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 intragroup eliminations.

|  | Casino Group  |                | GPA          |                | Éxito <sup>(1)</sup> |              |
|--|---------------|----------------|--------------|----------------|----------------------|--------------|
| (€ millions)   | 2016          | 2015           | 2016         | 2015           | 2016                 | 2015         |
| Net sales  | 36,030        | 35,312         | 13,036       | 11,760         | 4,499                | 4,673        |
| Net income from continuing operations  | 34            | 111            |              | 37             | 60                   | 482          |
| Net income (loss) from discontinued operations   | 2,161         | 47             | (764)        | (159)          |                      |              |
| <b>Net income (loss)</b>   | <b>2,195</b>  | <b>158</b>     | <b>(764)</b> | <b>(122)</b>   | <b>60</b>            | <b>482</b>   |
| Attributable to non-controlling interests in continuing operations                     | 18            | (33)           |              | 40             | 39                   | 133          |
| Attributable to non-controlling interests in discontinued operations                   | 808           | 213            | (530)        | (55)           |                      |              |
| Other comprehensive income (loss)  | 1,646         | (2,897)        | 1,622        | (2,022)        | 68                   | (555)        |
| <b>Total comprehensive income (loss) for the year</b>                                  | <b>3,841</b>  | <b>(2,739)</b> | <b>858</b>   | <b>(2,143)</b> | <b>128</b>           | <b>(74)</b>  |
| Attributable to non-controlling interests  | 2,152         | (2,062)        | 562          | (1,460)        | 39                   | (100)        |
| Non-current assets   | 23,538        | 26,490         | 7,972        | 8,966          | 3,969                | 3,602        |
| Current assets   | 18,503        | 13,343         | 9,505        | 5,937          | 1,237                | 1,094        |
| Non-current liabilities  | (10,413)      | (12,500)       | (2,216)      | (2,495)        | (1,249)              | (1,261)      |
| Current liabilities  | (17,189)      | (14,914)       | (7,946)      | (5,965)        | (1,695)              | (1,261)      |
| <b>Net assets</b>  | <b>14,440</b> | <b>12,419</b>  | <b>7,313</b> | <b>6,443</b>   | <b>2,261</b>         | <b>2,174</b> |
| Attributable to non-controlling interests  | 10,826        | 10,137         | 4,817        | 4,396          | 1,092                | 1,044        |
| Net cash from operating activities   | 1,664         | 2,921          | 407          | 1,393          | 406                  | 321          |
| Net cash from/(used in) investing activities   | 2,603         | (1,545)        | (207)        | (503)          | (199)                | (1,864)      |
| Net cash from/(used in) financing activities   | (2,775)       | (2,992)        | (591)        | (949)          | (172)                | 987          |
| Effect of changes in exchange rates on cash and cash equivalents                       | 761           | (1,047)        | 587          | (859)          | 35                   | (93)         |
| <b>Change in cash and cash equivalents</b>   | <b>2,253</b>  | <b>(2,663)</b> | <b>195</b>   | <b>(918)</b>   | <b>70</b>            | <b>(649)</b> |
| Dividends paid to the Group <sup>(2)</sup>   | 265           | 171            |              | 33             | 48                   | 47           |
| Dividends paid to owners of non-controlling interests during the period <sup>(2)</sup> | 381           | 317            | (1)          | 88             | 68                   | 50           |

(1) Including Uruguay and Argentina. Excluding Brazil.

(2) GPA and Éxito have an obligation to pay out 25% and 50% respectively of annual net income in dividends.

## 12.9. | Dividend

In 2016, Rallye paid a dividend in respect of 2015 amounting to €1.83 per share. The amount recognised as a deduction in equity was €89 million (unchanged from 2015).

The Board of Directors will recommend setting the total 2016 dividend at €1.40 per ordinary share. Shareholders may opt to receive the dividend in

shares at the payment date. The financial statements presented before appropriation of net income do not reflect this dividend, which is subject to shareholder approval at the next Annual General Meeting.

In 2016, the Rallye Group received €265 million in dividends from Casino, Guichard-Perrachon.

The coupon payable on deeply subordinated perpetual bonds is as follows:

| (€ millions)  | 2016      | 2015      |
|---|-----------|-----------|
| <b>Coupons payable on perpetual deeply subordinated bonds</b>                 | <b>49</b> | <b>48</b> |
| Interest paid during the year   | 41        | 42        |
| Amount payable in the following year  | 9         | 6         |
| <b>Impact on the cash flow statement</b>                                      | <b>47</b> | <b>48</b> |
| Of which coupons awarded and paid during the year                             | 41        | 42        |
| Of which coupons awarded in the prior year and paid during the reporting year | 6         | 6         |

## 12.10. | 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.

### 12.10.1. | Number of shares

|  | 2016              | 2015              |
|--|-------------------|-------------------|
| Weighted average number of shares                            | 48,831,113        | 48,762,090        |
| Weighted average number of treasury shares                   | (262,289)         | (738,695)         |
| <b>Weighted average number of shares before dilution</b>     | <b>48,568,824</b> | <b>48,023,395</b> |
| Potential shares represented by stock options <sup>(1)</sup> |                   | 70,719            |
| Weighted average number of dilutive instruments              |                   | 70,719            |
| <b>Dilutive effect of stock option plans</b>                 |                   | <b>70,719</b>     |
| Free share plans   | 247,199           | 131,846           |
| <b>Total potential dilutive shares</b>                       | <b>247,199</b>    | <b>202,565</b>    |
| <b>Weighted average number of shares after dilution</b>      | <b>48,816,024</b> | <b>48,225,960</b> |

(1) 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.

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#### 12.10.2. | Profit attributable to ordinary shares

| (€ millions)   | 2016         | 2015 restated |
|--|--------------|---------------|
| <b>Net income attributable to owners of the parent</b>                 | <b>1,203</b> | <b>(166)</b>  |
| Impact of change in percentage interest held                           | (4)          |               |
| Dilutive impact relating to Monoprix mandatory convertible bonds (ORA) | (3)          | (22)          |
| <b>Diluted net income attributable to owners of the parent</b>         | <b>1,197</b> | <b>(188)</b>  |
| Net income from discontinued operations                                | 1,353        | 11            |
| <b>Diluted net income (loss) from continuing operations</b>            | <b>(156)</b> | <b>(198)</b>  |

#### 12.10.3. | Profit per share

Consolidated net income per share attributable to owners of the parent:

|  | 2016         | 2015 restated |
|--|--------------|---------------|
| Net income attributable to owners of the parent (€ millions)         | 1,203        | (166)         |
| Weighted average number of shares for the year                       | 48,568,824   | 48,023,395    |
| <b>Per share (in €)</b>  | <b>24.77</b> | <b>(3.46)</b> |
| Diluted net income attributable to owners of the parent (€ millions) | 1,197        | (188)         |
| Weighted average number of shares for the year after dilution        | 48,816,024   | 48,225,960    |
| <b>Per share - diluted (in €)</b>                                    | <b>24.51</b> | <b>(3.89)</b> |

Net income from continuing operations attributable to owners of the parent:

|  | 2016          | 2015 restated |
|--|---------------|---------------|
| Net income attributable to owners of the parent (€ millions)         | (150)         | (177)         |
| Weighted average number of shares for the year                       | 48,568,824    | 48,023,395    |
| <b>Per share (in €)</b>  | <b>(3.08)</b> | <b>(3.68)</b> |
| Diluted net income attributable to owners of the parent (€ millions) | (156)         | (198)         |
| Weighted average number of shares for the year after dilution        | 48,816,024    | 48,225,960    |
| <b>Per share - diluted (in €)</b>                                    | <b>(3.20)</b> | <b>(4.12)</b> |

Net income from discontinued operations attributable to owners of the parent:

|  | 2016         | 2015 restated |
|--|--------------|---------------|
| Net income attributable to owners of the parent (€ millions)         | 1,353        | 11            |
| Weighted average number of shares for the year                       | 48,568,824   | 48,023,395    |
| <b>Per share (in €)</b>  | <b>27.86</b> | <b>0.23</b>   |
| Diluted net income attributable to owners of the parent (€ millions) | 1,353        | 11            |
| Weighted average number of shares for the year after dilution        | 48,816,024   | 48,225,960    |
| <b>Per share - diluted (in €)</b>                                    | <b>27.71</b> | <b>0.22</b>   |

## NOTE 13 | 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 2016 | Additions  | Reversals used | Reversals not used | Changes in scope of consolidation and transfers | Effect of movements in exchange rates | Reclassified as "Assets held for sale" | Other    | 31 December 2016 |
|---|----------------|------------|----------------|--------------------|---|---------------------------------------|--|----------|------------------|
| Claims and litigation <sup>(2)</sup>    | 564            | 355        | (52)           | (105)              | (1)   | 156                                   | (289)                                  | 1        | <b>631</b>       |
| Other risks and expenses <sup>(1)</sup> | 139            | 43         | (35)           | (14)               | (1)   |                                       | (3)                                    | (3)      | <b>126</b>       |
| Restructuring                           | 32             | 31         | (28)           | (9)                |   |                                       |  | 3        | <b>30</b>        |
| <b>Total other provisions</b>           | <b>735</b>     | <b>429</b> | <b>(115)</b>   | <b>(128)</b>       | <b>(2)</b>                                      | <b>156</b>                            | <b>(292)</b>                           | <b>1</b> | <b>787</b>       |
| of which non-current                    | 542            | 10         | (2)            | (22)               |   | 155                                   | (281)                                  | 215      | <b>615</b>       |
| of which current                        | 194            | 420        | (113)          | (105)              | (2)   | 2                                     | (10)                                   | (213)    | <b>171</b>       |

(1) Provisions for other risks and expenses (the initial generic classification) in the amount of €507 million have been reclassified for presentation purposes as provisions for litigation in the opening balance.

(2) The €355 million addition mainly concerns provisions for tax litigation at GPA, including BRL 415 million (€108 million) for income tax, ICMS and PIS/COFINS tax and fines following a risk reassessment, and provisions for employee disputes.

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 at 31 December 2016 amounted to €631 million and mainly concerned GPA for €628 million (note 13.2).

### 13.2. | Breakdown of GPA provisions for risks and expenses (food only)

| (€ millions)            | PIS/Cofins/CPMF disputes* | Other tax disputes | Employee disputes | Civil litigation | Total      |
|-------------------------|---------------------------|--------------------|-------------------|------------------|------------|
| <b>31 December 2016</b> | <b>43</b>                 | <b>402</b>         | <b>88</b>         | <b>41</b>        | <b>575</b> |
| 31 December 2015        | 24                        | 294                | 136               | 57               | 511        |

\* 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).

| (€ millions)               | 2016                               |   |                                | 2015                               |   |                                |
|----------------------------|------------------------------------|---|--------------------------------|------------------------------------|---|--------------------------------|
|                            | Legal deposits paid <sup>(1)</sup> | Assets pledged as collateral <sup>(2)</sup> | Bank guarantees <sup>(2)</sup> | Legal deposits paid <sup>(1)</sup> | Assets pledged as collateral <sup>(2)</sup> | Bank guarantees <sup>(2)</sup> |
| Tax disputes               | <b>53</b>                          | <b>248</b>                                  | <b>2,002</b>                   | 49                                 | 198   | 1,745                          |
| Employee disputes          | <b>121</b>                         | <b>1</b>                                    | <b>8</b>                       | 165                                | 1   | 9                              |
| Civil and other litigation | <b>19</b>                          | <b>3</b>                                    | <b>48</b>                      | 16                                 | 2   | 72                             |
| <b>Total</b>               | <b>193</b>                         | <b>252</b>                                  | <b>2,057</b>                   | <b>229</b>                         | <b>202</b>                                  | <b>1,826</b>                   |

(1) Note 6.9.

(2) Note 6.11.1.

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#### 13.3. | Contingent assets and liabilities

In the ordinary course of business, the 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 €43 million).

As stated in note 3.3.5, no associates or joint ventures have any significant contingent liabilities.

##### 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, was reported under "Other operating expenses" in the 2015 income statement (see note 6.5). The compensation was paid on 1 April 2016.

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 amount to approximately BRL 150 million (€44 million). GPA and its advisors have examined the terms of CVM's notification in detail and are convinced that the arbitral award does not have the effects attributed to it by the CVM. GPA has therefore appealed to the CVM to revise its decision. Payment of the compensation is suspended pending the results of this appeal.

##### 13.3.2. | Class action against Cnova NV and the Group

Some of the officers and directors of Cnova NV 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 (note 3.5.3). Cnova NV may incur costs in connection with the class action, including legal and other advisory fees, and compensation for shareholders who acquired their shares in the IPO. At this stage in the proceedings, the Group is unable to estimate its potential liability, if any, and has activated its insurance policies in respect of these claims. No provision was recognised at 31 December 2016 except in respect of the USD 1 million insurance deductible and legal fees.

In potentially separate proceedings that may be initiated by the SEC, Cnova NV may be served a fine following irregularities at Cnova Brazil.

##### 13.3.3. | Notice from the Brazilian 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 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. A CVM committee is to reconsider the initial decision on this takeover. This has no impact on the consolidated financial statements for the year ended 31 December 2016.

#### 13.3.4. | GPA contingent liabilities

| (€ millions)  | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| INSS (employer's social security contributions)                                       | 106              | 95               |
| IRPJ – IRRF and CSLL (corporate income taxes)   | 307              | 477              |
| PIS, COFINS and CPMF (VAT and similar taxes)  | 624              | 526              |
| ISS, IPTU and ITBI (service tax, urban property tax and tax on property transactions) | 48               | 83               |
| ICMS (state VAT)  | 1,612            | 1,386            |
| Civil litigation  | 210              | 192              |
| <b>Total</b>  | <b>2,907</b>     | <b>2,760</b>     |

Contingent liabilities of Via Varejo classified in discontinued operations and not included in the table above amount to €433 million at 31 December 2016.

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 2016, the estimated amount was €36 million (31 December 2015: €10 million).



## 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 16);
- 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 €34 million in 2016.

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 | SUBSEQUENT EVENTS

### Final results of the Group's public tender offer for Cnova NV shares

The final results of the Casino Group's public tender offer for Cnova NV shares were announced on 31 January 2017 (note 2).

On 21 February 2017, Cnova NV made its official request for delisting of its ordinary shares from the NASDAQ which became effective 3 March 2017. Since this date, U.S. public reporting obligations under the Exchange Act are currently suspended. The Company's ordinary shares will continue to be listed on Euronext Paris for the time being.

### EMCD summons by the DGCCRF

On 28 February, the French Ministry of the Economy announced its decision to summon Casino Group companies following an investigation by the DIRECCTE of the Centre region. The summons concerns a series of credit notes issued by 41 suppliers in 2013 and 2014 for an aggregate amount of €20.7 million and relates to the repayment of this amount to the suppliers concerned, along with a civil fine of €2 million. The Casino Group reiterates that these credit notes were lawful and is endeavouring to ensure that talks with industrial firms take place in a reasonable environment in compliance with applicable legislation. EMCD therefore intends to challenge the grounds for this summons before the competent courts.

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## NOTE 16 | MAIN CONSOLIDATED COMPANIES

| Company  | 2016                  |               |                      | 2015                  |               |                      |
|--|-----------------------|---------------|----------------------|-----------------------|---------------|----------------------|
|  | % control             | % interest    | Consolidation method | % control             | % interest    | Consolidation method |
| <b>Rallye SA</b>   | <b>Parent company</b> |               |                      | <b>Parent company</b> |               |                      |
| <b>HOLDINGS AND OTHER ACTIVITIES</b>   |                       |               |                      |                       |               |                      |
| Alpetrol   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Cobivia  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Genty Immobilier et Participations   | -                     | -             | -                    | 100                   | 100           | FC                   |
| Habitation Moderne de Boulogne   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Miramont Finance & Distribution  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| <b>Parande</b>   |                       |               |                      |                       |               |                      |
| Parande  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Euristates Inc.  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Parinvest  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| <b>Groupe GO Sport</b>   |                       |               |                      |                       |               |                      |
| Courir   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Go Sport France  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| <b>CASINO, GUICHARD-PERRACHON (LISTED COMPANY) <sup>(1)</sup></b>                  | <b>63.21%</b>         | <b>51.14%</b> | <b>FC</b>            | <b>61.78%</b>         | <b>50.93%</b> | <b>FC</b>            |
| <b>France – Retailing</b>  |                       |               |                      |                       |               |                      |
| Casino Carburants  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Casino Information Technology  | -                     | -             | -                    | 100                   | 100           | FC                   |
| Casino Services  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Distribution Casino France (DCF)   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Distridyn  | 49.99                 | 49.99         | EM                   | 49.99                 | 49.99         | EM                   |
| Easydis  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| EMC Distribution   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Floréal  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Geimex   | 100                   | 100           | FC                   | 49.99                 | 49.99         | EM                   |
| <b>Monoprix Group</b>  |                       |               |                      |                       |               |                      |
| Les Galeries de la Croisette   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Monoprix   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Monoprix Exploitation  | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Monop’   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Naturalia France   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Société Auxiliaire de Manutention Accélérée de Denrées Alimentaires "S.A.M.A.D.A." | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| Simonop’l  | 100                   | 51            | FC                   | 100                   | 51            | FC                   |
| Société L.R.M.D.   | 100                   | 100           | FC                   | 100                   | 100           | FC                   |
| <b>Franprix-Leader Price Group</b>   |                       |               |                      |                       |               |                      |
| 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                   | 60                    | 60            | FC                   |
| Holding Mag 2  | 49                    | 49            | EM                   | 49                    | 49            | EM                   |
| Holdi Mag  | 49                    | 49            | EM                   | 49                    | 49            | EM                   |
| Holdev Mag   | 49                    | 49            | EM                   | -                     | -             | -                    |
| Gedis  | 40                    | 40            | EM                   | -                     | -             | -                    |

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| Company   | 2016         |              |                      | 2015         |              |                      |
|---|--------------|--------------|----------------------|--------------|--------------|----------------------|
|   | % control    | % interest   | Consolidation method | % control    | % interest   | Consolidation method |
| Leader Price Exploitation   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Norma   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Parfidis  | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Pro Distribution  | 70           | 70           | FC                   | 60           | 60           | FC                   |
| R.L.P.I.  | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Sarjel  | 60           | 60           | FC                   | 60           | 60           | FC                   |
| Sédifrais   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Sofigep   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| <b>Codim Group</b>  |              |              |                      |              |              |                      |
| Codim 2   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Hyper Rodeo 2   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Pacam 2   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| <b>Property Group</b>   |              |              |                      |              |              |                      |
| Green Yellow  | 98.75        | 98.75        | FC                   | 97.50        | 97.50        | FC                   |
| L'immobilière Groupe Casino   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Sudéco  | 100          | 100          | FC                   | 100          | 100          | FC                   |
| <b>Mercialys Group</b>  |              |              |                      |              |              |                      |
| Mercialys (listed company)  | 40.22        | 40.22        | EM                   | 40.25        | 40.25        | EM                   |
| <b>Property development</b>   |              |              |                      |              |              |                      |
| Plouescadis   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| <b>Other businesses</b>   |              |              |                      |              |              |                      |
| 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                   |
| <b>E-commerce</b>   |              |              |                      |              |              |                      |
| <b>Cnova NV Group (listed company)</b>  | <b>93.7</b>  | <b>66.84</b> | <b>FC</b>            | <b>93.39</b> | <b>55.19</b> | <b>FC</b>            |
| Cdiscount Group   | 100          | 66.84        | FC                   | 99.81        | 55.08        | FC                   |
| Cdiscount   | 100          | 66.95        | FC                   | 100          | 55.25        | FC                   |
| Cnova Comercio Electronico <sup>(7)</sup>   | -            | -            | -                    | 100          | 55.19        | FC                   |
| Cnova Finança   | 100          | 66.84        | FC                   | 100          | 55.19        | FC                   |
| <b>International - Poland</b>   |              |              |                      |              |              |                      |
| Mayland   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| <b>International - Thailand</b>   |              |              |                      |              |              |                      |
| Big C Group (listed company)  | -            | -            | -                    | 58.55        | 58.55        | FC                   |
| <b>International - Brazil</b>   |              |              |                      |              |              |                      |
| Wilkes  | 100          | 75.5         | FC                   | 100          | 77.39        | FC                   |
| <b>Groupe GPA (listed company)</b> <sup>(2)(4)</sup>  | <b>99.94</b> | <b>33.18</b> | <b>FC</b>            | <b>99.94</b> | <b>32.76</b> | <b>FC</b>            |
| Banco Investcred Unibanco S.A. ("BINV") <sup>(2)(4)</sup>   | 50           | 21.67        | EM                   | 50           | 21.67        | EM                   |
| Financeira Itaú CBD S.A. - Crédito, Financiamento e Investimento ("FIC") <sup>(2)</sup>           | 50           | 41.93        | EM                   | 50           | 41.93        | EM                   |
| GPA Malls & Properties Gestão de Ativos e Serviços. Imobiliários Ltda. ("GPA M&P") <sup>(5)</sup> | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Indústria de Móveis Bartira Ltda. ("Bartira") <sup>(2)(3)</sup>                                   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Novasoc Comercial Ltda. ("Novasoc") <sup>(2)(3)</sup>   | 99.98        | 10           | FC                   | 99.98        | 10           | FC                   |
| Sendas Distribuidora S.A. ("Sendas") <sup>(2)</sup>   | 100          | 100          | FC                   | 100          | 100          | FC                   |
| Via Varejo (listed company) <sup>(2)</sup>  | 62.56        | 43.34        | FC                   | 62.57        | 43.35        | FC                   |
| Cnova Comercio Electronico <sup>(5)(7)</sup>  | 100          | 100          | FC                   | -            | -            | -                    |

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| Company  | 2016        |             |                      | 2015         |              |                      |
|--|-------------|-------------|----------------------|--------------|--------------|----------------------|
|  | % control   | % interest  | Consolidation method | % control    | % interest   | Consolidation method |
| <b>International – Colombia, Uruguay and Argentina</b>               |             |             |                      |              |              |                      |
| <b>Éxito Group (listed company)</b>                                  | <b>55.3</b> | <b>55.3</b> | <b>FC</b>            | <b>54.77</b> | <b>54.77</b> | <b>FC</b>            |
| Distribuidora de Textiles y Confecciones SA Didetexco <sup>(6)</sup> | 97.75       | 97.75       | FC                   | 97.75        | 97.75        | FC                   |
| Trust Viva Malls <sup>(6)</sup>                                      | 51          | 51          | FC                   |              |              |                      |
| Trust Viva Villavincencio <sup>(6)</sup>                             | 51          | 51          | FC                   | 51           | 51           | FC                   |
| Grupo Disco (Uruguay) <sup>(6)</sup>                                 | 75.1        | 62.49       | FC                   | 75.1         | 62.49        | FC                   |
| Devoto (Uruguay) <sup>(6)</sup>                                      | 100         | 100         | FC                   | 100          | 100          | FC                   |
| Libertad (Argentina) <sup>(6)</sup>                                  | 100         | 100         | FC                   | 100          | 100          | FC                   |
| <b>International – Indian Ocean</b>                                  |             |             |                      |              |              |                      |
| Vindémia Distribution  | 100         | 99.98       | FC                   | 100          | 99.98        | FC                   |
| Vindémia Logistique  | 100         | 100         | FC                   | 100          | 100          | FC                   |
| <b>International – Vietnam</b>                                       |             |             |                      |              |              |                      |
| Cavi Ltd   | -           | -           | -                    | 100          | 100          | FC                   |
| Cavi Real Estate Ltd   | -           | -           | -                    | 100          | 100          | FC                   |
| Cavi Retail Ltd  | -           | -           | -                    | 100          | 100          | FC                   |
| Espace Big C An Lac  | -           | -           | -                    | 100          | 80           | FC                   |
| Espace Big C Hai Phong   | -           | -           | -                    | 100          | 100          | FC                   |
| Espace Bourbon Than Long   | -           | -           | -                    | 100          | 65           | FC                   |
| Espace Business Hue  | -           | -           | -                    | 100          | 100          | FC                   |
| Viet Nhat Real Estate  | -           | -           | -                    | 100          | 100          | FC                   |
| <b>French and international holding companies</b>                    |             |             |                      |              |              |                      |
| 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         | 55.3        | FC                   | 100          | 54.77        | 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                   |
| Saowanee   | -           | -           | -                    | 100          | 48.99        | FC                   |
| Ségisor SA   | 100         | 77.65       | FC                   | 100          | 77.39        | 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 percentage interests correspond to the percentages held by Rallye in Casino, Guichard-Perrachon.

The percentage interests 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 subgroup.

(3) Although GPA only owns 10% of Novasoc, it is fully consolidated as GPA controls 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.

(5) The percentage interests correspond to the percentages held by the Via Varejo subgroup.

(6) The percentage interests correspond to the percentages held by the Éxito subgroup. 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 subgroup'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) Cnova Comercio Electronico has been owned by Via Varejo since 31 October 2016 (note 2).

## NOTE 17 | 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 2016 and applicable to the Group:

| Standard<br>(Group application date)  | Description of the standard  |
|---|--|
| IFRS 9<br><i>Financial instruments</i><br>(1 January 2018)                                      | <p>This standard will be applicable retrospectively.</p> <p>IFRS 9 proposes a single, logical approach to the classification and measurement of financial assets which reflects the business model for managing them, as well as their contractual cash flows; a single, forward-looking impairment model based on expected rather than incurred losses; and a new approach to hedge accounting. The standard also requires more detailed disclosures in the notes to the financial statements.</p>  |
| IFRS 15 including amendment<br><i>Revenue from contracts with customers</i><br>(1 January 2018) | <p>This standard will be applicable retrospectively.</p> <p>IFRS 15 establishes the principles for recognising revenue from contracts with customers (except for those covered by specific standards such as leases, insurance contracts and financial instruments). The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>Clarifications to the standard published by the IASB have not yet been adopted by the European Union. These clarifications do not change the underlying principles of the standard, they simply introduce additional changes to the basis for conclusions and provide additional illustrative guidance. The amendments primarily address three topics: identifying performance obligations, principal versus agent considerations, and intellectual property licences.</p> |

The Group plans to apply IFRS 9 and IFRS 15 as from 1 January 2018. The potential impacts are currently being analysed and are not yet known.

## CONSOLIDATED FINANCIAL STATEMENTS

### Notes to the consolidated financial statements

## 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<br>(application date for the Group subject<br>to adoption by the EU)  | Description of the standard   |
|--|---|
| IFRS 16<br><i>Leases</i><br>(1 January 2019)   | This standard will be applicable retrospectively.<br>IFRS 16 describes how lessors and lessees should recognise, measure, present and disclose leases.<br>IFRS 16 replaces IAS 17 and the related interpretations.  |
| Amendments to IFRS 2<br><i>Classification and measurement<br/>of share-based payments</i><br>(1 January 2018)              | These amendments will be applicable on a prospective basis.<br>The amendments describe the accounting treatment of: <ul style="list-style-type: none"> <li>– the effects of vesting conditions and non-vesting conditions on the measurement of a cash-settled share-based payment: measurement of the liability for cash-settled share-based payments follow the same approach as used for equity-settled share-based payments;</li> <li>– share-based payments subject to withholding tax: the share-based payment is classified as equity-settled (in its entirety, including the withholding tax) provided that, in the absence of withholding tax, the share-based payment would have been equity-settled in its entirety;</li> <li>– modification of share-based payment transaction 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.</li> </ul> |
| Amendments to IAS 12<br><i>Recognition of deferred tax assets<br/>for unrealised losses</i><br>(1 January 2017)            | These amendments are applicable on a retrospective basis.<br>The amendments clarify certain principles applicable 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<br><i>Disclosure initiative</i><br>(1 January 2017)  | These amendments will be applicable on a prospective basis.<br>These amendments 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: (a) changes from financing cash flows; (b) changes arising from obtaining or losing control of subsidiaries or other businesses; (c) the effect of changes in foreign exchange rates; (d) changes in fair values; and (e) other changes.   |
| Amendments to IAS 40<br><i>Transfers of investment property</i><br>(1 January 2018)  | These amendments will be applicable on a prospective basis.<br>These amendments provide guidance on transfers to or from investment properties. In addition, the list of evidence of a change of use has been designated as a non-exhaustive list of examples.  |
| IFRIC 22<br><i>Foreign currency transactions<br/>and advance consideration</i><br>(1 January 2018)                         | Companies will be allowed to apply this interpretation either retrospectively or prospectively.<br>IFRIC 22 provides guidance on interpreting IAS 21 – The Effects of Changes in Foreign Exchange Rates<br>It clarifies the exchange rate to be used for advance consideration.   |
| IFRS Annual Improvement Cycles<br><i>2014-2016 Cycle</i> (1 January 2017)<br>(1 January 2018) for amendments to<br>IFRS 12 | These amendments will be applicable retrospectively.<br>The main standards concerned are: <ul style="list-style-type: none"> <li>– IFRS 12 – Disclosure of Interests in Other Entities;</li> <li>– IAS 28 – Investments in Associates and Joint Ventures</li> </ul>   |

The application of IFRS 16 will mainly impact the accounting treatment of operating leases of the Group's stores and warehouses and will lead the Group to recognise almost all of its leases on its statement of financial position. An optional exemption exists for short-term leases where the underlying asset has a low value. IFRS 16 eliminates the current distinction between operating and finance leases and requires entities to recognise an asset (the right to use the leased asset) and a financial liability to make lease payments for virtually all leases. The rental expense will be replaced by a reduction of the outstanding liability and an interest expense. The standard will impact performance indicators including recurring operating income and EBITDA. The Group considers that consolidated net income may 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 began a preliminary analysis of the potential impact of IFRS 16 on its financial reporting. 31 December 2016, the Group presents an off-balance sheet commitment of €2,843 million regarding its estimated minimum lease payments under operating leases of property and equipment (see note 7.3), corresponding mainly to property such as stores and warehouses leased in connection with its business activities. However, since the Group has only just begun to examine the potential impact of the standard, it has not yet determined the impacts of the options to renew or terminate its operating leases (particularly the right to terminate commercial leases in France every three years and the possibility in Brazil of breaking the lease ahead of its expiry in exchange for payment of an indemnity representing between one to twelve months' rent) on the recognition of an asset and liability reflecting the future lease payments and on its consolidated earnings and cash flow presentation.

Finally, the Group has not yet decided on the IFRS 16 transition date or transition method (simplified or full retrospective application)

The other amendments are not expected to have any material impact on the Group's consolidated financial statements.

## CONSOLIDATED FINANCIAL STATEMENTS

# STATUTORY AUDITORS' REPORT

## ON THE CONSOLIDATED FINANCIAL STATEMENTS

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.*

*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.*

*This report also includes information relating to the specific verification of information given in the group's 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, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Rallye;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

## I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 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.

Without qualifying our opinion, we draw your attention to the note 1.3 "Restatement of Comparative Information" to the financial statements which sets out the restatements of the comparative information in the consolidated income statement, in respect of discontinued operations and the change in method of presenting the costs of the non-recourse factoring of receivables.

## II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

### Non current assets

The Group is required to make estimates based on assumptions regarding impairment tests of goodwill and other non-current assets as described in the note 10.5 to the consolidated financial statements. The recoverable value of non-current assets is estimated using notably cash flow and earnings projections contained in the Group's long-range business plans approved by the management. We examined the consistency of the assumptions, the data underlined to these ones and available documentation. Based on those, we assessed the reasonableness of the Group's estimates. We have also validated that the note 10.5 to the consolidated financial statements provides appropriate information about these matters.

### Provisions

The group recognizes provisions based on assumptions in order to address risks, as described in the note 13 of the notes to the consolidated financial statements. Our work consisted of a review of data and assumptions on which were made these estimations and of a review of calculations. We have also validated the fact that the note 13 to the financial statements provides appropriate information about the matters.



### Assets held for sale or discontinued operations

Assets held for sale and discontinued operations are presented and measured according to the procedures described in the note 3.5 to the consolidated financial statements. Our work consisted in assessing the validity of the presentation of the operations concerned and of the related assets and liabilities in the consolidated accounts, and to make sure of the reasonableness of the data and assumptions used as a basis for the measurement of the fair value of the assets involved. We also verified that note 3.5 to the consolidated financial statements includes the appropriate disclosure.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and, therefore, contributed to our audit opinion expressed in the first part of this report.

### III. SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, March 15, 2017

The Statutory Auditors

*French original signed by*

**KPMG Audit**

Département de KPMG S.A.

Catherine Chassaing

**ERNST & YOUNG et Autres**

Henri-Pierre Navas



## chapter 4

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# PARENT COMPANY FINANCIAL STATEMENTS

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PARENT COMPANY FINANCIAL STATEMENTS

## INCOME STATEMENT

| (€ millions)   | Notes    | 2016          | 2015          |
|--|----------|---------------|---------------|
| <b>Net revenue</b>   |          | <b>2.7</b>    | <b>1.3</b>    |
| Other purchases and external expenses                      |          | (14.7)        | (15.6)        |
| Taxes and duties   |          | (0.4)         | (0.5)         |
| Payroll expenses   |          | (6.5)         | (5.8)         |
| Net reversals of depreciation, amortisation and provisions |          | (5.5)         | (5.3)         |
| Other net operating expenses                               |          | (0.3)         | (0.3)         |
| <b>Operating profit (loss)</b>                             | <b>1</b> | <b>(24.7)</b> | <b>(26.1)</b> |
| Financial income   |          | 282.0         | 230.0         |
| Financial expenses   |          | (152.8)       | (141.5)       |
| <b>Net financial income (expense)</b>                      | <b>2</b> | <b>129.3</b>  | <b>88.5</b>   |
| <b>Recurring profit (loss) before tax</b>                  |          | <b>104.5</b>  | <b>62.4</b>   |
| Non-recurring income                                       |          | 4.3           | 1.2           |
| Non-recurring expenses                                     |          | (0.6)         | (5.9)         |
| Non-recurring income (expenses) from equity transactions   |          |               |               |
| <b>Total non-recurring income (expense)</b>                | <b>3</b> | <b>3.7</b>    | <b>(4.8)</b>  |
| Income tax expense   | 4        | (2.7)         | (2.7)         |
| <b>NET INCOME</b>  |          | <b>105.6</b>  | <b>55.0</b>   |

## STATEMENT OF FINANCIAL POSITION

### ASSETS

| (€ millions)                    | Notes | Gross          | Depreciation,<br>amortisation and<br>impairment | 31 December<br>2016 | 31 December<br>2015 |
|---------------------------------|-------|----------------|---|---------------------|---------------------|
| Intangible assets               | 5     | 0.2            | 0.2   |                     | 17.9                |
| Property, plant and equipment   | 5     | 0.6            | 0.4   | 0.2                 | 0.2                 |
| Long-term investments           | 6     | 3,946.1        | 644.7   | 3,301.4             | 2,625.6             |
| <b>Total non-current assets</b> |       | <b>3,946.9</b> | <b>645.3</b>                                    | <b>3,301.6</b>      | <b>2,643.7</b>      |
| Receivables                     | 7     | 1,386.9        |   | 1,386.9             | 2,016.1             |
| Marketable securities           | 8     |                |   |                     | 57.8                |
| Cash and cash equivalents       | 8     | 68.9           |   | 68.9                | 0.1                 |
| <b>Total current assets</b>     |       | <b>1,455.9</b> |   | <b>1,455.9</b>      | <b>2,074.0</b>      |
| Prepaid expenses                | 9     | 0.6            |   | 0.6                 | 0.5                 |
| Deferred debt issuance costs    | 9     | 25.9           |   | 25.9                | 30.6                |
| Bond redemption premiums        | 9     | 0.5            |   | 0.5                 | 0.8                 |
| <b>TOTAL ASSETS</b>             |       | <b>5,429.8</b> | <b>645.3</b>                                    | <b>4,784.5</b>      | <b>4,749.6</b>      |

### SHAREHOLDERS' EQUITY AND LIABILITIES

| (€ millions)                                      | Notes     | 31 December<br>2016 | 31 December<br>2015 |
|---|-----------|---------------------|---------------------|
| Share capital                                     |           | 146.5               | 146.3               |
| Share issue premiums                              |           | 1,439.9             | 1,440.3             |
| Reserves  |           | 39.8                | 74.1                |
| Retained earnings                                 |           |                     |                     |
| Net income for the year                           |           | 105.6               | 55.0                |
| <b>Shareholders' equity</b>                       | <b>10</b> | <b>1,731.8</b>      | <b>1,715.7</b>      |
| Provisions  | 11        | 17.2                | 28.4                |
| Borrowings and financial liabilities              | 12        | 3,006.6             | 2,974.2             |
| Accounts payable                                  | 13        | 6.6                 | 6.1                 |
| Other liabilities                                 | 13        | 13.8                | 17.2                |
| Deferred income                                   | 13        | 8.5                 | 8.1                 |
| <b>Total liabilities</b>                          |           | <b>3,035.4</b>      | <b>3,005.5</b>      |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> |           | <b>4,784.5</b>      | <b>4,749.6</b>      |

PARENT COMPANY FINANCIAL STATEMENTS

## CASH FLOW STATEMENT

| (€ millions)   | 2016           | 2015           |
|--|----------------|----------------|
| Cash flow from operating activities                                    |                |                |
| Net income   | 105.6          | 55.0           |
| Elimination of non-cash and non-operating expenses and income:         |                |                |
| - Amortisation, depreciation and provisions                            | 11.8           | 12.4           |
| - Capital gains on disposals, net of tax                               | (0.8)          |                |
| <b>Cash from operating activities before change in working capital</b> | <b>116.6</b>   | <b>67.3</b>    |
| <b>Change in working capital related to operating activities</b>       |                |                |
| - Net inventories  |                |                |
| - Net operating receivables  | 3.3            |                |
| - Accounts payable   | 0.7            | 0.9            |
| <b>Net cash flow from operating activities (A)</b>                     | <b>120.6</b>   | <b>68.2</b>    |
| <b>Cash flow from investing activities:</b>                            |                |                |
| Acquisition of property, plant and equipment and intangible assets     |                |                |
| Disposal of property, plant and equipment and intangible assets        |                |                |
| Acquisition of long-term investments                                   | (20.7)         | (76.8)         |
| Disposal of long-term investments                                      | 15.4           |                |
| <b>Net cash flow used in investing activities (B)</b>                  | <b>(5.2)</b>   | <b>(76.8)</b>  |
| <b>Cash flow from financing activities:</b>                            |                |                |
| Dividends paid to shareholders of the Company                          | (89.3)         | (89.2)         |
| Proceeds from issuance of shares for cash                              |                | 0.5            |
| Reimbursement of capital   | (0.2)          |                |
| Change in treasury shares  |                | 4.8            |
| Increase in financial liabilities                                      | 563.5          | 646.0          |
| Decrease in financial liabilities                                      | (531.1)        | (855.2)        |
| Change in financial instruments  | 5.0            | (12.0)         |
| Change in accrued interest   | (8.2)          | (32.4)         |
| Current account advances to subsidiaries of the Company                | (43.7)         | 101.6          |
| <b>Net cash flow used in financing activities (C)</b>                  | <b>(104.0)</b> | <b>(236.1)</b> |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>                     | <b>11.4</b>    | <b>(244.7)</b> |
| Cash and cash equivalents at beginning of year (D)                     | 57.6           | 302.3          |
| Cash and cash equivalents at end of year (E)                           | 68.9           | 57.6           |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS (E-D)</b>                       | <b>11.4</b>    | <b>(244.7)</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### I. | ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2014 French generally accepted accounting principles approved by ministerial decree dated 8 September 2014 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 to prepare the financial statements for the previous year, after having taken into account regulation 2015-06 issued by the ANC regarding technical losses from merger transactions effective as of 1 January 2016 (see notes 1.1 and 1.2).

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 sub-totals shown may not correspond exactly to the sum of the reported amounts.

#### 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 transportation equipment

Non-current assets are depreciated on a straight-line basis over the following periods:

| Asset category              | Depreciation period |
|-----------------------------|---------------------|
| Software                    | 1 year              |
| Furniture, office equipment | 2 to 10 years       |
| Transportation equipment    | 4 years             |
| Fittings and improvements   | 10 years            |

In compliance with accounting policies applicable until 31 December 2015, technical losses from merger transactions were recorded under intangible assets, and were allocated to the underlying assets without adjusting their carrying amounts in the financial statements.

Regulation 2015-06 issued by the ANC effective as of 1 January 2016 provides for such technical losses to be presented within the underlying assets. Accordingly, they have been reclassified to long-term investments within investments in subsidiaries and associates.

#### 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 value.

#### 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. | Deferred debt issuance costs

The costs of issuing debt are spread out over the term of the related borrowings, in a manner appropriate to reflect the repayment.

#### 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.

## PARENT COMPANY FINANCIAL STATEMENTS

### Notes to the financial statements

#### 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 by 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.

Other provisions correspond to specifically identified risks and expenses, and are detailed in note 11 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 risk. The financial instruments used are swaps, floors, put and call options.

When financial instruments qualify for hedge accounting, the income and expenses related to the instruments are taken to income symmetrically with the income and expenses of hedged items within net financial income, and any premiums paid or received are amortised in net financial income over the duration of the hedge.

When hedge accounting is not applied, a provision is booked for net unrealised losses resulting from changes in the estimated market value of the financial instruments.

Financial instruments that qualify as hedging instruments are included in off-balance sheet commitments at their nominal value.

#### 1.10. | Recurring profit (loss)

Recurring profit (loss) 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 2016, the tax group consisted of 16 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

### Dissolution of Genty Immobilier et Participations through merger-related asset transfers ("TUP")

Acting as sole shareholder of Genty Immobilier et Participations, Rallye decided to dissolve the company without liquidation by means of a merger-related asset transfer on 26 January 2016. This transaction was eligible for the favourable tax treatment stipulated in Articles 210A *et seq.* of the French General Tax Code.

The transaction, carried out at book value, gave rise to a technical merger loss of €36.7 million. This was allocated to the Casino shares held by Genty Immobilier et Participations, representing 6.8% of the company's share capital. In accordance with regulation 2015-06 issued by the ANC, this technical loss was recorded in "Long-term investments".

### Successful issue of a non-dilutive €200 million bond exchangeable for existing Casino shares, maturing in February 2022

On 26 October 2016, Rallye issued a €200 million bond exchangeable for existing Casino shares maturing in February 2022. The bond is redeemable solely in cash and has no dilutive impact. The bond pays annual interest at 5.25%.

### Successful issue of a CHF 75 million bond maturing in November 2020

On 23 November 2016, Rallye carried out its first Swiss franc bond issue for CHF 75 million, maturing in four years and paying annual interest at 4%. After hedging the foreign exchange risk, the interest payment on the bond converted into euros is less than 5%.



### III. | NOTES ON ITEMS IN THE FINANCIAL STATEMENTS

#### NOTE 1 | OPERATING PROFIT (LOSS)

##### 1.1. | Breakdown

| (€ millions)   | 2016          | 2015          |
|--|---------------|---------------|
| Net revenue  |               |               |
| - Services   | 1.8           | 0.6           |
| - Financial services   | 0.9           | 0.7           |
| <b>Operating income</b>  | <b>2.7</b>    | <b>1.3</b>    |
| Other purchases and external expenses                                  | 14.7          | 15.6          |
| Taxes and duties   | 0.4           | 0.5           |
| Payroll expenses   | 6.5           | 5.8           |
| Net additions (reversals) to depreciation, amortisation and provisions | 5.5           | 5.3           |
| Other operating expenses   | 0.3           | 0.3           |
| <b>Operating expenses</b>  | <b>27.5</b>   | <b>27.4</b>   |
| <b>Operating profit (loss)</b>   | <b>(24.7)</b> | <b>(26.1)</b> |

Revenue is 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 €3.9 million in 2016 and €7.4 million in 2015.

##### 1.2. | Number of employees and compensation paid to Directors and management

| (€ millions)                                   | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
| Managers                                       | 22               | 21               |
| Employees                                      | 1                | 2                |
| <b>Total average number of employees</b>       | <b>23</b>        | <b>23</b>        |
| Compensation awarded to Directors (€ millions) | 1.1              | 1.0              |

#### NOTE 2 | NET FINANCIAL INCOME (EXPENSE)

##### 2.1. | Breakdown

| (€ millions)   | 2016         | 2015         |
|--|--------------|--------------|
| Income from investments in subsidiaries and associates   | 168.5        | 83.4         |
| Reversals of provisions and expense transfers (note 2.2) | 14.1         | 12.4         |
| Interest and similar income (note 2.3)                   | 99.3         | 133.8        |
| Foreign exchange gains                                   | 0.1          | 0.2          |
| Net proceeds from disposals of marketable securities     |              | 0.2          |
| <b>Financial income</b>                                  | <b>282.0</b> | <b>230.0</b> |
| Interest and similar expenses (note 2.4)                 | 129.4        | 122.0        |
| Additions to financial provisions (note 2.2)             | 23.3         | 19.5         |
| <b>Financial expenses</b>                                | <b>152.8</b> | <b>141.5</b> |
| <b>Net financial income (expense)</b>                    | <b>129.3</b> | <b>88.5</b>  |

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In 2016, income from investments in subsidiaries and associates was generated by Casino (€165.6 million) and Matignon Sablons (€2.9 million). In 2015, this item corresponded only to Casino.

The increase in dividends received from Casino in 2016 relates to the increase in the number of Casino shares held following the dissolution of Genty Immobilier et Participations (see note 6.2), and the payment by Casino of an interim dividend in 2016 corresponding to €55.2 million.

## 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 €15 million (of which €12.7 million for Parande shares, €2 million for Miramont Finance & Distribution shares and €0.2 million for Magasins Jean shares);
- the 2020 exchangeable bond redemption premium for €5 million; and
- amortisation of bond redemption premiums for €3.4 million.

Reversals of provisions for the year concern:

- Rallye shares held under the liquidity agreement at the end of the previous year for €0.8 million; and
- interest rate instruments for €13.3 million.

Movements in provisions and impairment in 2015 were primarily attributable to:

- provisions for the impairment of Parande shares for €1.9 million; Miramont Finance & Distribution shares for €1 million; Magasins Jean shares for €0.3 million; and Rallye shares held under the liquidity agreement for €0.8 million;
- the exchangeable bond redemption premium for €11.3 million;
- the amortisation of bond redemption premiums for €2.7 million;
- reversals of provisions on interest rate instruments for €10.4 million; and
- reversals of provisions on Rallye shares held under the liquidity agreement at the end of the previous year for €2 million.

## 2.3. | Breakdown of interest and similar income

| (€ millions)  | 2016        | 2015         |
|---|-------------|--------------|
| Interest on current accounts <sup>(1)</sup>           | 80.0        | 117.0        |
| Financial income on interest rate hedging instruments | 9.7         | 13.5         |
| Miscellaneous financial income                        | 9.6         | 3.3          |
| <b>Interest and similar income</b>                    | <b>99.3</b> | <b>133.8</b> |

(1) Interest on current accounts primarily concerns interest on advances under the centralised cash management system.

In 2016, miscellaneous financial income primarily comprised:

- a balancing payment received following the buyback of bonds ahead of maturity for €2.8 million;
- late interest for €0.9 million; and
- dividends received for €5.8 million in respect of an equity swap agreement on Casino shares and two Total Return Swaps (TRS) on Mercialis shares.

## 2.4. | Breakdown of interest and similar expenses

| (€ millions)  | 2016         | 2015         |
|---|--------------|--------------|
| Interest on financial liabilities                       | 98.2         | 104.9        |
| Interest on current accounts                            | 1.8          | 1.8          |
| Financial expenses on interest rate hedging instruments | 15.4         | 14.8         |
| Miscellaneous financial expenses <sup>(1)</sup>         | 14.0         | 0.5          |
| <b>Interest and similar expenses</b>                    | <b>129.4</b> | <b>122.0</b> |

(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)                                    | 2016       | 2015         |
|---|------------|--------------|
| Gains (losses) on disposals of financial assets | 0.8        | (4.8)        |
| Reversals of/(additions to) provisions          | 2.9        |              |
| <b>Non-recurring income (expense)</b>           | <b>3.7</b> | <b>(4.8)</b> |

The gains (losses) on disposals of financial assets mainly concern the sale of Rallye shares held under the liquidity agreement (see note 8.2).

Reversals of provision in the amount of €2.9 million correspond to tax disputes that were definitively settled during the year.

## NOTE 4 | INCOME TAX

Rallye is the head of the tax consolidation group and would not have been taxable had it not elected for group relief.

For 2016, income tax expense recorded in the financial statements for €2.7 million represents the 3% tax on dividends.

### 4.1. | Breakdown of taxes between recurring profit (loss) and non-recurring income (expense)

Tax on income from recurring and non-recurring items taking into account their specific tax treatments, breaks down as follows:

| (€ millions)                   | Profit before tax | Corresponding tax expense | Profit after tax |
|--------------------------------|-------------------|---------------------------|------------------|
| Recurring profit (loss)        | 104.5             | (2.7)                     | 101.8            |
| Non-recurring income (expense) | 3.7               |                           | 3.7              |

### 4.2. | Deferred tax position

At 31 December 2016, the tax group had tax loss carryforwards amounting to €2,406.9 million, which may be carried forward indefinitely.

## NOTE 5 | INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

### 5.1. | Breakdown

| (€ millions)  | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| Intangible assets, gross <sup>(1)</sup>                         | 0.2              | 18.1             |
| Amortisation  | (0.2)            | (0.2)            |
| <b>Intangible assets, net</b>                                   | <b></b>          | <b>17.9</b>      |
| Land  | 0.1              | 0.1              |
| Buildings   | 0.3              | 0.3              |
| Other property, plant and equipment                             | 0.2              | 0.2              |
| <b>Property, plant and equipment, gross</b>                     | <b>0.6</b>       | <b>0.6</b>       |
| Depreciation  | (0.4)            | (0.4)            |
| <b>Property, plant and equipment, net</b>                       | <b>0.2</b>       | <b>0.2</b>       |
| <b>Intangible assets and property, plant and equipment, net</b> | <b>0.2</b>       | <b>18.1</b>      |

(1) In 2015, technical losses from merger transactions totalled €179 million and were allocated to investments in subsidiaries and associates without adjusting their carrying amounts in the financial statements. In 2016, as a result of applying regulation 2015-06 issued by the ANC, these losses were reclassified to the underlying assets within investments in subsidiaries and associates.

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## 5.2. | Movements

| (€ millions)               | Gross       | Depreciation and amortisation | Net         |
|----------------------------|-------------|-------------------------------|-------------|
| <b>At 1 January 2015</b>   | <b>18.6</b> | <b>(0.6)</b>                  | <b>18.1</b> |
| Increases                  |             |                               |             |
| Decreases                  |             |                               |             |
| <b>At 31 December 2015</b> | <b>18.6</b> | <b>(0.6)</b>                  | <b>18.1</b> |
| Increases                  |             |                               |             |
| Decreases                  |             |                               |             |
| Reclassifications          | (17.9)      |                               | (17.9)      |
| <b>At 31 December 2016</b> | <b>0.8</b>  | <b>(0.6)</b>                  | <b>0.2</b>  |

## NOTE 6 | LONG-TERM INVESTMENTS

### 6.1. | Breakdown

| (€ millions)   | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
| Investments in subsidiaries and associates   | <b>3,890.9</b>   | 3,241.5          |
| Technical losses from merger transactions allocated to investments in subsidiaries and associates <sup>(1)</sup> | <b>54.6</b>      |                  |
| Impairment   | <b>(644.7)</b>   | (629.8)          |
| <b>Investments in subsidiaries and associates, net</b>   | <b>3,300.8</b>   | <b>2,611.7</b>   |
| Other long-term investments  | <b>0.6</b>       | 14.7             |
| Impairment   |                  | (0.8)            |
| <b>Other long-term investments, net</b>  | <b>0.6</b>       | <b>13.9</b>      |
| <b>Long-term investments, net</b>  | <b>3,301.4</b>   | <b>2,625.6</b>   |

(1) Technical losses from merger transactions concern Casino shares.

### 6.2. | Movements

| (€ millions)               | Gross          | Provisions     | Net            |
|----------------------------|----------------|----------------|----------------|
| <b>At 1 January 2015</b>   | <b>3,179.4</b> | <b>(628.5)</b> | <b>2,550.9</b> |
| Increases                  | 118.9          | (4.0)          | 114.9          |
| Decreases                  | (42.0)         | 2.0            | (40.1)         |
| <b>At 31 December 2015</b> | <b>3,256.2</b> | <b>(630.6)</b> | <b>2,625.6</b> |
| Increases                  | 731.1          | (15.0)         | 716.1          |
| Decreases                  | (41.2)         | 0.8            | (40.3)         |
| <b>At 31 December 2016</b> | <b>3,946.1</b> | <b>(644.7)</b> | <b>3,301.4</b> |

In 2016, the main increases and decreases in long-term investments are 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;
- 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;
- the acquisition (for €25.7 million) and disposal (for €39.8 million) of Rallye shares under the liquidity agreement.

In 2015, increases and decreases in long-term investments were attributable to:

- the acquisition of Casino shares for €76.7 million;
- the acquisition (for €42.2 million) and disposal (for €42 million) of Rallye shares under the liquidity agreement.

### 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 the companies' activities.

At 31 December 2016, the 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 €15 million, mainly concerning Parande and Miramont Finance & Distribution (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 2016.

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 2016, the value in use of Casino shares was calculated on the basis of a perpetual growth rate of 3% (as in 2015) and a discount rate of 9.3% (9.5% in 2015).

A list of the Company's subsidiaries and associates is provided at the end of the notes to the financial statements.

## NOTE 7 | RECEIVABLES

The amounts and maturities of the receivables recorded in the statement of financial position break down as follows:

| (€ millions)                    | 31 December 2016 | 31 December 2015 |
|---------------------------------|------------------|------------------|
| <b>Non-current receivables</b>  | <b>0.1</b>       | <b>0.1</b>       |
| Trade and other receivables     | 70.7             | 112.3            |
| Current account advances        | 1,271.4          | 1,854.0          |
| Other operating receivables     | 44.8             | 49.9             |
| <b>Current receivables</b>      | <b>1,386.9</b>   | <b>2,016.1</b>   |
| of which: due in 1 year or less | 1,350.7          | 2,003.6          |
| due in more than 1 year         | 36.3             | 12.6             |

Current account advances granted by Rallye to its subsidiaries are undertaken as part of the centralised cash management system and are due within one year.

Other operating receivables mainly comprise security deposits paid in connection with the Mercialys TRS and the Casino equity swap for €17.1 million and Casino call option premiums for €23.9 million.

## NOTE 8 | NET CASH AND CASH EQUIVALENTS

### 8.1. | Marketable securities

| (€ millions)          | 31 December 2016 | 31 December 2015 |
|-----------------------|------------------|------------------|
| Treasury shares       |                  |                  |
| Marketable securities |                  | 57.8             |
| <b>Gross value</b>    |                  | <b>57.8</b>      |
| Impairment            |                  |                  |
| <b>Net value</b>      |                  | <b>57.8</b>      |

At 31 December 2015, marketable securities comprised SICAV money-market funds.

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## 8.2. | Treasury shares

|   | 2016           | 2015           |
|---|----------------|----------------|
| <b>Number of shares held:</b>                   |                |                |
| <b>At 1 January</b>                             | <b>908,857</b> | <b>554,631</b> |
| Purchases                                       | 1,700,809      | 2,149,621      |
| Sales   | (2,597,666)    | (1,795,395)    |
| Cancellations                                   | (12,000)       |                |
| <b>At 31 December</b>                           | <b>908,857</b> |                |
| <b>Gross value of shares held (€ millions):</b> |                |                |
| <b>At 1 January</b>                             | <b>14.1</b>    | <b>18.7</b>    |
| Purchases                                       | 25.9           | 42.2           |
| Sales   | (39.8)         | (46.8)         |
| Cancellations                                   | (0.2)          |                |
| <b>At 31 December</b>                           | <b>14.1</b>    |                |

Under the liquidity agreement signed between Rallye and Rothschild & Cie Banque in June 2005, the Company bought 1,688,809 and sold 2,597,666 Rallye shares.

In 2016, the Company acquired 12,000 Rallye shares from its subsidiaries, which were subsequently cancelled.

## 8.3. | Net cash and cash equivalents

| (€ millions)                          | 31 December 2016 | 31 December 2015 |
|---------------------------------------|------------------|------------------|
| Marketable securities                 |                  | 57.8             |
| Impairment                            |                  |                  |
| <b>Net value</b>                      |                  | <b>57.8</b>      |
| Cash and cash equivalents             | 68.9             | 0.1              |
| Bank overdrafts                       |                  | (0.3)            |
| <b>Cash and cash equivalents, net</b> | <b>68.9</b>      | <b>57.6</b>      |

## NOTE 9 | PREPAYMENTS AND OTHER ASSETS

| (€ millions)                        | 31 December 2016 | 31 December 2015 |
|-------------------------------------|------------------|------------------|
| Prepaid expenses                    | 0.6              | 0.5              |
| Deferred debt issuance costs        | 25.9             | 30.6             |
| Bond redemption premiums            | 0.5              | 0.8              |
| <b>Prepayments and other assets</b> | <b>27.0</b>      | <b>31.9</b>      |

Debt issuance costs and bond redemption premiums are amortised over the terms of the loan and credit lines, or in a manner appropriate to reflect the repayment.

## NOTE 10 | SHAREHOLDERS' EQUITY

### 10.1. | Breakdown

At 31 December 2016, share capital amounted to €146,493,339, made up of 48,831,113 shares with a par value of €3.

| (€ millions)                                  | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| Share capital                                 | 146.5            | 146.3            |
| Share issue, merger and contribution premiums | 1,439.9          | 1,440.3          |
| Legal reserve                                 | 14.6             | 14.6             |
| Tax-driven reserves                           | 1.4              | 1.4              |
| Other reserves                                | 23.7             | 58.0             |
| Net income for the year                       | 105.6            | 55.0             |
| <b>Shareholders' equity</b>                   | <b>1,731.8</b>   | <b>1,715.7</b>   |

## 10.2. | Movements

| (€ millions)                  | 2016           | 2015           |
|-------------------------------|----------------|----------------|
| <b>At 1 January</b>           | <b>1,715.7</b> | <b>1,749.5</b> |
| Increase/reduction in capital | 0.2            | 0.2            |
| Issue premium                 | (0.3)          | 0.3            |
| Dividend paid                 | (89.3)         | (89.2)         |
| Net income for the year       | 105.6          | 55.0           |
| <b>At 31 December</b>         | <b>1,731.8</b> | <b>1,715.7</b> |

## 10.3. | Movements in share capital and number of shares

|   | 2016              | 2015              |
|---|-------------------|-------------------|
| <b>Number of shares at 1 January</b>            | <b>48,778,526</b> | <b>48,721,948</b> |
| Issuance of shares                              | 64,587            | 39,502            |
| Cancellation of shares                          | (12,000)          |                   |
| Issuance of shares on exercise of stock options |                   | 17,076            |
| <b>Number of shares at 31 December</b>          | <b>48,831,113</b> | <b>48,778,526</b> |

The increase in the number of shares comprises the share capital is attributable to:

- the issuance of 64,587 shares allotted to Group employees under the free share plan that matured in December 2016; and
- the cancellation on 12,000 treasury shares.

## 10.4. | Potential dilution

|   | 31 December 2016  | 31 December 2015  |
|---|-------------------|-------------------|
| <b>Number of shares</b>                 | <b>48,831,113</b> | <b>48,778,526</b> |
| Stock options to be issued              |                   | 70,719            |
| Free shares to be issued                | 337,985           | 260,109           |
| <b>Total number of potential shares</b> | <b>49,169,098</b> | <b>49,109,354</b> |

## 10.5. | Securities carrying rights to shares of the Company

### Free share plans at 31 December 2016

|  | 29 July 2014 | 15 December 2015 | 28 July 2016 |
|--|--------------|------------------|--------------|
| Grant date                                       | 29 July 2014 | 15 December 2015 | 28 July 2016 |
| End of vesting period                            | 29 July 2017 | 15 December 2018 | 28 July 2018 |
| End of lock-up period                            | 29 July 2019 | 15 December 2020 | 28 July 2020 |
| Number of shares initially awarded               | 57,487       | 133,701          | 157,794      |
| Number of shares that may be issued or purchased | 52,277       | 127,914          | 157,794      |
| Number of shares cancelled                       | 5,210        | 5,787            |              |
| Value of shares at time of award (in €)          | 28.47        | 7.85             | 9.95         |
| Service condition                                | Yes          | Yes              | Yes          |
| Performance conditions                           | Yes          | Yes              | Yes          |

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## NOTE 11 | PROVISIONS

### 11.1. | Breakdown

| (€ millions)                        | 31 December 2016 | 31 December 2015 |
|-------------------------------------|------------------|------------------|
| Provision for financial instruments | 0.5              | 13.8             |
| Provision for redemption premiums   | 16.3             | 11.3             |
| Provision for miscellaneous risks   | 0.5              | 3.3              |
| <b>Provisions</b>                   | <b>17.2</b>      | <b>28.4</b>      |

The provision for miscellaneous risks concerns pension commitments (€0.5 million). At 31 December 2015, this item also included a provision for tax disputes that were definitively settled in 2016.

### 11.2. | Movements

| (€ millions)          | 2016        | 2015        |
|-----------------------|-------------|-------------|
| <b>At 1 January</b>   | <b>28.4</b> | <b>30.2</b> |
| Additions             | 5.0         | 12.8        |
| Reversals             | (16.2)      | (14.6)      |
| <b>At 31 December</b> | <b>17.2</b> | <b>28.4</b> |
| Of which:             |             |             |
| – Operating           |             | 4.1         |
| – Financial           | 8.3         | (2.3)       |
| – Non-recurring       | 2.9         |             |

Additions for the year concern the 2020 exchangeable bond redemption premium for €5 million.

Reversals for the year correspond to changes in the fair value of financial instruments for €13.3 million, and tax disputes settled in 2016 for €2.9 million.

Movements in provisions in 2015 were mainly attributable to additions to provisions for redemption premiums for €11.3 million, the net reversal of provision for financial instruments for €8.9 million and the reversal of the provision for free shares for €4.1 million.

## NOTE 12 | FINANCIAL LIABILITIES

### 12.1. | Breakdown in financial liabilities

| (€ millions)  | 31 December 2016 | 31 December 2015 |
|---|------------------|------------------|
| Bonds exchangeable for Casino shares                      | 577.9            | 375.9            |
| Other bonds   | 1,165.3          | 1,526.0          |
| Bank borrowings   | 891.5            | 778.5            |
| Commercial paper  | 353.2            | 268.4            |
| Bank overdrafts   | 18.8             | 25.3             |
| <b>Borrowings and financial liabilities<sup>(1)</sup></b> | <b>3,006.6</b>   | <b>2,974.2</b>   |

(1) Of which €42.5 million in accrued expenses at 31 December 2016 and €46 million at 31 December 2015.

### 12.2. | Maturity of financial liabilities

| (€ millions)                | 31 December 2016 | 31 December 2015 |
|-----------------------------|------------------|------------------|
| Due within one year         | 724.9            | 314.8            |
| Due in one to five years    | 1,707.0          | 1,674.4          |
| Due in more than five years | 574.6            | 985.0            |
| <b>Total</b>                | <b>3,006.6</b>   | <b>2,974.2</b>   |

Borrowings and financial liabilities due to credit institutions within one year correspond to:

- drawn down credit lines and bank overdrafts for €323 million and €6.2 million, respectively;
- commercial paper for €353.2 million;
- accrued interest at 31 December 2016 for €42.5 million.



## 12.3. | Breakdown of borrowings

|   | Fixed rate | Issue date    | Maturity date | Nominal amount<br>(€ millions) |                  |
|---|------------|---------------|---------------|--------------------------------|------------------|
|   |            |               |               | 31 December 2016               | 31 December 2015 |
| 2016 bond   | 7.625%     | November 2009 | November 2016 |                                | 389.4            |
| 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 <sup>(1)</sup>                   | 1.00%      | October 2013  | October 2020  | 375.0                          | 375.0            |
| 2021 bond   | 4.00%      | April 2014    | April 2021    | 464.6                          | 500.0            |
| 2020 CHF bond   | 4.00%      | November 2016 | November 2020 | 69.5                           |                  |
| 2022 exchangeable bond <sup>(2)</sup>                   | 5.25%      | October 2016  | February 2022 | 200.0                          |                  |
| Accrued interest  |            |               |               | 34.0                           | 37.5             |
| <b>Total bonds</b>                                      |            |               |               | <b>1,743.1</b>                 | <b>1,901.9</b>   |
| Other bank borrowings                                   |            |               |               | 560.0                          | 570.0            |
| Drawn credit lines                                      |            |               |               | 323.0                          | 200.0            |
| Commercial paper  |            |               |               | 353.2                          | 268.4            |
| Bank overdrafts   |            |               |               | 18.8                           | 25.3             |
| Accrued interest  |            |               |               | 8.5                            | 8.5              |
| <b>Total other borrowings and financial liabilities</b> |            |               |               | <b>1,263.4</b>                 | <b>1,072.2</b>   |
| <b>Total financial liabilities</b>                      |            |               |               | <b>3,006.6</b>                 | <b>2,974.2</b>   |

(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 stock 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) 2,000 bonds exchangeable for Casino shares as of 1 September 2021. Rallye has purchased cash-settled Casino stock options to cover its 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.

## 12.4. | Liquidity risk

Rallye has substantial confirmed credit lines. At 31 December 2016, these undrawn, confirmed credit lines amounted to €1,497 million.

| (€ millions)            |               | Authorised   | Drawn      | Maturity |
|-------------------------|---------------|--------------|------------|----------|
| Confirmed credit lines  | Variable rate | 90           | 33         | 2017     |
| Confirmed banking lines | Variable rate | 257          | 130        | 2019     |
| Confirmed banking lines | Variable rate | 390          | 50         | 2020     |
| Confirmed banking lines | Variable rate | 783          | 110        | 2021     |
| Confirmed banking lines | Variable rate | 300          |            | 2023     |
| <b>Total</b>            |               | <b>1,820</b> | <b>323</b> |          |

Loans and credit lines may give rise to a pledge of Casino shares. At 31 December 2016, 15,065,023 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 2016 |
|---|----------------------------|----------------------------|
| Consolidated EBITDA <sup>(1)</sup> /Cost of consolidated net debt | > 2.75                     | 3.93                       |
| Rallye SA shareholders' equity                                    | > €1.2 billion             | €1.7 billion               |

(1) EBITDA corresponds to recurring operating income plus recurring net depreciation and amortisation expense.

At 31 December 2016, these ratios were complied with.

## PARENT COMPANY FINANCIAL STATEMENTS

### Notes to the financial statements

#### 12.5. | Interest rate risk and hedges

Of the total gross financial liabilities of €2,964 million outstanding at 31 December 2016, €1,554.5 million was at fixed rates and €1,409.5 million was at variable rates. Hedges were arranged to limit Rallye's exposure to fluctuations in interest rates, exchange rates and equity risk.

At 31 December 2016, hedges in the form of variable to fixed interest swaps relating to the sale of a floor, concerned a notional amount of €364.6 million. During 2016, the Company also contracted a currency swap to hedge borrowings in Swiss francs for a notional amount of €69.5 million.

Following the issue in October 2016 of a non-dilutive €200 million bond exchangeable for existing Casino shares maturing in February 2022, Casino call options were acquired to hedge its 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 (expense) for the year amounted to €0.9 million.

## NOTE 13 | ACCOUNTS PAYABLE AND OTHER LIABILITIES

| (€ millions)                                 | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
| <b>Accounts payable<sup>(1)</sup></b>        | <b>6.6</b>       | <b>6.1</b>       |
| Current accounts                             | 12.3             | 13.9             |
| Other liabilities                            | 1.4              | 3.2              |
| <b>Total other liabilities<sup>(2)</sup></b> | <b>13.8</b>      | <b>17.2</b>      |
| <b>Deferred income</b>                       | <b>8.5</b>       | <b>8.1</b>       |
| of which: due in 1 year or less              | 22.7             | 25.1             |
| due in more than 1 year                      | 6.1              | 6.2              |

(1) Of which €5 million in accrued expenses at 31 December 2016 and €4.4 million at 31 December 2015.

(2) Of which €0.7 million in accrued expenses at 31 December 2016 and €2.5 million at 31 December 2015.

Advances received from Rallye subsidiaries are paid into the current account as part of the centralised cash management system.

## NOTE 14 | OFF-BALANCE SHEET INFORMATION

Commitments entered into in the ordinary course of business break down as follows:

| (€ millions)                                       | 2016           | 2015           |
|--|----------------|----------------|
| Interest rate hedging instruments (nominal amount) | 729.2          | 600.0          |
| Currency hedging instruments (nominal amount)      | 69.5           |                |
| <b>Total reciprocal commitments</b>                | <b>798.7</b>   | <b>600.0</b>   |
| Bonds and guarantees given to banks                | 132.0          | 258.0          |
| Debt redemption premiums                           | 18.8           | 23.8           |
| Other commitments given                            | 14.5           | 13.8           |
| <b>Total commitments given</b>                     | <b>165.3</b>   | <b>295.6</b>   |
| Undrawn confirmed credit lines                     | 1,497.0        | 1,457.0        |
| Other commitments received                         | 3.6            | 3.6            |
| <b>Total commitments received</b>                  | <b>1,500.6</b> | <b>1,460.6</b> |

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.

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 at 31 December 2016.

## NOTE 15 | EQUITY RISK

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 the "Accounting policies" and its intention to hold these shares over the long term.

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 2016, this exposure led to a net unrealised gain of €4.4 million.

The main features of the two TRS on Mercialys shares are as follows:

|               | 31 December 2016 |                  |                 |                            |
|---------------|------------------|------------------|-----------------|----------------------------|
|               | Maturity         | Number of shares | Reference price | Fair value<br>(€ millions) |
| Mercialys TRS | December 2018    | 1,261,405        | €15.30          | 4.9                        |
| Mercialys TRS | October 2018     | 582,000          | €20.14          | (0.5)                      |

## NOTE 16 | 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)               | 2016    |
|----------------------------|---------|
| <b>Assets</b>              |         |
| Long-term investments, net | 3,246.2 |
| Receivables, net           | 1,342.1 |
| <b>Liabilities</b>         |         |
| Financial liabilities      | 13.3    |
| <b>Income statement</b>    |         |
| Investment income          | 168.5   |
| Other financial income     | 85.8    |
| Financial expenses         | 1.8     |

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 17 | 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

No significant events occurred between the reporting date and 6 March 2017, the date at which the financial statements were approved by the Board of Directors.

PARENT COMPANY FINANCIAL STATEMENTS

## LIST OF 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 | 2016 net revenue | 2016 net income (loss) | Dividends received by the Company during the year |
|--|---------------|--|--------------------|---------------------------------|---------|---|--|------------------|------------------------|---|
|  |               |  |                    | Gross                           | Net     |   |  |                  |                        |   |
| A - Subsidiaries <sup>(1)</sup> (at least 50%-owned) |               |  |                    |                                 |         |   |  |                  |                        |   |
| Cobivia  | 31.8          | 9.0  | 100%               | 124.1                           | 124.1   | 573.1   | 75.0   |                  | 9.2                    |   |
| Groupe GO Sport                                      | 45.0          | 50.2   | 69.78%             | 181.7                           | 71.4    |   | 132.0  | 82.2             | (18.0)                 |   |
| L'Habitation Moderne de Boulogne                     | 99.7          | (45.5)                                       | 100%               | 187.6                           | 187.6   | 441.1   | 63.0   |                  | 0.2                    |   |
| Magasins Jean  | 0.3           | 0.5  | 100%               | 2.2                             | 0.8     |   |  | 5.3              | (0.2)                  |   |
| Matignon Sablons                                     | 10.8          | 1.4  | 100%               | 11.0                            | 11.0    |   |  |                  | 0.8                    | 2.9   |
| Miramont Finance et Distribution                     | 35.7          | (15.4)                                       | 100%               | 307.5                           | 20.3    | 8.3   |  |                  | (2.0)                  |   |
| Parande  | 12.1          | 5.5  | 100%               | 303.8                           | 68.3    | 67.3  |  |                  | 0.8                    |   |
| B - Associates <sup>(1)</sup> (10% to 50%-owned)     |               |  |                    |                                 |         |   |  |                  |                        |   |
| Casino, Guichard-Perrachon                           | 169.8         | 7,658.5                                      | 31.89%             | 2,762.0                         | 2,762.0 |   |  | 160.7            | 405.5                  | 165.6   |
| 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.

## STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

*This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.*

*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed 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, 2016**

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of Rallye;
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

## **I. OPINION ON THE FINANCIAL STATEMENTS**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the note "Accounting policies" to the financial statements under item 1.1 "Intangible assets and property, plant and equipment" which discloses the consequences of the ANC 2015-06 regulation applicable since January 1, 2016 regarding the recording of the merger losses.

## **II. JUSTIFICATION OF ASSESSMENTS**

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

The rules for valuing the long term investments and the marketable securities investments are described in the note "Accounting policies" to the financial statements under items 1.2 "Long-term investments" and 1.4 "Marketable securities". Our audit consisted in assessing the data and assumptions on which these estimates were based, in reviewing the calculations made by your Company and in verifying the information provided in notes 6 and 8 to the financial statements.

These assessments were made as part of our audit of the financial statements taken as a whole and, therefore, contributed to the opinion we formed which is expressed in the first part of this report.

**PARENT COMPANY FINANCIAL STATEMENTS**  
Statutory Auditors' Report on the financial statements

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### III. SPECIFIC VERIFICATION AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, 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 your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

Paris-La Défense, March 15, 2017

The Statutory Auditors

*French original signed by*

**KPMG Audit**

Département de KPMG S.A.

Catherine Chassaing

**ERNST & YOUNG et Autres**

Henri-Pierre Navas

## FIVE-YEAR FINANCIAL SUMMARY

| (in €)  | 2016               | 2015        | 2014         | 2013        | 2012        |
|---|--------------------|-------------|--------------|-------------|-------------|
| <b>1 - Financial position at end of the year</b>  |                    |             |              |             |             |
| Share capital   | <b>146,493,339</b> | 146,335,578 | 146,165,844  | 146,222,922 | 146,074,734 |
| Number of existing ordinary shares  | <b>48,831,113</b>  | 48,778,526  | 48,721,948   | 48,740,974  | 48,691,578  |
| Maximum number of shares to be issued:  |                    |             |              |             |             |
| - on the exercise of stock options  |                    |             | 87,795       | 187,652     | 598,535     |
| - on the allotment of free shares   | <b>337,985</b>     | 260,109     |              |             |             |
| <b>2 - Operations and profit/(loss) for the year</b>  |                    |             |              |             |             |
| Net revenue   | <b>2,710,879</b>   | 1,323,730   | 1,276,070    | 3,027,899   | 1,906,658   |
| Profit before tax, employee profit-sharing and depreciation, amortisation and provisions                    | <b>120,102,986</b> | 70,011,354  | 4,435,851    | 57,592,022  | 211,598,803 |
| Income tax expense  | <b>(2,677,941)</b> | (2,676,569) | (2,658,164)  | (1,493,293) |             |
| Profit/(loss) after tax, employee profit-sharing and depreciation, amortisation and provisions              | <b>105,577,813</b> | 54,975,090  | (49,260,763) | 47,681,147  | 169,931,443 |
| Distributed earnings  | <b>68,363,558</b>  | 89,264,703  | 89,161,165   | 89,195,982  | 89,105,588  |
| <b>3 - Per share data</b>   |                    |             |              |             |             |
| Earnings per share after tax, employee profit-sharing, but before depreciation, amortisation and provisions | <b>2.46</b>        | 1.44        | 0.09         | 1.15        | 4.35        |
| Earnings per share after tax, employee profit-sharing and depreciation, amortisation and provisions         | <b>2.16</b>        | 1.13        | (1.01)       | 0.98        | 3.49        |
| Dividend per share  | <b>1.40</b>        | 1.83        | 1.83         | 1.83        | 1.83        |
| <b>4 - Employee data</b>  |                    |             |              |             |             |
| Average number of employees during the year   | <b>23</b>          | 23          | 23           | 28          | 30          |
| Total payroll   | <b>4,442,149</b>   | 4,024,248   | 3,368,733    | 4,572,809   | 4,994,164   |
| Total benefits  | <b>2,086,616</b>   | 1,799,231   | 2,444,129    | 3,393,957   | 3,233,507   |





## chapter 5

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# ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017

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## STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

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Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2016

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

To the Shareholders,

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 TO BE SUBMITTED FOR THE APPROVAL OF THE SHAREHOLDERS' MEETING

#### Agreements and commitments entered into in 2016

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following agreements and commitments authorised by your Board of Directors.

#### With Euris, the parent of your Company

##### ■ PERSONS CONCERNED

Mr. Jean-Charles Naouri, Chairman of Euris and Mr. Gabriel Naouri, permanent representative of Euris, Director of your Company. Euris indirectly holds more than 10% of your Company's voting rights, and hence is a controlling shareholder pursuant to Article L. 233-3 of the French Commercial Code.

##### Description and purpose

##### **Advisory services agreement**

On 15 October 2003, the Board of Directors authorised your Company to enter into a strategic advisory services agreement with Euris, the Group's parent company, which was approved by the Shareholders' Meeting of 9 June 2004.

As the parent company, Euris is naturally involved in its Group's policy-making and participates in its strategy and development. As such, it is perfectly positioned to advise its subsidiaries regarding their strategic goals and the management and development of their businesses, both in France and abroad, as well as to ensure the necessary consistency of the actions taken within the group.

Under this agreement, Euris provides ongoing consulting and advisory services to your Company, covering business strategy and development, as well as on the optimisation and arrangement of borrowings and, if necessary, on complex legal or financial transactions.

Euris is backed by appropriate resources and structures and its management team, led by the Chairman, is qualified to carry out the assignment based on its seasoned expertise and recognised experience in the various areas in which its advice is requested, and on its extensive knowledge of the Group.

The strategic advisory services are defined and organised under the agreement of 17 October 2003 and its amendments No. 1 and No. 2, dated 16 June 2008 and 28 January 2015, respectively, (together the "Agreement") relating to the revised billing terms and conditions for Euris' strategic advisory services based on the recommendation of the financial study conducted at the end of 2014.

**ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017**  
**Statutory Auditors' special report on related-party agreements and commitments**

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**Terms and conditions**

Euris' strategic advisory services are billed in accordance with the terms and conditions that were amended in 2015 and the strategic assistance costs incurred by Euris are allocated among the Group subsidiaries, by applying the most generally accepted allocation keys.

Under amendment No. 3 entered into on 16 December 2016, following approval by your Company's Board of Directors and renewing amendment No. 2 dated 28 January 2015, the strategic advisory services continue to be billed under the same terms and conditions, as previously. In 2016 the amount invoiced came to €1,990,000, which was recognised as an expense for the year.

**Reasons justifying that the agreement is in the Company's interest**

Your Board of Directors considers that this agreement enables your Company to continue benefiting over the long term from high-level expertise and resources in matters of strategic growth, finance, market environment, legal affairs and taxation under favourable conditions whose economic relevance, overall balance and adaptation to the nature of the subsidiaries' operations have been confirmed by external experts.

## **Agreements and commitments authorised since the end of the financial year**

We have been advised of the following agreements and commitments, authorised since the end of the previous financial year, which were previously authorised by your Board of Directors.

### **With Euris, the parent of your Company**

#### **■ PERSONS CONCERNED**

Mr. Jean-Charles Naouri, Chairman of Euris and Mr. Gabriel Naouri, permanent representative of Euris, Director of your Company. Euris indirectly held more than 10% of your Company's voting rights, and hence is a controlling shareholder pursuant to Article L. 233-3 of the French Commercial Code.

**Description and purpose**

#### **Advisory agreement with Euris**

On 6 March 2017, your Board of Directors authorised the renewal of the strategic advisory and technical assistance agreement entered into with Euris on 17 October 2003 according to the following terms and conditions:

- Term of the agreement extended from one to three years;
- Continuation of the same mechanism for setting and allocating the amount billed by Euris;
- Annual revision of the billed amounts in relation to the increase in Euris' strategic advisory costs (compensation and environmental costs) and of your Company's percentage in the primary key.

Accordingly, on 14 March 2017 your Company signed amendment No. 4 to the agreement of 17 October 2003 with Euris, and this amendment will be submitted to shareholder approval at the Annual Shareholders' Meeting on 10 May 2017.

**Terms and conditions**

Amendment No. 4 signed on 14 March 2017 to the advisory agreement of 17 October 2003 with Euris had no impact on the year ended 31 December 2016.

#### **Reasons justifying that the agreement is in the Company's interest**

Your Board of Directors considers that renewing and extending the term of Euris' strategic advisory services enables your Company to guarantee that it continues to benefiting over the long term from high-level expertise and resources in matters of strategic growth, finance, market environment, legal affairs and taxation, under favourable conditions whose economic relevance, overall balance and adaptation to the nature of the subsidiaries' operations have been confirmed by external experts.

## AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

### Agreements and commitments approved in prior years

In addition, we have been notified that the following agreements and commitments, which were approved by the Annual General Meeting in prior years, were not implemented during the year ended 31 December 2016.

#### 1) GUARANTEES PREVIOUSLY GRANTED, ON BEHALF OF YOUR COMPANY'S SUBSIDIARIES, TO VARIOUS BANKS

##### Description and purpose

| Beneficiaries                       | Subsidiaries concerned | Amount and description of the guarantees | Board of Directors' meeting |
|-------------------------------------|------------------------|--|-----------------------------|
| Crédit Agricole and Investment Bank | Parinvest              | USD 195 million guarantee                | 8 June 2011                 |

##### Terms and conditions

The cost of this guarantee is 0.4% per annum. This guarantee was not enforced during 2016.

#### 2) GUARANTEE OF SCI RUBAN BLEU SAINT-NAZAIRE, AN INDIRECT SUBSIDIARY OF YOUR COMPANY

##### Description and purpose

Your Company granted 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 2016.

#### 3) GUARANTEE BY FONCIÈRE EURIS, PARENT OF YOUR COMPANY

##### Description and purpose

At the Board of Directors' meeting of 9 December 2009 and in connection with the sale of the Alexa shopping centre in Berlin to the German real estate fund Union Investment, your Company guaranteed the seller's commitments under the sale agreement to the extent of its share ownership (27%). In particular, your Company granted a ten-year property title guarantee in respect of the shopping centre and the company sold, capped at the initial price less the assumed debt (approximately €100 million), for a 10 year period.

##### Terms and conditions

This guarantee was not enforced during 2016.

#### 4) "ALEXA" COUNTER-GUARANTEE BY FONCIÈRE EURIS, PARENT OF YOUR COMPANY

##### Description 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 granted a counter-guarantee in the amount of its share ownership 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.

Paris-La Défense, 10 April 2017

The Statutory Auditors

*French original signed by*

##### KPMG Audit

Département de KPMG S.A.

Catherine Chassaing

Partner

##### ERNST & YOUNG et Autres

Henri-Pierre Navas

Partner

## SPECIAL REPORT ON THE COMPONENTS OF COMPENSATION DUE OR AWARDED TO THE EXECUTIVE CORPORATE OFFICERS FOR THE YEAR ENDED 31 DECEMBER 2016

In accordance with the recommendations of the Afep-Medef Corporate Governance Code, this Shareholders' Meeting was asked, pursuant to the eighteenth, nineteenth and twentieth resolutions to issue an advisory opinion on the components of compensation due or awarded for 2016 to Jean-Charles Naouri, Chairman of the Board of Directors, Didier Carlier, General Manager, and Franck Hattab, Deputy General Manager, Chief Financial Officer and employee, as presented and commented on in the table below.

These components of compensation are also provided in the Corporate Governance section in the Chairman's Report included in the 2016 Registration Document.

In connection with this resolution, the compensation and directors' fees paid to Jean-Charles Naouri in his capacity as Chairman and General Manager of Casino, Guichard-Perrachon are to be submitted to the Company's shareholders for an advisory opinion at the Shareholders' Meeting of 10 May 2017.

### I – JEAN-CHARLES NAOURI, CHAIRMAN OF THE BOARD OF DIRECTORS

| Components of compensation   | Amount due or awarded for 2016 | Details   |
|------------------------------|--------------------------------|---|
| Fixed compensation           | N/A                            | None  |
| Annual variable compensation | N/A                            | None  |
| Benefits in kind             | N/A                            | None  |
| Directors' fees              | €10,000                        | The individual basic directors' fee is set at €20,000, including a fixed amount of €4,000 and a variable amount of €16,000. The variable portion attributable to absent Directors is not reallocated and is halved for Group Directors, senior executives and managers. |

**Other components of compensation covered by the Afep-Medef Corporate Governance Code concerning the Chairman of the Board of Directors of Rallye: none**

Therefore, no deferred annual variable compensation, multi-annual variable compensation or exceptional bonus plan was set up for the Chairman of the Board of Directors.

The Chairman of the Board of Directors is not and has not been a beneficiary of any stock option or performance share plan, or any other form of long-term compensation.

Furthermore, the Chairman of the Board is not a beneficiary of any supplementary retirement plan, severance package or compensation under a non-compete clause.

## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017

Special report on the components of compensation due or awarded  
to the Executive Corporate Officers for the year ended 31 December 2016

### II – DIDIER CARLIER, GENERAL MANAGER

| Components of compensation   | Amount due or awarded for 2016 | Details  |
|--|--------------------------------|--|
| Fixed compensation   | €535,500                       | (Increase of 5% from 2015).  |
| Annual variable compensation   | €279,000                       | His variable compensation is based on the achievement of Group quantitative targets (20%), individual qualitative objectives (50%), and on overall managerial attitudes and behaviour (30%). It can represent at most €200,000 in the event that all targets and objectives are achieved, and up to €400,000 in the event that they are exceeded. The Group quantitative targets have been established in advance and precisely defined and are assessed in accordance with criteria corresponding to the Rallye Group's key business indicators: cost of debt and the ratio of consolidated EBITDA to financial expenses. Figures are not published for confidentiality reasons.<br>2016 variable compensation amounted to €279,000 and therefore attained 139.5% of the target amount, representing 52% of the fixed compensation. |
| Stock options, performance shares or any other long-term component of compensation | No amount, due or paid         | Didier Carlier is not a beneficiary of any stock option or performance share plans.<br>Didier Carlier was awarded a deferred and conditional bonus in the target amount of €208,000 which will be paid to him at the end of a period expiring on 15 December 2018, subject to performance and continuous service conditions. The selected criteria are in line with the Company's business and the target amounts correspond to the objectives set.  |
| Directors' fees  | €12,500                        | Paid by Casino: the individual basic directors' fee is set at €25,000, including a fixed amount of €8,500 and a variable amount of €16,500. The variable portion attributable to absent Directors is not reallocated and is halved for Directors representing the majority shareholder.  |
| Supplementary retirement plan  |                                | 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.  |

**Other components of compensation covered by the Afep-Medef Corporate Governance Code concerning the General Manager of Rallye: none**

Therefore, no multi-annual variable compensation or exceptional bonus plan was set up for the General Manager other than that mentioned above. The General Manager is not a beneficiary of any stock option or performance share plans.  
Furthermore, the General Manager is not a beneficiary of any supplementary retirement plan, severance package or compensation under a non-compete clause.

**ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017**

Special report on the components of compensation due or awarded  
to the Executive Corporate Officers for the year ended 31 December 2016

### III – FRANCK HATTAB, DEPUTY GENERAL MANAGER AND CHIEF FINANCIAL OFFICER, EMPLOYEE

| Components of compensation   | Amount due or awarded for 2016 | Details   |
|--|--------------------------------|---|
| Fixed compensation   | €350,000                       | <p>Franck Hattab has been a corporate officer and senior executive since 28 February 2013. In this capacity he receives fixed compensation of €12,500.</p> <p>For his salaried position as Chief Financial Officer, he receives compensation of €337,500 (overall increase of 12.2% compared with 2015).</p>  |
| Annual variable compensation   | €174,750                       | <p>His variable compensation is based on the achievement of Group quantitative targets (20%), individual qualitative objectives (55%), and on overall managerial attitudes and behaviour (25%). It can represent at most €100,000 in the event that all targets and objectives are achieved, and up to €200,000 in the event that they are exceeded. The Group quantitative targets have been established in advance and precisely defined and are assessed in accordance with criteria corresponding to the Rallye Group's key business indicators: cost of debt and the ratio of consolidated EBITDA to financial expenses. Figures are not published for confidentiality reasons.</p> <p>2016 variable compensation amounted to €174,750 and therefore attained 174.8% of the target amount, representing 50% of the fixed compensation.</p> |
| Stock options, performance shares or any other long-term component of compensation | No amount, due or paid         | <p>Franck Hattab is not a beneficiary of any stock option or performance share plans.</p> <p>Franck Hattab was awarded a deferred and conditional bonus in the target amount of €208,000 which will be paid to him at the end of a period expiring on 28 July 2018, subject to performance and continuous service conditions.</p> <p>The selected criteria are in line with the Company's business and the target amounts correspond to the objectives set.</p>   |
| Supplementary retirement plan  |                                | <p>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.</p>   |

**Other components of compensation covered by the Afep-Medef Corporate Governance Code concerning the Deputy General Manager of Rallye: none**

Therefore, no multi-annual variable compensation or exceptional bonus plan was set up for the Deputy General Manager other than that mentioned above.

The Deputy General Manager is not a beneficiary of any stock option or performance share plans.

Furthermore, the Deputy General Manager is not a beneficiary of any supplementary retirement plan, severance package or compensation under a non-compete clause.

## BOARD OF DIRECTORS' REPORT ON THE COMPONENTS OF COMPENSATION OF THE EXECUTIVE CORPORATE OFFICERS FOR 2017

*(Resolutions 22 to 24 of the Ordinary Shareholders' Meeting of 10 May 2017).*

These resolutions are proposed pursuant to the terms of Article L. 225-37-2 of the French Commercial Code, introduced by the French Law of 9 December 2016 relative to transparency, anti-corruption, and the modernisation of economic life ("Loi Sapin 2").

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 for 2017 for which the Company's executive corporate officers are eligible in connection with their terms of office must be approved by shareholders at the Shareholders' Meeting of 10 May 2017. The Chairman of the Board of Directors does not receive any compensation from the Company aside from directors' fees.

### 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.

In light of the above, the Board of Directors at its meetings on 6 March 2017 and 3 April 2017 approved on the basis of the recommendations of the Appointments and Compensation Committee and taking into account the changes made to Executive Management on 3 April 2017, the components for determining the 2017 compensation package for the Company's executive corporate officers as follows:

### I - COMPONENTS OF COMPENSATION OF DIDIER CARLIER AND FRANCK HATTAB, FOR THEIR RESPECTIVE APPOINTMENTS AS GENERAL MANAGER AND DEPUTY GENERAL MANAGER/CHIEF FINANCIAL OFFICER UNTIL 3 APRIL 2017

- In light of the changes made to Executive Management on 3 April 2017, the Board of Directors decided that the 2017 compensation of Didier Carlier and Franck Hattab, with respect to their former appointments as General Manager and Deputy General Manager/Chief Financial Officer, would only include a fixed portion calculated on a pro rata basis (from 1 January to 3 April 2017), based on a gross annual amount, respectively, of (i) €535,000 (unchanged from 2016) and (ii) €367,500 (increase of 5% compared with 2016).

### II - COMPONENTS OF COMPENSATION OF FRANCK HATTAB AS THE NEWLY- APPOINTED GENERAL MANAGER

Referring to the analyses and recommendations of an independent specialist firm and to market practices observed in similar cases, the Board of Directors approved the structure and components for determining the new General Manager's compensation package effective as from 4 April 2017 as follows:

#### Fixed compensation

As from 4 April 2017, the fixed compensation totals a gross annual amount of €420,000.



**ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017**  
Board of Directors' report on the components of compensation of the Executive Corporate Officers for 2017

## 2017 annual variable compensation

According to observed practices and recommendations, the 2017 variable compensation is set at a target amount of €240,000, accounting for 57% of the fixed compensation, and is attained when the objectives are fully met. In the event the objectives are exceeded, it can represent up to €336,000, or 80% of the fixed compensation.

Outperformance can only be achieved on quantitative components. It is capped at 200%.

2017 annual variable compensation is contingent on attaining the following objectives:

- Two demanding financial objectives corresponding to the Rallye Group's strategic priorities and key business indicators for *cost of debt and the ratio of consolidated EBITDA to financial expenses*, representing 40% of the target amount, i.e., €96,000, and up to 80% in the event objectives are exceeded, i.e., €192,000, representing 57% of the maximum amount.

- Individual qualitative objectives and managerial attitudes and behaviour, each accounting for 30% of the target amount, i.e., €144,000, representing 43% of the maximum amount.
- 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 variable compensation is calculated on a linear basis between the minimum and maximum thresholds.
- As such, the allocation of the chosen criteria and their respective weighting in determining the variable compensation component are as follows:

| Target amount: €240 thousand              | Variable component target | Variable component maximum |
|---|---------------------------|----------------------------|
| <b>Quantitative objectives</b>            |                           |                            |
| 1/ Reduction in the cost of debt          |                           |                            |
| % of the target amount                    | 20%                       | 40%                        |
| Variable component paid                   | €48 thousand              | €96 thousand               |
| 2/ Consolidated EBITDA/financial expenses |                           |                            |
| % of the target amount                    | 20%                       | 40%                        |
| Variable component paid                   | €48 thousand              | €96 thousand               |
| <b>Individual qualitative objectives</b>  |                           |                            |
| % of the target amount                    | 30%                       |                            |
| Variable component paid                   | €72 thousand              |                            |
| <b>Managerial attitudes and behaviour</b> |                           |                            |
| % of the target amount                    | 30%                       |                            |
| Variable component paid                   | €72 thousand              |                            |

## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017

### Board of Directors' report on the components of compensation of the Executive Corporate Officers for 2017

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#### Long-term variable compensation

In order to increase the proportion of the variable component in the General Manager's overall compensation as well as to assess his performance over longer periods, the Board of Directors has awarded him long-term variable compensation, subject to performance and continuous service conditions. In order to determine the performance conditions, the Board of Directors used the analyses and recommendations of a specialist firm.

If the performance conditions are satisfied, the gross target amount is set at €250,000, i.e., 59% of the fixed compensation.

The payment of this long-term variable compensation will be subject to satisfying the following performance conditions, each accounting for 50% of the target amount assessed over a three-financial year period:

- 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 variable compensation 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).

#### Deferred exceptional bonus

As a way to foster loyalty and the long-term commitment given the streamlined Executive Management and increased responsibilities of the new General Manager, the Board of Directors has also decided to award him a deferred exceptional bonus covering a three-year period. 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.

#### ■ Benefits in kind:

- The new General Manager is a member of the specific unemployment insurance plan for Directors and corporate officers (GSC) and remains covered by all of the mandatory group retirement plans (ARRCO and AGIRC), the supplementary retirement plan, the health insurance and death and disability plans.
  - Furthermore, the General Manager is not covered by any defined-benefit supplementary retirement plan and would not be entitled to any severance package or compensation under a non-compete clause.
- A specialist firm reviewed and made recommendations on the above-mentioned components to determine the General Manager's compensation, confirming that it is in line with market practices for comparable cases and recommendations.
  - In accordance with the terms of Article L. 225-37-2 of the French Commercial Code, the payment of the variable component of the compensation due to the General Manager with respect to the 2017 financial year, after determining its amount based on the achievement of the above-defined objectives, is subject to the prior approval of shareholders at the Ordinary Shareholders' Meeting of the Company to be held in 2018. The payment of both the long-term variable compensation and the deferred exceptional bonus is subject to shareholders' approval at the Ordinary Shareholders' Meeting to be held in 2020 and 2021, respectively, corresponding to the year in which the allocation will be final.
  - The General Manager is not a beneficiary of any stock option or performance share plans. He is expressly excluded from the list of beneficiaries under the terms of the resolutions submitted to the Extraordinary Shareholders' Meeting of 10 May 2017.

## BOARD OF DIRECTORS' REPORT TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

To the Shareholders,

We have convened this Extraordinary Shareholders' Meeting to submit for your approval the renewal of the authorisations and delegations of authority granted to the Board of Directors to issue securities, grant free shares and/or stock subscription and/or purchase options to employees and corporate officers of the Company and related companies, as well as the authorisation to increase the share capital and/or sell treasury shares for the benefit of employees, the authorisation to reduce the share capital by cancelling treasury shares and the amendment of the articles of association in line with the applicable legal provisions.

### I – DELEGATIONS OF AUTHORITY TO ISSUE SECURITIES CARRYING RIGHTS TO SHARES

Note that the various delegations of authority and authorisations previously granted by shareholders to the Board of Directors for the purpose of issuing securities carrying rights to shares have expired or are expiring at this year's Meeting. In light of this, and to ensure that the Company still has the resources it requires to raise funds on the financial markets, we ask that you renew all of said delegations of authority and authorisations, under the terms and for the amounts set out below.

The limits to the amounts that may be issued under these authorisations have been set in accordance with the recommendations of proxy advisors.

#### 1. Delegation of authority to be granted to the Board of Directors for the purpose of issuing 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

The Board of Directors would have powers to issue, in one or several transactions and at its sole discretion, shares of the Company or any other securities carrying rights to shares of the Company or to the award of new or existing Company shares 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.

The aggregate par value of the securities that may be issued under this delegation may not exceed sixty-six million euros (€66 million), if they are equity securities, and one billion euros (€1 billion) or the equivalent value in foreign currency or composite monetary units, if they are debt securities. If subscriptions as of right and, where applicable, subscriptions for excess shares do not cover the entire issue, the Board of Directors may offer all or part of the unsubscribed securities to the public.

This delegation would be granted for a period of 26 months as from the date of this Meeting.

#### 2. Delegation of authority to be granted to the Board of Directors for the purpose of issuing 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

The Board of Directors would have full powers to issue, via a public offering, in one or several transactions and at its sole discretion, shares of the Company or any other securities carrying rights to shares of the Company or to the award of 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.

The aggregate par value of the securities that may be issued under this delegation may not exceed fifteen million euros (€15 million), if they are equity securities, and one billion euros (€1 billion), if they are debt securities, or the equivalent value in foreign currency or composite monetary units.

The Board of Directors would have the power to introduce, if considered useful, a priority subscription period allowing shareholders to acquire shares in proportion to existing stock and/or excess shares and to define the exercise methods and conditions thereof, in accordance with the applicable legal and regulatory provisions, on the understanding that any securities left unsubscribed under this right may be offered to the public in France and/or abroad.

The issue price would be at least equal to the weighted average price on Euronext Paris for the last three trading days prior to its being set, less an optional discount of up to 5%.

This delegation would be granted for a period of 26 months as from the date of this Meeting.

## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017

Board of Directors' report to the Extraordinary Shareholders' Meeting

### 3. Delegation of authority to be granted to the Board of Directors for the purpose of issuing 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, via a private placement as described in Article L. 411-2-II of the French Monetary and Financial Code

You are asked to delegate authority to the Board of Directors, for a period of 26 months, to issue securities carrying rights to new or existing shares of the Company or existing shares of any other company in which it holds, directly or indirectly, an equity interest, without pre-emptive subscription rights for existing shareholders, for the benefit of the persons and entities referred to in Article L. 411-2, paragraph II of the French Monetary and Financial Code (*Code monétaire et financier*), within the limit of 20% of the share capital per year, at a subscription price calculated based on the weighted average market price of the share over the three trading days preceding the date on which it is set less, where appropriate, a maximum 5% discount.

The amount of the capital increases carried out pursuant to this delegation would be deducted from the aggregate ceiling for share capital increases.

The persons and entities referred to in paragraph II of Article L. 411-2 of the French Monetary and Financial Code would be determined by the Board of Directors.

The Board of Directors may convert all or part of the discount for the purpose of awarding free new or existing shares, within the applicable legal or regulatory limits.

### 4. Authorisation to be granted to the Board of Directors for the purpose of setting the issue price of issues without pre-emptive subscription rights for existing shareholders, within the limit of 10% of the share capital

The Board of Directors would be authorised, for a period of 26 months and within the limit of 10% of the share capital per year, in connection with any issue of shares or securities carrying rights to the Company's shares, without pre-emptive subscription rights for existing shareholders, in accordance with the following conditions: the issue price would be equal to the weighted average market price of the share over the ten trading days preceding the date on which it is set less, where appropriate, a maximum 5% discount.

### 5. Authorisation to be granted to the Board of Directors for the purpose of increasing the initial amount of issues carried out with or without pre-emptive subscription rights in the event they are oversubscribed

The Board of Directors would have the authority, in the event that an issue carried out with or without pre-emptive subscription rights for existing shareholders is oversubscribed, to issue a higher number of shares or securities than initially set, within the limit of 15% of the initial issue and at the same price as that retained for the initial issue.

### 6. Delegation of authority to be granted to the Board of Directors for the purpose of issuing shares or securities carrying rights to shares in the event of a public offering launched by Rallye for the securities of another publicly traded company, without pre-emptive subscription rights for existing shareholders

The Board of Directors may decide, at its sole discretion, to issue shares or securities carrying rights, by any means, immediately or in the future, to shares of the Company in consideration for the shares or securities tendered in any mixed or alternative public exchange offer launched by the Company for the shares or securities of another company, the shares of which are admitted to trading on one of the regulated markets described in Article L. 225-148 of the French Commercial Code (*Code de commerce*).

The aggregate par value of the securities that may be issued under this delegation may not exceed fifteen million euros (€15 million), if they are equity securities, and one billion euros (€1 billion) or the equivalent value in foreign currency or composite monetary units, if they are debt securities.

The Shareholders' Meeting also authorises the Board of Directors, in order to allow securities holders to exercise their right to new Company shares, to increase the share capital by a maximum par value of fifteen million euros (€15 million).

This delegation would be granted for a period of 26 months as from the date of this Meeting.

### 7. Delegation of authority to be granted to the Board of Directors for the purpose of increasing the share capital by capitalising reserves, profits, premiums or any other sums eligible for capitalisation

You are asked to delegate authority to the Board of Directors to increase the share capital by capitalising reserves, profits, premiums or any other sums for which capitalisation is authorised, by raising the par value of existing shares or by issuing and awarding free shares, or a combination of these methods.

The aggregate par value of the shares issued pursuant to this resolution may not exceed sixty-six million euros (€66 million).

The Board of Directors would have full powers, with the ability to sub-delegate under the conditions set forth by law, for the purpose of increasing the share capital pursuant to this resolution.

This delegation would be granted for a period of 26 months as from the date of this Meeting.

## **8. Delegation of powers to be granted to the Board of Directors, within the limit of 10% of the Company's share capital, to issue shares or securities carrying rights to shares for the purpose of compensating contributions in kind granted to the Company and comprising shares or securities carrying rights to shares**

The Shareholders' Meeting is asked to delegate full powers to the Board of Directors, for a period of 26 months, to issue shares or securities carrying rights to shares, within the limit of 10% of the Company's share capital, as consideration for contributions in kind of shares or securities carrying rights to shares, in accordance with Article L. 225-147 of the French Commercial Code.

The Statutory Auditors will present to you their special report relating to this delegation of powers.

The aggregate par value of the shares that may be issued, immediately and/or in the future, pursuant to these resolutions, may not exceed sixty-six million euros (€66 million). The par value of the shares issued, immediately and/or in the future, without pre-emptive subscription rights for existing shareholders, may not exceed fifteen million euros (€15 million), without taking account of the par value of the additional shares to be issued to safeguard the rights of securities holders, as required by the law.

These aggregate amounts, €66 million and €15 million, respectively, do not include the par value of any shares:

- to be issued upon the exercise of stock options reserved for employees and corporate officers;
- to be issued in the event of a public exchange offer launched by the Company or to be granted to holders of securities carrying rights to shares and issued as part of a public exchange offer launched by the Company;
- to be awarded to employees and corporate officers under free share plans whereby the shares are issued via a capital increase;
- to be paid to shareholders in the form of a scrip dividend.

Furthermore, the Shareholders' Meeting is asked to expressly resolve that the Board of Directors may not, unless previously authorised by the Shareholders' Meeting, use the above delegations and authorisations as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

## **II – AUTHORISATION TO GRANT STOCK OPTIONS FOR NEW OR EXISTING SHARES**

The Extraordinary Shareholders' Meeting held on 19 May 2015 authorised the Board of Directors to grant stock options for new or existing shares.

The renewal of the authorisation would enable the Company to continue incentivising the Group's managers and other employees while giving them a stake in its performance.

Therefore, the Shareholders' Meeting is asked to renew, for a period of 38 months, the authorisation granted to the Board of Directors to grant stock options for new or existing shares to employees of the Company and employees and corporate officers of related companies, with the exception of the Company's executive corporate officers who are not entitled to receive stock options for new or existing shares.

The total number of stock options granted may not exceed 1% of the number of shares representing the share capital at the time of grant, not taking into account any options already granted under a previous resolution.

The stock options would have to be exercised within seven years of the grant date.

The stock purchase or subscription price would be set by the Board of Directors, it being specified that said price may not be lower than the average of the market prices of the share over the 20 trading days preceding the day on which the options would be granted. Concerning stock options for existing shares, the price may not be lower than the average purchase price of the shares held by the Company.

The Statutory Auditors will present to you their special report relating to these authorisations.

## **III – AUTHORISATION TO AWARD FREE SHARES**

Shareholders are asked to renew the authorisation granted by the Extraordinary Shareholders' Meeting of 18 May 2016 to award free shares.

The Board of Directors would be authorised, for a period of 38 months, to award free new or existing shares of the Company to employees of the Company and of related companies, it being specified that the Company's executive corporate officers would not be entitled to receive free share awards.

The total number of shares awarded may not exceed 1% of the share capital.

The minimum duration of the vesting period, subsequent to which title to the shares would be transferred to the beneficiaries, and the minimum duration of the lock-up period, would be determined by the Board of Directors.

The Board of Directors would have full powers to determine the beneficiaries or the category or categories of beneficiaries of the free share awards.

The Statutory Auditors will present to you their special report relating to this authorisation.

## **IV – AUTHORISATION TO INCREASE THE SHARE CAPITAL AND/OR SELL TREASURY SHARES FOR THE BENEFIT OF EMPLOYEES**

In accordance with the provisions of Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code, we ask that you authorise the Board of Directors, for a period of 26 months, to increase the share capital by issuing ordinary shares of the Company for the benefit of the Group's employees under the conditions set forth in Articles L. 3332-18 *et seq.* of the French Labour Code (*Code du travail*).

## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017

### Board of Directors' report to the Extraordinary Shareholders' Meeting

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The subscription price of the shares may not be higher than the average of the opening market prices of the share over the 20 trading days preceding the date of the Board of Directors' decision, or more than 20% lower than this average.

Under this authorisation, the Board of Directors may sell Company shares acquired in accordance with the provisions of Article L. 225-209 of the French Commercial Code.

The total number of shares that may be issued under this authorisation may not exceed 1% of the total number of shares representing the Company's capital at the date of issue or sale.

The Shareholders' Meeting is asked to cancel the pre-emptive subscription rights of existing shareholders in favour of the Group's employees.

The Statutory Auditors will present to you their special report relating to this authorisation.

## V – AUTHORISATION TO REDUCE THE SHARE CAPITAL BY CANCELLING TREASURY SHARES

We ask you to authorise the Board of Directors, for a period of 26 months, to reduce the share capital by cancelling shares bought back by the Company through a buyback programme authorised by the Ordinary Shareholders' Meeting.

In accordance with the provisions of Article L. 225-209 of the French Commercial Code, the total number of shares that may be held in treasury and cancelled under this authorisation may not exceed 10% of the share capital per 24-month period.

You are asked to grant full powers to the Board of Directors to carry out this (these) capital reduction(s).

The Statutory Auditors will present to you their special report relating to this authorisation.

## VI – AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board of Directors recommends amending Article 4 and Paragraph IV of Article 25 of the articles of association to ensure they are consistent with applicable legal provisions.

In application of Article L. 225-36 of the French Commercial Code, as amended by French Law No. 2016-1691 dated 9 December 2016 on transparency, anti-corruption, and the modernisation of economic life, the Board of Directors now has the authority to move the registered office to any location in France and not only within the same county or neighbouring counties (*département(s)*). Therefore, you are asked to approve a simpler wording for the second sub-paragraph of Article 4 of the articles of association, in reference to applicable legal provisions.

In the second sub-paragraph of Paragraph IV of the articles of association, you are asked to replace the reference to Article R. 225-79 of the French Commercial Code with Article 1367 of the French Civil Code (*Code civil*), which states in its second sub-paragraph that, "whenever the Company decides, in accordance with the terms of the articles of association, to allow shareholders to participate in Shareholders' Meetings electronically, the signature of the shareholder or of his or her legal or judicial representative may be considered a reliable mechanism for identifying the shareholder and guaranteeing his or her association with the absentee ballot in question."

## VII – REVIEW OF RALLYE'S PERFORMANCE AND OPERATIONS

The Company's performance during the year ended 31 December 2016 and its operations over that same period are outlined in the management report drawn up by the Board of Directors and presented to you at today's Ordinary Shareholders' Meeting.

The resolutions that are submitted to your approval are based on our recommendations and we kindly ask that you vote in favour of them.

The Board of Directors

## DRAFT RESOLUTIONS

### ORDINARY RESOLUTIONS

Resolutions 1 and 2: Approval of the parent company and consolidated financial statements

#### Presentation

In the 1<sup>st</sup> and 2<sup>nd</sup> resolutions, shareholders are called upon to approve the parent company financial statements, followed by the consolidated financial statements, as at 31 December 2016, 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 2016

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 2016 as presented, showing net income of €105,577,812.95, 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 2016

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 2016 as presented, showing consolidated net income attributable to owners of the parent of €2,054 million.

Resolutions 3 and 4: Allocation of net income and setting of the dividend – Scrip dividend option

#### Presentation

Under the 3<sup>rd</sup> resolution, the Board of Directors asks you to approve a dividend distribution of €1.40 per share.

The shares will go ex-dividend on 7 June 2017 and the dividend will be paid on 9 June 2017.

By virtue of the 4<sup>th</sup> 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 18 May 2017 to 31 May 2017.

#### 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 2016 as follows:

|                                 |     |                 |
|---------------------------------|-----|-----------------|
| Net income for the year         |     | €105,577,812.95 |
| Allocation to the legal reserve | (-) | €15,776.10      |
| Distributable net income        | (=) | €105,562,036.85 |
| Dividend distribution           | (-) | €68,363,558.20  |
| Retained earnings               | (=) | €37,198,478.65  |

The proposed distribution corresponds to a dividend in the net amount of €1.40 per share which will be paid as of 9 June 2017.

Private shareholders resident in France for tax purposes will be entitled to claim 40% tax relief on their dividends, in accordance with Article 158-3, paragraph 2, of the French Tax Code (*Code général des impôts*).

Note that the dividend paid to shareholders was €1.83 for each of the past three years.

Dividends on treasury shares held by the Company on the day the dividend is paid will be transferred to retained earnings.



## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017

### Draft resolutions

## 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 2016 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 opening market prices 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 immediately higher number of shares by paying the difference in cash or the immediately 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 whole number of shares immediately higher than the number to which the shareholder is entitled, may be submitted from 18 May 2017 to 31 May 2017.

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 with Euris

### Presentation

Under the terms of the 5<sup>th</sup> resolution, the Board of Directors asks you to approve amendments No. 3 and No. 4, respectively dated 16 December 2016 and 14 March 2017, modifying the agreement entered into on 17 October 2003, and its amendments No. 1 and No. 2, respectively dated 16 June 2008 and 28 January 2015, setting the terms and conditions of Euris' permanent assignment to act as the Company's strategic advisor.

As the parent company, Euris is naturally involved in its group's policy-making and participates in its strategy and development. As such, it is perfectly positioned to advise its subsidiaries regarding their strategic goals and the management and development of their businesses, both in France and abroad. It also provides advice and assistance on highly sensitive topics in finance, legal affairs, governance, accounting and taxation, communications and human resources, as well as on complex transactions, particularly in the areas of finance and development.

Euris is backed by appropriate resources and structures and its management team, led by the Chairman, is qualified to carry out the assignment based on its seasoned expertise and recognised experience in the various areas in which its advice is requested, and on its extensive knowledge of the Group.

Therefore, Euris can offer high value-added resources and expertise, at any time and on favourable financial terms, for the shared benefit of all subsidiaries which cannot individually assemble all of the necessary expertise.

The strategic assistance costs incurred by Euris (mainly comprising the compensation to be paid to the members of Euris' management team responsible for the assignment and any related environmental costs), are allocated annually among the subsidiaries concerned, in accordance with the terms and conditions that were amended in 2015 following an external financial study. The most generally accepted allocation keys are applied (targeting, 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.

The amendments submitted for approval to the Shareholders' Meeting have the following purposes:

- Amendment No. 3: the renewal of the assignment entrusted to Euris and the continued application in 2016 of the billing terms and conditions in place since 2015 (as authorised by the Board of Directors on 5 December 2014 and approved by the Shareholders' Meeting of 19 May 2015), which resulted in a billable amount of €1.99 million in 2016 (versus €2.06 million in 2015).
- Amendment No. 4: the renewal of the assignment entrusted to Euris, as from 1 January 2017, and the renewal of the same billing terms and conditions, with an increase in the term to three years and the corresponding inclusion of a clause updating the annual amount billed to the Company based on, as since 2015, changes in Euris' strategic costs and the respective amounts assigned through allocation keys.

The renewal and change in duration of Euris' assignment as strategic advisor enable the Company to ensure it continues to permanently benefit from favourable conditions with respect to Euris' resources and expertise.

At its meetings held on 15 December 2016 and 6 March 2017, the Company's Board of Directors unanimously authorised (the Directors concerned did not vote) the signature of amendments No. 3 and No. 4, after reviewing the reports of a financial expert confirming that the cost allocation method used was appropriate, balanced and well-adapted to the nature of the subsidiaries' operations, and after receiving a legal opinion concluding that renewing the agreement and adjusting its term was in line with the Company's best interests.

The Statutory Auditors' special report on related-party agreements and commitments, included in this Registration Document, also covers these amendments.



## Fifth resolution

### ■ RELATED-PARTY AGREEMENT: APPROVAL OF AMENDMENTS TO THE STRATEGIC ADVISORY SERVICES AGREEMENT SIGNED WITH EURIS

The Ordinary Shareholders' Meeting, having reviewed the Statutory Auditors' special report on the agreements described in Article L. 225-38 of the French Commercial Code, hereby approves amendments No. 3 and No. 4, dated respectively 16 December 2016 and 14 March 2017, to the Strategic Advisory Agreement entered into with Euris on 15 October 2003.

## Resolutions 6 to 17: Renewal of the appointments of five Directors – Appointment of an independent Director – Proposal not to fill a directorship left vacant

### Presentation

The Board of Directors currently has nine Directors and two non-voting Directors. Under the terms of the 6<sup>th</sup> to 17<sup>th</sup> resolutions, you are asked, on the recommendation of the Appointments and Compensation Committee, to appoint Anne Yannic as a new independent Director, for a one-year term, and to renew the directorships of Catherine Fulconis, Jean-Charles Naouri, Philippe Charrier, Jacques Dumas, Euris (represented by Gabriel Naouri), Saris (represented by Odile Muracciole) and Foncière Euris (represented by Didier Lévêque) as well as Finatis (represented by Virginie Grin), also for a one-year term (see pages 59 to 72). In the 15<sup>th</sup> resolution, you are asked to vote not to fill the vacancy left by Jean Chodron de Courcel, whose directorship will not be renewed. In the 16<sup>th</sup> and 17<sup>th</sup> resolutions, you are asked to appoint Jean Chodron de Courcel as a non-voting Director to replace Jean-Marie Grisard and to renew the appointment of Christian Paillot as a non-voting Director.

Therefore, if you approve the above resolutions, following the Shareholders' Meeting, the Board will still have nine Directors and will include three independent Directors (33%), four women (40%) and five members representing the controlling shareholder.

## Sixth resolution

### ■ APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby appoints Anne Yannic as Director 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 2017.

## Seventh 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 2017.

## Eighth 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 2017.

## Ninth 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 2017.

## Tenth 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 2017.

## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017

### Draft resolutions

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#### Eleventh 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 2017.

#### Twelfth 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 2017.

#### Thirteenth 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 Gabriel 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 2017.

#### Fourteenth resolution

##### ■ RENEWAL OF THE APPOINTMENT OF A DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Saris, 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 2017.

#### Fifteenth resolution

##### ■ VACANCY ON THE BOARD OF DIRECTORS

The Ordinary Shareholders' Meeting, having reviewed the Board of Directors' report and noting that Jean Chodron de Courcel's appointment as Director expires at the end of this Meeting, resolves not to fill the vacant position.

#### Sixteenth resolution

##### ■ APPOINTMENT OF A NON-VOTING DIRECTOR

The Ordinary Shareholders' Meeting, having reviewed the Board of Directors' report, hereby appoints Jean Chodron de Courcel as a non-voting Director 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 2017, to replace Jean-Marie Grisard whose term as a non-voting Director expires at this Meeting.

#### Seventeenth resolution

##### ■ RENEWAL OF THE APPOINTMENT OF A NON-VOTING DIRECTOR

The Ordinary Shareholders' Meeting hereby renews the appointment as non-voting Director of Christian Paillet 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 2017.

#### Resolution 18: Renewal of the appointment of Ernst & Young et Autres as Statutory Auditor

##### Presentation

On the recommendation of the Audit Committee, the Board of Directors proposes under the 18<sup>th</sup> resolution to renew the appointment of Ernst & Young et Autres as Statutory Auditor for a six-year period. In accordance with Article L. 823-1, sub-paragraph 2, the appointment of Auditex as alternate auditor is not renewed.

#### Eighteenth resolution

##### ■ RENEWAL OF THE APPOINTMENT OF ERNST & YOUNG ET AUTRES AS STATUTORY AUDITOR

The Ordinary Shareholders' Meeting, having noted that the appointment of Ernst & Young et Autres as Statutory Auditor is expiring, hereby resolves to renew its appointment for a six-year period which will expire at the Shareholders' Meeting convened to approved the financial statements for the year ending 31 December 2022.

## Resolutions 19 to 21: Advisory opinion on the components of compensation due or awarded to executive corporate officers

### Presentation

The Afep-Medef Corporate Governance Code, which the Company uses as a reference, recommends that the components of compensation due or awarded to executive corporate officers for a given year be submitted to shareholders for an advisory opinion.

Under the terms of the 19<sup>th</sup> to 21<sup>st</sup> resolutions, you are asked to vote in favour of the components of compensation due or awarded to Jean-Charles Naouri, Chairman of the Board of Directors, Didier Carlier, General Manager, and Franck Hattab, Deputy General Manager, with respect to the year ended 31 December 2016, as detailed and discussed in the table presented on pages 211 to 213, it being specified that these components are also presented in Chapter 2 of the 2016 Registration Document.

### Nineteenth resolution

#### ■ ADVISORY OPINION ON THE COMPONENTS OF COMPENSATION DUE OR AWARDED FOR THE YEAR ENDED 31 DECEMBER 2016 TO JEAN-CHARLES NAOURI, CHAIRMAN OF THE BOARD OF DIRECTORS

The Ordinary Shareholders' Meeting, pursuant to the Afep-Medef Corporate Governance Code and having reviewed the information presented in the Board of Directors' report on page 211, hereby issues a favourable opinion on the components of compensation due or awarded for the year ended 31 December 2016 to Jean-Charles Naouri, Chairman of the Board of Directors.

### Twentieth resolution

#### ■ ADVISORY OPINION ON THE COMPONENTS OF COMPENSATION DUE OR AWARDED FOR THE YEAR ENDED 31 DECEMBER 2016 TO DIDIER CARLIER, GENERAL MANAGER

The Ordinary Shareholders' Meeting, pursuant to the Afep-Medef Corporate Governance Code and having reviewed the information presented in the Board of Directors' report, hereby issues a favourable opinion on the components of compensation due or awarded for the year ended 31 December 2016 to Didier Carlier, General Manager.

### Twenty-first resolution

#### ■ ADVISORY OPINION ON THE COMPONENTS OF COMPENSATION DUE OR AWARDED FOR THE YEAR ENDED 31 DECEMBER 2016 TO FRANCK HATTAB, DEPUTY GENERAL MANAGER

The Ordinary Shareholders' Meeting, pursuant to the Afep-Medef Corporate Governance Code and having reviewed the information presented in the Board of Directors' report, hereby issues a favourable opinion on the components of compensation due or awarded for the year ended 31 December 2016 to Franck Hattab, Deputy General Manager.

## Resolutions 22 to 24: Approval of the principles and criteria for determining, distributing and allocating the components of the compensation of executive corporate officers, in respect of 2017

### Presentation

Pursuant to the terms of Article L. 225-37-2 of the French Commercial Code, introduced by the French Law of 9 December 2016 relative to transparency, anti-corruption, and the modernisation of economic life ("Loi Sapin 2"), the principles and criteria for determining, distributing, and allocating the fixed, variable, and exceptional components comprising the aggregate compensation and benefits in kind for which the executive corporate officers are eligible in connection with their terms of office, must be subject, at least once per year, to the approval of the Shareholders' Meeting.

Under the terms of the 22<sup>nd</sup> to 24<sup>th</sup> resolutions, you are asked to approve the principles and components of the compensation of the executive corporate officers, as determined by the Board of Directors on 6 March 2017 and 3 April 2017 on the recommendation of the Appointments and Compensation Committee, as presented on page 214, it being specified that all of these components are also presented in Chapter 2 of the 2016 Registration Document. Note that the Chairman of the Board of Directors does not receive any compensation from the Company aside from directors' fees in an amount of €10,000 in respect of his position as Director.

### Twenty-second resolution

#### ■ APPROVAL OF THE PRINCIPLES AND CRITERIA FOR DETERMINING, DISTRIBUTING, AND ALLOCATING THE COMPONENTS OF THE 2017 COMPENSATION OF DIDIER CARLIER, GENERAL MANAGER UNTIL 3 APRIL 2017

The Ordinary Shareholders' Meeting, in accordance with Article L. 225-37-2 of the French Commercial Code, approves the fixed compensation payable to Didier Carlier in respect of his position as General Manager until 3 April 2017, as presented in the report appended to the report referenced in Articles L. 225-100 and L. 225-102 of the French Commercial Code.

## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017

### Draft resolutions

#### Twenty-third resolution

##### ■ APPROVAL OF THE PRINCIPLES AND CRITERIA FOR DETERMINING, DISTRIBUTING, AND ALLOCATING THE COMPONENTS OF THE COMPENSATION OF THE DEPUTY GENERAL MANAGER UNTIL 3 APRIL 2017

Pursuant to the terms of Article L. 225-37-2 of the French Commercial Code, the Ordinary Shareholders' Meeting approves the principles and criteria for determining, distributing, and allocating the fixed, variable, and exceptional components comprising the aggregate compensation and benefits in kind for which the Deputy General Manager is eligible in connection with his term of office, as detailed in the report appended to the report referenced in Articles L. 225-100 and L. 225-102 of the French Commercial Code and presented in the Registration Document.

#### Twenty-fourth resolution

##### ■ APPROVAL OF THE PRINCIPLES AND CRITERIA FOR DETERMINING, DISTRIBUTING, AND ALLOCATING THE COMPONENTS OF THE COMPENSATION OF THE GENERAL MANAGER AS FROM 4 APRIL 2017

Pursuant to the terms of Article L. 225-37-2 of the French Commercial Code, the Ordinary Shareholders' Meeting approves the principles and criteria for determining, distributing, and allocating the fixed, variable, and exceptional components comprising the aggregate compensation and benefits of all kinds for which the General Manager is eligible as from 4 April 2017 in connection with his term of office, as detailed in the report appended to the report referenced in Articles L. 225-100 and L. 225-102 of the French Commercial Code.

#### Resolution 25: Share buyback programme

##### Presentation

The 25<sup>th</sup> 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 31 January 2017, the maximum theoretical amount that the Company could invest in purchasing its own shares would be €366.2 million, corresponding to 4,883,111 shares.

Under the authorisation given at the Annual Shareholders' Meeting of 18 May 2016 and based on figures at end-January 2017, the Company cancelled 12,000 shares. Furthermore, under the liquidity agreement, 1,804,392 shares were bought back and 2,713,249 shares were sold.

At 31 January 2017, the Company did not hold any shares under the liquidity agreement.

The goals of the share buyback programme are described below in the 25<sup>th</sup> resolution as well as in the description of the programme provided in Chapter 1 of the 2016 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 offer.

#### Twenty-fifth 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:

- cover stock options granted for new or existing shares to employees and to the employees of related companies pursuant to Articles L. 225-177 *et seq.* of the French Commercial Code, as well as any Company savings plans (PEE) or shareholding plans;
- award free shares to employees and the employees of related companies pursuant to Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- promote market liquidity for the Company's shares under the terms of a liquidity agreement signed with an investment services provider, in accordance with a code of conduct issued by the AMAFI and approved by the AMF;
- deliver the shares upon exercise of rights attached to securities issued by the Company carrying rights to shares of the Company through redemption, conversion, exchange or presentation of warrants or any other means of awarding existing Company shares;
- keep them for subsequent delivery in payment or exchange in possible merger and acquisition transactions;
- cancel them up to a maximum number not to exceed 10% of the share capital over a period of 24 months, as part of a capital reduction plan;
- to implement any market practice that may be authorised by the AMF in the future and, generally, to carry out any transaction in compliance 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 31 December 2016, i.e., 4,883,111 shares corresponding to a theoretical maximum investment of €366,233,347 calculated based on the maximum purchase price of €75, it being specified that, when the Company's 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, less 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 at any time, on the market or off-market, at privately negotiated prices, including through block trade transactions or the use of derivatives such as call options. The maximum share of capital that may be transferred in the form of block trades of shares may be as high as the entire amount of the buyback programme.

The shares may also be placed on loan, pursuant to the provisions of 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 2017 financial statements and management report, and no later than 10 November 2018.

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;
- 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 26 to 28: Capital increase with and without pre-emptive subscription rights for existing shareholders

#### Presentation

The Ordinary and Extraordinary Shareholders' Meeting of 19 May 2015 delegated its authority to the Board of Directors, for a period of 26 months, for the purpose of issuing shares or securities carrying rights to shares of the Company or of any company in which it holds a direct or indirect equity interest, with pre-emptive subscription rights (Resolution 26) and without pre-emptive subscription rights via a public offering (Resolution 27) and via a private placement (Resolution 28).

The Board of Directors did not use these delegations and you are being asked to renew them.

Under the 26<sup>th</sup> resolution, you are being asked to delegate the necessary authority to the Board of Directors for a new 26-month period for the purpose of deciding on the issue, with pre-emptive subscription rights for existing shares, of shares or securities carrying immediate and/or future rights to the share capital of the Company or of any company in which it directly or indirectly holds an equity interest, it being specified that the par value of the securities that could potentially be issued by virtue of this delegation cannot exceed:

- €66 million (45% of the share capital as of 31 December 2016), if they are securities representing a portion of the share capital (the same amount as in 2015); and
- €1 billion, if they are debt securities (the same amount as in 2015).

Each of these amounts would constitute an aggregate ceiling by virtue of the 34<sup>th</sup> resolution, which limits the aggregate par value of the issues of capital securities, with or without pre-emptive subscription rights, or of debt securities that can potentially be carried out by virtue of the 26<sup>th</sup> to 33<sup>rd</sup> resolutions, to €66 million and €1 billion, respectively.

## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 10 MAY 2017

### Draft resolutions

Under the terms of the 27<sup>th</sup> and 28<sup>th</sup> resolutions, you are being asked to delegate the necessary authority to the Board of Directors for a new 26-month period for the purpose of issuing shares or securities, without pre-emptive subscription rights for existing shareholders, either via a public offer with the option of granting a priority subscription period to shareholders (Resolution 27) or via a private placement as referred to in Article L. 411-2-II of the French Monetary and Financial Code (Resolution 28), it being specified that the par value of the securities that could potentially be issued by virtue of these delegations may not exceed:

- €15 million (10% of the share capital as of 31 December 2016), if they are securities representing a portion of the share capital (the same amount as in 2015), it being specified that this amount, by virtue of the 34<sup>th</sup> resolution, is an aggregate sub-ceiling for capital increases without pre-emptive subscription rights (excluding issues for the benefit of members of a Company savings plan); and
- €1 billion, if they are debt securities (aggregate ceiling set according to the 33<sup>rd</sup> resolution).

You are being asked to suspend these delegations in the event of a public offering, unless previously approved by the Shareholders' Meeting.

The ability to issue financial instruments without pre-emptive subscription rights would enable the Board to benefit more quickly from market opportunities based on changes in the financial markets and on the Group's strategy. As such, the French Monetary and Financial Code offers companies the possibility of carrying out capital increases in the context of private placements with qualified investors or a restricted group of investors, provided said investors are acting on their own behalf.

For issues carried out without pre-emptive subscription rights, the issue price of the securities will be set such that the Company receives, for each share issued by the Company, an amount equal to no less than the minimum authorised under applicable regulations as of the issue date or an amount equal to the weighted average of the prices of the share on Euronext Paris over the last three trading days preceding the date on which it was set less, where appropriate, a maximum 5% discount.

For issues carried out with pre-emptive subscription rights under the terms of the 26<sup>th</sup> resolution, the sum paid or to be paid to the Company for each of the Company shares that could be issued must be at least equal to the par value of the share.

The issue price of all securities carrying rights to shares would be determined based on market practices and conditions.

The rights attached to the securities that may be issued under the terms of this resolution could be exercised on set dates, at any time, or during one or several set periods determined by the Board, beginning no earlier than on the issue date of the primary security and ending in the event of redemption, conversion, or exchange of a debt security no later than three months after it has reached maturity or, in other cases, no later than seven years after the issue of the security carrying rights thereto.

## Twenty-sixth resolution

### ■ DELEGATION OF AUTHORITY GRANTED TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF ISSUING 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

The Extraordinary Shareholders' Meeting, having reviewed the reports of the Board of Directors and of the Statutory Auditors and having noted that the share capital has been fully paid up, in accordance with Articles L. 225-127, L. 225-129, L. 225-129-2, L. 228-91, L. 228-92, L. 228-93, L. 228-94 *et seq.* of the French Commercial Code,

- delegates its authority to the Board of Directors, with the ability to sub-delegate to the General Manager or, in agreement with the latter, to one or several Deputy General Managers, to issue, in one or several transactions and at its sole discretion, in the amounts and at the times that it shall determine, both in France and abroad, shares or any other securities carrying rights to shares of the Company, by any means, immediately and/or in the future, with pre-emptive rights for existing shareholders, by granting, at the Company's discretion, new and/or existing shares of the Company or existing shares of another company in which it directly or indirectly holds an equity interest. The subscription may be carried out either in cash or by offsetting liabilities;
- resolves that the securities thus issued and 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, may be debt securities or be associated with the issue of debt securities, or allow said debt securities to be issued as interim securities. They may, in particular, take the form of subordinated or unsubordinated fixed term or undated debt securities, and be denominated in euros or an equivalent value in foreign currency or composite monetary units.

The Company's share warrants may be issued through a subscription offering, but also by free allocation to the owners of old shares, on the understanding that the Board of Directors will have the right to decide that rights to fractional shares will not be negotiable and that the corresponding securities will be sold.

The total par value of the securities that may be issued under this delegation may not exceed sixty-six million euros (€66 million), if they are equity securities, and one billion euros (€1 billion) or the equivalent value in foreign currency or composite monetary units, if they are debt securities.

In order to allow securities holders to exercise their rights to the Company's new shares, the Shareholders' Meeting also authorises the Board of Directors to increase the share capital for a maximum par value of sixty-six million euros (€66 million) in addition to, if necessary, the par value of any additional shares that may be issued to protect the rights of the holders of the securities carrying rights to the Company's shares, in accordance with the law.

In accordance with the law, the Board of Directors may introduce, if deemed necessary, a subscription right for excess shares in the event of a share or securities issue. This right would allow any excess shares or securities, after subscriptions as of right, to be allocated to shareholders who subscribed for a larger number of shares than the number they were entitled to as of right, in proportion to the subscription rights that they hold, and in any event, within the limit of their requests.

If subscriptions as of right, and subscriptions for excess shares do not absorb the entire issue, the Board may limit the issue to the amount of the subscriptions received, on the condition that this amount represents at least three quarters of the initially decided issue amount.

Furthermore, the Shareholders' Meeting authorises the Board of Directors, if subscriptions as of right, and if any, for excess shares, have not absorbed the entire shares or securities issue, to freely distribute all or part of the unsubscribed shares or securities and/or offer to the public all or part of the unsubscribed shares or securities.

This delegation automatically implies, for the benefit of holders of securities that could be issued on the basis of this delegation, the waiver by shareholders of their pre-emptive rights to subscribe for the new shares to which the securities may entitle them.

This delegation, granted for a period of 26 months as from the date of this Meeting, supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

The Board of Directors may not, unless previously authorised by the Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

Within the limits fixed by the Shareholders' Meeting and pursuant to the law, the Board of Directors has full powers to decide on one or several issues, to set the conditions, type and characteristics thereof, such as the issue price with or without a premium for the shares and other securities to be issued, and the date, even retroactive, from which the new shares will carry dividend rights, determine the payment method for the shares or securities carrying rights to shares of the Company to be issued immediately or in the future, to recognise the completion of the ensuing capital increases, to charge the issue costs to the premium, to amend the articles of association and to apply for the admission, if necessary, to trading on a regulated market for shares and other securities thus issued.

The Board of Directors may, in particular:

- set, in the event of the immediate issue of debt securities, the amount, duration, issue currency, subordination status, the fixed, variable, zero coupon, indexed or other interest rate and its payment date, the interest capitalisation conditions, the terms and conditions and fixed or variable redemption price, with or without a premium, the terms and conditions of redemption relative to market conditions, as well as the conditions under which they will carry rights to the shares of the Company and other terms and conditions of the issue (including whether to grant them guarantees or sureties);
- amend, during the life of the securities concerned, the terms and conditions of the securities issued or to be issued, in compliance with the applicable formalities;
- take any and all measures to protect the holders of rights and securities carrying future rights to new shares of the Company, and do so in accordance with legal and regulatory provisions and, where applicable, the contractual stipulations providing for other cases of adjustment;
- if necessary, suspend the exercise of the rights attached to these securities for a set period in accordance with legal and regulatory provisions;
- enter into any and all agreements, with any and all credit institutions, take any and all measures and carry out any and all formalities to ensure the completion and successful conclusion of any issue carried out using the powers conferred in this delegation;
- deduct, as applicable, the capital increase costs from the amount of the premiums associated with each of these increases and, if considered appropriate, also withdraw the sums required to raise the legal reserve to one-tenth of the new capital after each issue.

## Twenty-seventh resolution

### **■ DELEGATION OF AUTHORITY GRANTED TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF ISSUING 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, VIA A PUBLIC OFFERING**

The Extraordinary Shareholders' Meeting, having reviewed the reports of the Board of Directors and of the Statutory Auditors and having noted that share capital has been fully paid up, in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136 and L. 228-91 *et seq.* of the French Commercial Code,

- delegates its authority to the Board of Directors, with the ability to sub-delegate to the General Manager or, in agreement with the latter, to one or several Deputy General Managers, to issue shares or any other securities carrying rights immediately and/or in the future to shares of the Company, through a public offering, in one or several transactions and at its sole discretion, in the proportions and at the times that it shall determine, both in France and abroad, by granting, at the Company's discretion, new shares and/or existing shares of the Company or existing shares of another company in which it directly or indirectly holds an equity interest. The subscription may be carried out either in cash or by offsetting liabilities;
- resolves that the securities thus issued and 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, may be debt securities or be associated with the issue of debt securities, or allow said debt securities to be issued as interim securities. They may, in particular, take the form of subordinated or unsubordinated fixed term or undated debt securities and be denominated in euros or an equivalent value in foreign currency or composite monetary units.



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The total par value of the securities that may be issued under this delegation may not exceed fifteen million euros (€15 million), if they are equity securities, and one billion euros (€1 billion) or the equivalent value in foreign currency or composite monetary units, if they are debt securities.

The Shareholders' Meeting also authorises the Board of Directors, in order to allow securities holders to exercise their right to the Company's new shares, to increase the share capital by a maximum par value of fifteen million euros (€15 million).

The Shareholders' Meeting resolves to waive the pre-emptive rights of existing shareholders to subscribe for shares and securities carrying rights to the shares to be issued. However, the Shareholders' Meeting delegates the necessary powers to the Board of Directors to introduce, if considered useful for all or part of an issue, a priority subscription period for shareholders to acquire shares in proportion to existing stock and/or for excess shares and to determine the exercise terms and conditions thereof, in accordance with the applicable legal and regulatory provisions, on the understanding that the securities left unsubscribed under this right may be offered through a public placement outside France and on the international market.

In the event of a public exchange offer initiated by the Company on its own shares, the Shareholders' Meeting delegates to the Board of Directors the necessary powers to tender the securities described under Article L. 228-91 of the French Commercial Code and issued in connection with this authorisation.

This delegation automatically implies, for the benefit of holders of securities that could be issued on the basis of this delegation, the waiver by shareholders of their pre-emptive rights to subscribe for the new shares to which the securities may entitle them.

The issue price of the shares to be set by the Board of Directors will be at least equal to the minimum provided by regulations in force on the issue date, which is currently equal to the weighted average of the market prices of the share on Euronext Paris over the last three trading days preceding the day on which the price is set less, where appropriate, a maximum 5% discount, and after correcting this average, if necessary, for any difference in the dividend entitlement date.

The issue price of the securities carrying rights to shares of the Company and the number of shares to which these securities will carry rights, to be set by the Board of Directors, will be such that the sum immediately received by the Company plus, where appropriate, the sum that may be subsequently received by the Company is, for each share issued in connection with the issue of said securities, at least equal to the issue price defined in the previous paragraph.

This delegation, granted for a period of 26 months as from the date of this Meeting, supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

The Board of Directors may not, unless previously authorised by the Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

Within the limits set by the Shareholders' Meeting and pursuant to the law, the Board of Directors has full powers, with the ability to sub-delegate, to decide on one or several issues, to set the conditions, type and characteristics thereof, such as the issue price with or without a premium for the shares and other securities to be issued, and the date, even retroactive, from which the new shares will carry dividend rights, determine the payment method for the shares or securities carrying rights to shares of the Company to be issued immediately or in the future, to recognise the completion of the ensuing capital increases, to charge the issue costs to the premium, to amend the articles of association and to apply for the admission, if necessary, to trading on a regulated market for shares and other securities thus issued.

The Board of Directors may, in particular:

- set, in the event of the immediate issue of debt securities, the amount, duration, issue currency, subordination status, the fixed, variable, zero coupon, indexed or other interest rate and its payment date, the interest capitalisation conditions, the terms and conditions and fixed or variable redemption price, with or without a premium, the terms and conditions of redemption relative to market conditions, as well as the conditions under which they will carry rights to the shares of the Company and other terms and conditions of the issue (including whether to grant them guarantees or sureties);
- amend, during the life of the securities concerned, the terms and conditions of the securities issued or to be issued, in compliance with the applicable formalities;
- take any and all measures to protect the holders of rights and securities carrying future rights to new shares of the Company, and do so in accordance with legal and regulatory provisions and, where applicable, the contractual stipulations providing for other cases of adjustment;
- if necessary, suspend the exercise of the rights attached to these securities for a set period in accordance with legal and regulatory provisions;
- enter into any and all agreements, with any and all credit institutions, take any and all measures and carry out any and all formalities to ensure the completion and successful conclusion of any issue carried out using the powers conferred in this delegation;
- deduct, as applicable, the capital increase costs from the amount of the premiums associated with each of these increases and, if considered appropriate, also withdraw the sums required to raise the legal reserve to one-tenth of the new capital after each issue.



## Twenty-eighth resolution

### **■ DELEGATION OF AUTHORITY GRANTED TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF ISSUING 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, VIA A PRIVATE PLACEMENT AS DESCRIBED IN ARTICLE L. 411-2-II OF THE FRENCH MONETARY AND FINANCIAL CODE**

The Extraordinary Shareholders' Meeting, having reviewed the reports of the Board of Directors and of the Statutory Auditors and having noted that the share capital has been fully paid up, in accordance with Articles L. 225-127, L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136 and L. 228-91 *et seq.* of the French Commercial Code,

- delegates its authority to the Board of Directors, with the ability to sub-delegate to the General Manager or, in agreement with the latter, to one or several Deputy General Managers, to issue shares or any other securities carrying rights, by any means, immediately and/or in the future, to shares of the Company, in one or several transactions and at its sole decision, in the proportions and at the times that it shall determine, both in France and abroad, through a private placement as referred to in Article L. 411-2 of the French Monetary and Financial Code, by granting, at the Company's discretion, new shares and/or existing shares of the Company, or existing shares of another company in which it directly or indirectly holds an equity interest. The subscription may be carried out either in cash or by offsetting liabilities;
- resolves that the securities thus issued and 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, may be debt securities or be associated with the issue of debt securities, or allow said debt securities to be issued as interim securities. They may, in particular, take the form of subordinated or unsubordinated fixed term or undated debt securities, and be denominated in euros or an equivalent value in foreign currency or composite monetary units.

The total par value of the securities that may be issued under this delegation may not exceed fifteen million euros (€15 million), if they are equity securities, and one billion euros (€1 billion) or the equivalent value in foreign currency or composite monetary units, if they are debt securities.

The Shareholders' Meeting also authorises the Board of Directors, in order to allow securities holders to exercise their right to the Company's new shares, to increase the share capital by a maximum par value of fifteen million euros (€15 million).

The Shareholders' Meeting resolves to cancel the pre-emptive rights of shareholders to subscribe for shares and securities carrying rights to the shares to be issued, for the benefit of the persons and entities referred to in paragraph II of Article L. 411-2 of the French Monetary and Financial Code.

This delegation automatically implies, for the benefit of holders of securities that could be issued on the basis of this delegation, the waiver by shareholders of their pre-emptive rights to subscribe for the new shares to which the securities may entitle them.

The issue price of the shares to be set by the Board of Directors will be at least equal to the minimum provided by regulations in force on the issue date, which is currently equal to the weighted average of the market prices of the share on Euronext Paris over the last three trading days preceding the day on which the price is set less, where appropriate, a maximum 5% discount, and after correcting this average, if necessary, for any difference in the dividend entitlement date.

The issue price of the securities carrying rights to shares of the Company and the number of shares to which these securities will carry rights, to be set by the Board of Directors, will be such that the sum immediately received by the Company plus, where appropriate, the sum that may be subsequently received by the Company is, for each share issued in connection with the issue of said securities, at least equal to the issue price defined in the previous paragraph.

This delegation, granted for a period of 26 months as from the date of this Meeting, supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

The Board of Directors may not, unless previously authorised by the Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

Within the limits set by the Shareholders' Meeting and pursuant to the law, the Board of Directors has full powers, with the ability to sub-delegate, to decide on one or several issues, to set the conditions, type and characteristics thereof, such as the issue price with or without a premium for the shares and other securities to be issued, and the date, even retroactive, from which the new shares will carry dividend rights, determine the payment method for the shares or securities carrying rights to shares of the Company to be issued immediately or in the future, to recognise the completion of the ensuing capital increases, to charge the issue costs to the premium, to amend the articles of association and to apply for the admission, if necessary, to trading on a regulated market for shares and other securities thus issued.

The Board of Directors may, in particular:

- determine the persons and entities referred to in paragraph II of Article L. 411-2 of the French Monetary and Financial Code and to whom the shares or securities would be issued;
- set, in the event of the immediate issue of debt securities, the loan amount, duration, issue currency, subordination status, the fixed, variable, zero coupon, indexed or other interest rate and its payment date, the interest capitalisation conditions, the terms and conditions and fixed or variable redemption price, with or without a premium, the terms and conditions of redemption relative to market conditions, as well as the conditions under which they will carry rights to the shares of the Company and other terms and conditions of the issue (including whether to grant them guarantees or sureties);
- amend, during the life of the securities concerned, the terms and conditions of the securities issued or to be issued, in compliance with the applicable formalities;

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- take any and all measures to protect the holders of rights and securities carrying future rights to new shares of the Company, and do so in accordance with legal and regulatory provisions and, where applicable, the contractual stipulations providing for other cases of adjustment;
- if necessary, suspend the exercise of the rights attached to these securities for a set period in accordance with legal and regulatory provisions;
- enter into any and all agreements, with any and all credit institutions, take any and all measures and carry out any and all formalities to ensure the completion and successful conclusion of any issue carried out using the powers conferred in this delegation;
- deduct, as applicable, the capital increase costs from the amount of the premiums associated with each of these increases and, if considered appropriate, also withdraw the sums required to raise the legal reserve to one-tenth of the new capital after each issue.

## Resolution 29: Exceptional option to set the issue price in the event of capital increases without pre-emptive subscription rights for existing shareholders

### Presentation

- Under the terms of the 29<sup>th</sup> resolution, you are being asked to renew the authorisation granted to the Board of Directors, in the event of capital increases without pre-emptive subscription rights, via public offerings (27<sup>th</sup> resolution) or private placements (28<sup>th</sup> resolution), for the purpose of, if deemed appropriate, setting the issue price based on the weighted average market price of the share over the last ten trading days preceding the date on which it was set less, where appropriate, a maximum 5% discount, in accordance with the conditions set forth by law.
- You are being asked to suspend this authorisation in the event of a public offering, unless previously approved by the Shareholders' Meeting.
- The 34<sup>th</sup> resolution limits the aggregate amount of share issues, with and without pre-emptive subscription rights, or debt securities, that can be carried out based on the terms of the 26<sup>th</sup> to 33<sup>rd</sup> resolutions.

## Twenty-ninth resolution

### ■ AUTHORISATION GRANTED TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF SETTING THE ISSUE PRICE ACCORDING TO THE METHODS DETERMINED BY THE SHAREHOLDERS' MEETING, IN THE EVENT OF ISSUES, VIA PUBLIC OFFERINGS OR PRIVATE PLACEMENTS, WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS

The Shareholders' Meeting authorises the Board of Directors, with the ability to sub-delegate to the General Manager or, in agreement with the latter, to one or several Deputy General Managers, in accordance with Article L. 225-136 of the French Commercial Code, during an issue carried out on the basis of the 27<sup>th</sup> and 28<sup>th</sup> resolutions of this Meeting, to set, notwithstanding the provisions of Article L. 225-136-1 of the French Commercial Code, the issue price under the conditions below:

- the issue price will be equal to the weighted average market price of the share over the ten trading days preceding the date on which it is set less, where appropriate, a maximum 5% discount;
- the issue price of the securities carrying rights to shares of the Company and the number of shares to which these securities carry rights, will be such that the sum immediately received by the Company plus, where appropriate, the sum that may be subsequently received by the Company is, for each share issued in connection with the issue of said securities, at least equal to the issue price defined in the previous paragraph.

The maximum par value of the shares issued by virtue of this resolution may not exceed 10% of the share capital per year. This threshold is assessed on the date on which the Board of Directors' sets the issue price.

The Board of Directors may not, unless previously authorised by the Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

This authorisation, granted for a period of 26 months as from the date of this Meeting, supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

Resolution 30: Option to increase the amount of issues in the event of capital increases with or without pre-emptive rights, in the event they are oversubscribed

#### Presentation

The purpose of the 30<sup>th</sup> resolution is to renew the authorisation granted to the Board of Directors, in the context of share capital increases carried out with or without pre-emptive subscription rights (26<sup>th</sup>, 27<sup>th</sup>, 28<sup>th</sup>, and 29<sup>th</sup> resolutions), to increase the initial amount of the issues in the event they are oversubscribed, in accordance with the applicable regulatory conditions.

You are being asked to suspend this delegation in the event of a public offering, unless previously approved by the Shareholders' Meeting.

This would give the Board of Directors the ability, during the 30 days preceding the end of the subscription period, to increase the number of securities issued, at the same price as that retained in the initial issue, within a limit not to exceed 15% of the initial issue and of the ceiling set pursuant to the 26<sup>th</sup>, 27<sup>th</sup>, 28<sup>th</sup> and 29<sup>th</sup> resolutions, depending on the case, and of the aggregate ceiling set under the 34<sup>th</sup> resolution.

### Thirtieth resolution

#### ■ AUTHORISATION GRANTED TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF INCREASING THE INITIAL AMOUNT OF ISSUES WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS, IN THE EVENT THEY ARE OVERSUBSCRIBED

The Extraordinary Shareholders' Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' report, authorises the Board of Directors, with the ability to sub-delegate to the General Manager, or, in agreement with the latter, to one or several Deputy General Managers, in accordance with the provisions of Article L. 225-135-1 of the French Commercial Code, and in the event of any issue carried out by virtue of the 26<sup>th</sup> to 29<sup>th</sup> resolutions of this Shareholders' Meeting, for the purpose of issuing a higher number of shares or securities than initially set, within the time frame and limits provided for by applicable regulations as of the issue date (or, currently, within 30 days of the end of the subscription period, and in an amount no higher than 15% of the initial issue and at the same price as that retained for the initial issue), and subject to compliance with the ceiling set in the resolution pursuant to which the issue was decided and to the aggregate ceiling set forth in the 34<sup>th</sup> resolution.

The Board of Directors may not, unless previously authorised by the Shareholders' Meeting, use this authorisation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

This authorisation, granted for a period of 26 months as from the date of this Meeting, supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

Resolution 31: Capital increase carried out by capitalising reserves, profits, premiums or other capitalisable sums

#### Presentation

At its meeting of 19 May 2015, the Shareholders' Meeting delegated its authority to the Board of Directors for a period of 26 months, for the purpose of increasing the share capital by capitalising reserves, profits, premiums, or other sums eligible for capitalisation.

The Board of Directors did not use this delegation.

Under the terms of the 31<sup>st</sup> resolution, you are being asked to renew this delegation for a period of 26 months, within a limit not to exceed an aggregate par value of sixty-six million euros (€66 million), i.e., 45% of the share capital as of 31 December 2016 (the same amount as in 2015), which constitutes the aggregate share capital increase ceiling applicable to all issues carried out under the 26<sup>th</sup> to 33<sup>rd</sup> resolutions and set forth in the 34<sup>th</sup> resolution. You are also being asked to suspend this delegation in the event of a public offering, unless previously approved by the Shareholders' Meeting.

### Thirty-first resolution

#### ■ DELEGATION OF AUTHORITY GRANTED TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF INCREASING THE SHARE CAPITAL BY CAPITALISING RESERVES, PROFITS, PREMIUMS OR OTHER SUMS ELIGIBLE FOR CAPITALISATION

The Extraordinary Shareholders' Meeting, having reviewed the report of the Board of Directors and voting in accordance with Articles L. 225-129 to L. 225-130 of the French Commercial Code, delegates its authority to the Board of Directors, with the ability to sub-delegate to the General Manager, or in agreement with the latter, to one or several Deputy General Managers, to increase the share capital, on one or several occasions, at the times and according to the procedures that it shall determine, via the capitalisation of reserves, profits, premiums or other sums that may be legally capitalised, by issuing and awarding free shares or by raising the par value of existing shares or a combination of the two methods.

The amount of the capital increase resulting from the issues made under this resolution may not exceed the par value of sixty-six million euros (€66 million), without taking account of the amount required to safeguard the rights of holders of securities carrying rights to shares, as required by the law.

The Board of Directors may not, unless previously authorised by the Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

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The Shareholders' Meeting grants full powers to the Board of Directors, with the ability to sub-delegate, for the purpose of implementing this resolution and, in particular, to:

- define all the terms and conditions for the authorised transactions and, in particular, set the amount and type of the reserves and share premiums to be capitalised, set the number of new shares to be issued or the amount of the increase in the par value of existing shares that make up the share capital, set the date, which may be retroactive, from which the new shares will carry rights to the dividend or the date from which the higher par value will take effect;
- take all the necessary steps to protect the rights of holders of securities carrying rights to shares on the day of the share capital increase;
- define the conditions for using fractional shares and, in particular, decide that these rights will be neither tradable nor transferable and that the corresponding shares will be sold, while allocating the proceeds from the sale to rights holders, no later than 30 days after the date on which the whole number of shares is registered in their account;
- record the completion of the capital increase resulting from the share issue, amend the articles of association accordingly, request the admission of the shares on a regulated market and carry out any and all required publication formalities; and
- generally, take any and all measures and complete any and all formalities required to ensure the successful completion of each capital increase.

This delegation, granted for a period of 26 months as from the date of this Meeting, supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

## Resolution 32: Capital increase carried out in the event of a public offering launched by the Company

### Presentation

The Ordinary and Extraordinary Shareholders' Meeting of 19 May 2015 delegated its authority to the Board of Directors for 26 months for the purpose of issuing shares and securities carrying rights to shares of the Company in the event of a public offering launched by the Company and targeting the securities of another publicly traded company.

The Board of Directors did not use this delegation.

Under the terms of the 32<sup>nd</sup> resolution, you are being asked to renew this delegation for a period of 26 months so that the Company may have this option, which could prove necessary for continuing to implement its development strategy.

The aggregate par value of the securities that may be issued by virtue of this delegation may not exceed:

- €15 million (10% of the share capital as of 31 December 2016), if they are securities representing a portion of the share capital (the same amount as in 2015); and
- €1 billion, if they are debt securities.

You are also being asked to suspend this delegation in the event of a public offering, unless previously approved by the Shareholders' Meeting.

The 34<sup>th</sup> resolution limits the aggregate amount of share issues, with and without pre-emptive subscription rights, or debt securities, that may be carried out based on the terms of the 26<sup>th</sup> to 33<sup>rd</sup> resolutions.

## Thirty-second resolution

### ■ DELEGATION OF AUTHORITY GRANTED TO THE BOARD OF DIRECTORS FOR THE PURPOSE OF ISSUING SHARES OR SECURITIES CARRYING RIGHTS TO SHARES OF THE COMPANY IN THE EVENT OF A PUBLIC OFFERING LAUNCHED BY RALLYE FOR THE SECURITIES OF ANOTHER PUBLICLY TRADED COMPANY, WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS FOR EXISTING SHAREHOLDERS

The Extraordinary Shareholders' Meeting delegates its authority to the Board of Directors, with the ability to sub-delegate to the General Manager, or in agreement with the latter, to one or several Deputy General Managers, to decide, at its sole discretion, to issue shares or any other securities carrying rights, by any means, immediately or in the future, to shares of the Company in consideration for the shares or securities tendered in any mixed or alternative public exchange offer launched by the Company and targeting the shares or securities of another company registered on one of the regulated markets specified by Article L. 225-148 of the French Commercial Code.

The Shareholders' Meeting expressly resolves to waive as necessary the pre-emptive rights of existing shareholders to these shares or securities.

The aggregate par value of the securities that may be issued under this delegation may not exceed fifteen million euros (€15 million), if they are equity securities, and one billion euros (€1 billion) or the equivalent value in foreign currency or composite monetary unit, if they are debt securities.

The Shareholders' Meeting also authorises the Board of Directors, in order to allow securities holders to exercise their right to the Company's new shares, to increase the share capital by a maximum par value of fifteen million euros (€15 million).

The Board of Directors may not, unless previously authorised by the Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

The Shareholders' Meeting notes that the issue of securities carrying rights to shares of the Company implies the waiver by shareholders of their pre-emptive right to subscribe for the shares to which the securities may entitle them.

The Board of Directors will have full powers to implement the public offers described by this resolution. In particular, it will set the exchange rate and if necessary, the amount of the cash balance to be paid; record the number of securities tendered at maturity; set the conditions, the nature and the characteristics of the shares or securities delivered in exchange, and record as a balance sheet liability the contribution premium against which, if necessary, all the costs and duties incurred by the transaction will be charged. It will also carry out any and all formalities and declarations and request any and all authorisations that might be necessary for the execution and proper completion of the transactions authorised by this delegation, and generally, take all necessary measures.

This delegation of authority is granted for a period of 26 months as from the date of this Meeting; it supersedes all other delegations with the same purpose given by previous Shareholders' Meetings.

## Resolution 33: Capital increase to compensate contributions in kind granted to the Company

### Presentation

The Ordinary and Extraordinary Shareholders' Meeting of 19 May 2015 delegated powers to the Board of Directors, for a period of 26 months, and within a limit not to exceed 10% of the Company's share capital, to issue shares or securities carrying rights to the share capital, for the purpose of compensating contributions in kind granted to the Company and comprising shares or securities carrying rights to shares.

The Board of Directors did not use this delegation.

Under the terms of the 33<sup>rd</sup> resolution, you are being asked to renew this delegation for a period of 26 months and under the same conditions, so that the Company may have this option, which could prove necessary for continuing to implement its development strategy.

You are also being asked to suspend this delegation in the event of a public offering, unless previously approved by the Shareholders' Meeting.

The 34<sup>th</sup> resolution limits the aggregate amount of shares or debt securities that may be issued based on the terms of the 26<sup>th</sup> to 33<sup>rd</sup> resolutions.

## Thirty-third resolution

### ■ DELEGATION OF POWERS GRANTED TO THE BOARD OF DIRECTORS, WITHIN THE LIMIT OF 10% OF THE COMPANY'S SHARE CAPITAL, TO ISSUE SHARES OR SECURITIES CARRYING RIGHTS TO SHARES FOR THE PURPOSE OF COMPENSATING CONTRIBUTIONS IN KIND GRANTED TO THE COMPANY AND COMPRISING SHARES OR SECURITIES CARRYING RIGHTS TO SHARES

The Extraordinary Shareholders' Meeting, having reviewed the reports of the Board of Directors and of the Statutory Auditors and voting in accordance with Article L. 225-147 of the French Commercial Code, delegates full powers to the Board of Directors, with the ability to sub-delegate to the General Manager, or in agreement with the latter, to one or several Deputy General Managers, to decide, within the limit of 10% of the Company's capital, on the basis of the report of the independent valuer(s) (*Commissaire(s) aux apports*) referred to in the 1<sup>st</sup> and 2<sup>nd</sup> paragraphs of Article L. 225-147 above, to issue shares or securities carrying rights to the shares of the Company, in order to compensate contributions in kind granted to the Company and comprising shares or securities carrying rights to shares of the Company, where the provisions of Article L. 225-148 of the French Commercial Code are not applicable. It also resolves, as necessary, to waive, for the benefit of holders of these securities tendered under the contributions in kind, the pre-emptive rights of shareholders to the shares or securities to be issued.

The Shareholders' Meeting duly notes that this delegation automatically implies the waiver by shareholders of their pre-emptive rights to subscribe for the Company shares that would have been associated with the securities issued on the basis of this delegation, for the benefit of holders of securities carrying rights to shares of the Company issued by virtue of this delegation.

The Board of Directors will have full powers, with the ability to sub-delegate, to implement this resolution, in particular to decide, based on the report of the independent valuer(s) described in the 1<sup>st</sup> and 2<sup>nd</sup> sub-paragraphs of the abovementioned Article L. 225-147, whether the contributions in kind and the grant of special benefits and their value have been measured appropriately (including, to reduce, with the contributors' agreement, the valuation of contributions or the compensation to be awarded for special benefits), to set the conditions, the nature and characteristics of the shares and other securities to be issued, record the completion of the capital increases carried out by virtue of this delegation, amend the articles of association accordingly, carry out any and all formalities and declarations and apply for any and all authorisations that might be necessary to make these contributions and generally, take all necessary measures.

The Board of Directors may not, unless previously authorised by the Shareholders' Meeting, use this delegation as from the date a third party files a tender offer for the Company's shares and until the end of the tender offer period.

This delegation, granted for a period of 26 months as from the date of this Meeting, supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

## Resolution 34: Aggregate ceiling applicable to the financial authorisations

### Presentation

The purpose of the 34<sup>th</sup> resolution is to limit the aggregate amount of shares or debt securities that may be issued based on the terms of the 26<sup>th</sup> to 33<sup>rd</sup> resolutions.

Accordingly, the aggregate par value of the capital increases that may be carried out under this resolution, immediately and/or in the future, may not exceed sixty-six million euros (€66 million), i.e., 45% of the share capital as of 31 December 2016 (the same amount as in 2015), it being specified that the aggregate amount of the capital increases that may be carried out, either immediately and/or in the future, without pre-emptive subscription rights, under the 27<sup>th</sup>, 28<sup>th</sup>, 29<sup>th</sup> and 33<sup>rd</sup> resolutions, may not exceed fifteen million euros (€15 million), i.e., 10% of the share capital as of 31 December 2016.

The aggregate par value of debt securities that may be issued is limited to one billion euros (€1 billion).

## Thirty-fourth resolution

### ■ AGGREGATE CEILING APPLICABLE TO THE FINANCIAL AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

The Extraordinary Shareholders' Meeting, having reviewed the Board of Directors' report, and subject to the adoption of the 26<sup>th</sup> to 33<sup>rd</sup> resolutions above, resolves that:

- the aggregate par value of debt securities that may be issued immediately by virtue of these resolutions may not exceed one billion euros (€1 billion) or its equivalent value in foreign currency or in composite monetary units;
- the aggregate par value of the shares that may be issued, immediately and/or in the future, pursuant to these resolutions, may not exceed sixty-six million euros (€66 million), it being specified that the par value of capital increases that may be carried out, immediately and/or in the future, without pre-emptive rights for existing shareholders, may not exceed fifteen million euros (€15 million), without taking account of the par value of the additional shares to be issued to safeguard the rights of securities holders, as required by the law.

The Shareholders' Meeting duly notes that the aggregate par values of sixty-six million euros (€66 million) and of fifteen million euros (€15 million) do not include the par value of the shares:

- to be issued upon exercise of stock options reserved for employees and corporate officers;
- to be awarded to employees and corporate officers under free share plans where the shares are issued via a capital increase;
- to be issued, where appropriate, for the benefit of employees who are members of a Company savings plan, in accordance with the 37<sup>th</sup> resolution;
- to be awarded to shareholders in the form of a scrip dividend.

## Resolutions 35 and 36: Stock options for new or existing shares

### Presentation

The Ordinary and Extraordinary Shareholders' Meeting of 19 May 2015 authorised the Board of Directors, for a period of 26 months, to grant stock options for new or existing shares to employees of the Company and employees and corporate officers of related companies.

The Board of Directors did not use this delegation, preferring to award free shares instead, but asks you, on the recommendation of the Appointments and Compensation Committee, to maintain flexibility so that stock options may still be granted as part of the Company's policy to incentivise and instil loyalty in its employees.

Under the 35<sup>th</sup> resolution (options for existing shares) and the 36<sup>th</sup> resolution (options for new shares), you are asked to renew these authorisations for a period of 38 months.

With respect to these authorisations, note that executive corporate officers of the Company are not entitled to receive stock options for new or existing shares.

The total number of stock options granted for new or existing shares may not exceed 1% of the share capital (the same amount as in 2015), it being specified that, as part of these new authorisations, the Board of Directors is proposing that this maximum amount also include the free shares awarded under the terms of the 37<sup>th</sup> resolution. As at 31 December 2016, no new stock option plans for new shares were in place.

The share purchase or subscription price may not be lower than the average of the opening market prices of the share over the 20 trading days preceding the day on which the options would be granted. Concerning stock options for existing shares, the subscription price may also not be less than the average purchase price of the shares held by the Company under Articles L. 225-208 and L. 225-209 of the French Commercial Code. The stock options would have to be exercised within seven years.

## Thirty-fifth resolution

### ■ AUTHORISATION TO GRANT STOCK OPTIONS FOR EXISTING SHARES FOR THE BENEFIT OF THE COMPANY'S EMPLOYEES AND THE EMPLOYEES OF RELATED COMPANIES

The Extraordinary Shareholders' Meeting, having heard the reports of the Board of Directors and of the Statutory Auditors, authorises the Board of Directors to grant stock options, in one or several transactions, for existing shares bought back by the Company under the conditions provided by law, to the employees and corporate officers of the Company and the employees of related companies or groups described in Article L. 225-180 of the French Commercial Code, with the exception of the Company's executive corporate officers who are not entitled to receive stock options for existing shares.

The total number of stock options that may be granted for existing shares under this authorisation may not exceed 1% of the total number of shares representing the Company's share capital to date, taking account of any grants or awards made under the 36<sup>th</sup> and 37<sup>th</sup> resolutions subject to their adoption by the Extraordinary Shareholders' Meeting, but without taking account, however, of the stock options previously granted and not yet exercised.

The purchase price paid by the beneficiaries may not be lower than either the average of the opening market prices of the share over the 20 trading days preceding the date when the options are granted, or the average purchase price of the shares held by the Company under Articles L. 225-208 and L. 225-209 of the French Commercial Code. The options must be exercised within seven years.

If, during the exercise period, the Company carries out one of the financial transactions allowed by law, the Board of Directors may, in accordance with regulatory conditions, adjust the number and the price of shares that may be purchased upon exercise of the options.

Full powers are granted to the Board of Directors to:

- select the beneficiaries of the options;
- determine the number of options to be granted to each of them;
- set the purchase price of the shares and the exercise periods for the options, within the limits indicated above;
- set the conditions and criteria for granting the options, 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;
- impose, where appropriate, a period during which the options may not be exercised and/or a period during which the purchased shares may not be sold, it being specified that this period may not exceed three years as from the date the options are exercised;
- make all necessary decisions pursuant to this authorisation, grant any and all delegations and, generally, take all necessary measures.

This authorisation is granted for a period of 38 months as from the date of this Meeting. It supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

## Thirty-sixth resolution

### ■ AUTHORISATION TO GRANT STOCK OPTIONS FOR NEW SHARES FOR THE BENEFIT OF THE COMPANY'S EMPLOYEES AND THE EMPLOYEES OF RELATED COMPANIES

The Extraordinary Shareholders' Meeting, having heard the reports of the Board of Directors and of the Statutory Auditors, authorises the Board of Directors to grant, in one or several transactions, stock options for new shares of the Company for the benefit of employees and corporate officers of the Company and the employees of related companies or groups described in Article L. 225-180 of the French Commercial Code, with the exception of the Company's executive corporate officers who are not entitled to receive stock options for new shares.

The total number of stock options that may be granted for new shares under this authorisation may not confer the right to subscribe for a number of shares greater than 1% of the total number of shares representing the Company's share capital to date, taking into account any awards made under the 35<sup>th</sup> and 37<sup>th</sup> resolutions, subject to their approval by the Extraordinary Shareholders' Meeting, but without taking account any outstanding stock options granted under previous plans for new or existing shares.

The share subscription price may not be less than the average of the opening market prices of the share over the 20 trading days preceding the day on which the options are granted and the exercise period for the options may not exceed seven years.

The shareholders expressly waive, for the benefit of beneficiaries of the options, their pre-emptive right to subscribe for the shares that will be issued as and when the options are exercised.

If, during the exercise period, the Company carries out one of the financial transactions allowed by law, the Board of Directors must, in accordance with regulatory conditions, adjust the number and the price of the shares that may be subscribed upon exercise of the options.



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Full powers are granted to the Board of Directors to:

- select the beneficiaries of the options;
- determine the number of options to be granted to each of them;
- set the subscription price of the shares and the exercise periods for the options within the limits indicated above;
- set the conditions and criteria for granting the options, 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;
- impose, where appropriate, a period during which the options may not be exercised and/or a period during which the subscribed shares may not be sold, it being specified that this period may not exceed three years as from the date the options are exercised.

Full powers are granted to the Board of Directors to:

- temporarily suspend the right to exercise the options in the event of transactions where a subscription right is detached from the underlying security;
- charge the capital increase costs against the amount of the premiums associated with such increases;
- take any and all necessary measures under this authorisation, grant any and all delegations;
- note the capital increase or increases resulting from the exercise of the options, amend the articles of association accordingly and generally do everything necessary.

This authorisation is granted for a period of 26 months as from the date of this Meeting. It supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

## Resolution 37: Free share awards for the benefit of the Group's employees

### Presentation

The Ordinary and Extraordinary Shareholders' Meeting of 18 May 2016 authorised the Board of Directors, for a period of 18 months, to take advantage of the new provisions introduced by France's "Macron" law, to award free shares of the Company to salaried employees of the Company and of related companies, it being specified that no executive corporate officer of the Company is entitled to receive free share awards.

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 generally subject to a lock-up period of two years starting from the vesting date.

Under the authorisation granted on 18 May 2016, the Board of Directors – acting on the recommendation of the Appointments and Compensation Committee – carried out a free share plan in 2016 involving a total of 157,794 existing shares representing 0.32% of the share capital as of the date of the authorisation. In accordance with the terms of the authorisation, no free shares were awarded to executive corporate officers. The share awards are described in the 2016 Registration Document.

Under the terms of the 37<sup>th</sup> resolution, on the recommendation of the Appointments and Compensation Committee, you are asked to renew, for a 38-month period, the authorisation granted to the Board of Directors in 2016 to make free allocations of shares to employees, with the exception of, as was previously the case, executive corporate officers of the Company, who are not eligible to receive free share awards. The proposed resolution sets the total number of free shares that may be awarded over 38 months to 1% of the share capital (excluding any adjustments) (as in 2016), it being specified that, under this new authorisation, this maximum includes any stock options granted for new or existing shares by virtue of the 35<sup>th</sup> and 36<sup>th</sup> resolutions.

In accordance with applicable legal provisions, the authorisation specifies 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.



## Thirty-seventh 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 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 to date, taking into account any grants made under the 35<sup>th</sup> and 36<sup>th</sup> resolutions, subject to their approval by the Extraordinary Shareholders' 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 Shareholders' Meeting authorises the Board of Directors, within the limit set in the previous sub-paragraph, to alternatively or cumulatively 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 Shareholders' Meeting grants full powers to the Board of Directors, with the ability to sub-delegate under legal conditions, and within the limits set above, 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 corporate officers 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 the event of redundancy, retirement or category 2 or 3 disability as defined in Article L. 341-4 of the French Social Security Code, or in the event of death;
- 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;

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- 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 accordingly 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 Shareholders' Meeting sets the period during which the Board of Directors may use this authorisation at 38 months. This authorisation cancels the unused portion of the authorisation to the same effect granted by the 22<sup>nd</sup> resolution of the Shareholders' Meeting of 18 May 2016.

## Resolution 38: capital increase reserved for members of a Company savings plan (PEE)

### Presentation

The Ordinary and Extraordinary Shareholders' Meeting of 19 May 2015 authorised the Board of Directors, for a period of 26 months, to increase the share capital or sell treasury shares for the benefit of members of a Company savings plan offered by the Company and related companies.

The Board of Directors did not use this authorisation.

You are being asked, under the terms of the 38<sup>th</sup> resolution, to renew this authorisation for a period of 26 months.

The total number of shares that may be issued under the terms of this resolution will remain capped at 1% of the share capital as of the date of the Shareholders' Meeting (excluding any adjustments), and will not be deducted from the aggregate ceiling for capital increases set under the terms of the 34<sup>th</sup> resolution.

You are being asked to waive shareholders' pre-emptive subscription rights to the shares and securities carrying rights to shares that could potentially be issued under this authorisation. In accordance with the terms of Article L. 3332-19 of the French Labour Code, the subscription price of the shares cannot be lower than the average of the market prices of the share over the 20 trading days preceding the date of the decision setting the opening day of the subscription period, less a maximum 20% discount, or a 30% discount whenever the lock-up period is greater than or equal to 10 years. However, if deemed appropriate, the Board of Directors may decide to reduce or cancel the discount thus granted in order to take into account any applicable foreign legal, regulatory, and tax provisions.

The Board of Directors will have also the authority to make free awards of shares or other securities carrying rights to shares of the Company, it being understood that the total benefit derived from such awards and, where appropriate, from any employer matching contribution or discount on the subscription price, may not exceed legal or regulatory limits.

## Thirty-eighth resolution

### ■ AUTHORISATION GRANTED TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL AND/OR SELL TREASURY SHARES FOR THE BENEFIT OF EMPLOYEES

The Extraordinary Shareholders' Meeting, having heard the reports of the Board of Directors and of the Statutory Auditors and voting in accordance with Article L. 3332-18 *et seq.* of the French Labour Code and Article L. 225-138-1 of the French Commercial Code, authorises the Board of Directors, under the conditions provided for by law, with the ability to sub-delegate in application of Articles L. 225-129-2 and L. 225-129-6 of the French Commercial Code, to increase the share capital at its sole discretion and if considered necessary, in one or several transactions, through share issues, either:

- on implementing a cash issue of securities carrying rights to shares of the Company; or
- if it appears, in light of the Board of Directors' report specified in Article L. 225-102 of the French Commercial Code, that the shares held collectively by employees of the Company or of related companies within the meaning of Article L. 225-180 of the French Commercial Code represent less than 3% of the share capital.

Participation in the capital increase will be restricted to employees who are members of a Company savings plan offered by Rallye and related companies under the conditions specified in Article L. 233-16 of the French Commercial Code and in Article L. 3332-18 *et seq.* of the French Labour Code.

The Shareholders' Meeting hereby resolves to cancel, for the benefit of the beneficiaries of any capital increases decided by virtue of this authorisation, the pre-emptive rights of existing shareholders to subscribe for the shares that will be issued.

The total number of shares that may be issued under this authorisation may not exceed 1% of the total number of shares representing the Company's share capital, it being specified that this ceiling is separate from the ceiling set in the 27<sup>th</sup> resolution and from the aggregate ceiling set in the 34<sup>th</sup> resolution.

The subscription price of the shares will be set in accordance with the provisions of Article L. 3332-19 of the French Labour Code.

The Shareholders' Meeting also resolves that the Board of Directors will have the authority to award free shares or other securities carrying rights to shares of the Company, it being understood that the total benefit derived from such awards and, where appropriate, from any employer matching contribution or discount on the subscription price, may not exceed legal or regulatory limits.

The Shareholders' Meeting authorises the Board of Directors to sell the shares bought back by the Company pursuant to the provisions of Article L. 225-206 *et seq.* of the French Commercial Code, in one or several transactions and at its sole discretion, within the limit of 1% of the shares issued by the Company to the employees who are members of a savings plan offered by the Company and related companies under the conditions set forth in Article L. 233-16 of the French Commercial Code and in Article L. 3332-18 *et seq.* of the French Labour Code.

This authorisation, granted for a period of 26 months as from the date of this Meeting, supersedes all authorisations with the same purpose given by previous Shareholders' Meetings.

Capital increases may only be carried out under this authorisation insofar as they correspond to the number of shares subscribed by employees individually or through the intermediary of a corporate mutual fund (FPCE).

The Shareholders' Meeting authorises the Board of Directors, in accordance with and under the conditions of Article L. 225-135-1 of the French Commercial Code, to issue a higher number of shares than initially set, at the same price as for the initial issue, within the limit of the abovementioned ceiling.

The Shareholders' Meeting grants full powers to the Board of Directors, with the ability to sub-delegate under the conditions set forth by law, to implement this authorisation and carry out this or these issue(s) within the limits set above, on the dates, within the time frames and according to the methods that it shall determine in accordance with statutory and legal provisions and more particularly to:

- define the methods for the restricted issue or issues and, in particular, determine whether the issues can be carried out for the direct benefit of beneficiaries or through collective investment vehicles;
- set the amounts of the capital increases, the dates and duration of the subscription period, the terms and conditions and amount of time granted to subscribers to pay for their securities and the seniority conditions that should be met by the subscribers of new shares;
- after each capital increase and at its sole discretion, charge the costs of the capital increase against the amount of the associated premiums and deduct from this amount the sums required to raise the legal reserve to one-tenth of the new capital;
- record the amount of the corresponding capital increases and amend the articles of association accordingly to reflect the direct or deferred capital increases; and
- generally, take any and all measures to perform any and all formalities useful to the issue, the listing and the servicing of securities that may be issued under this authorisation.

## Resolution 39: Capital reduction upon cancellation of shares bought back by the Company

### Presentation

The Ordinary and Extraordinary General Meeting of 19 May 2015 authorised your Board of Directors, for a period of 26 months to reduce the share capital by cancelling, within the limit of 10% of the share capital existing on the cancellation date (in other words adjusted to reflect the transactions on the share capital), shares that the Company may have purchased under an authorisation given by the Ordinary General Meeting of Shareholders and to do so by 24-month periods.

The Board of Directors cancelled 12,000 shares under the terms of this authorisation.

You are being asked, pursuant to the terms of the 39<sup>th</sup> resolution, to renew this authorisation for a period of 26 months, under the same conditions.

## Thirty-ninth resolution

### ■ AUTHORISATION TO REDUCE THE SHARE CAPITAL BY CANCELLING TREASURY SHARES

The Extraordinary Shareholders' Meeting, having reviewed the reports of the Board of Directors and of the Statutory Auditors, authorises the Board of Directors, in accordance with the provisions of Article L. 225-209 of the French Commercial Code, to reduce the share capital, in one or several transactions, within the limit of 10% of the share capital as of the cancellation date (i.e., adjusted to reflect any transactions in the share capital since the effective date of this resolution), by cancelling shares bought back by the Company pursuant to an authorisation given by the Ordinary Shareholders' Meeting, and to do so by 24-month periods.

The Shareholders' Meeting grants full powers to the Board of Directors, with the ability to sub-delegate, for the purpose of completing this or these share capital reduction(s) within the limits set forth above and, in particular, to record its or their completion and charge the difference between the purchase price of the shares and their par value against the reserve item or premium of its choice, amend the articles of association accordingly, and carry out any and all formalities.

This authorisation is granted for a period of 26 months as from the date of this Meeting. It supersedes the authorisation for the same purpose previously granted by the Extraordinary Shareholders' Meeting of 19 May 2015.

Consequently, the Board of Directors will take all necessary measures and perform any and all legal and statutory formalities to successfully complete these transactions and, in particular, make the corresponding amendments to the articles of association.

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## Resolutions 40 and 41: Amendments to the articles of association

### Presentation

Under the terms of the 40<sup>th</sup> resolution, the Board of Directors recommends amending the second sub-paragraphs of Article 4 and of Paragraph IV of Article 25 of the articles of association to ensure they are consistent with applicable legal provisions.

Article L. 225-36 of the French Commercial Code, as amended by French Law No. 2016-1691 dated 9 December 2016 on transparency, anti-corruption, and the modernisation of economic life, states that the Board of Directors now has the authority to move the registered office to any location in France and not only within the same county or neighbouring counties (*département(s)*). Therefore, you are asked to approve a simpler wording for the second sub-paragraph of Article 4 of the articles of association, in reference to applicable legal provisions.

In the second sub-paragraph of Paragraph IV of the articles of association, you are asked to replace the reference to Article R. 225-79 of the French Commercial Code with a reference to Article 1316-4 (now Article 1367) of the French Civil Code, which is more relevant to the purpose of the statutory provision. In its second sub-paragraph, this Article states that “whenever the Company decides, in accordance with the terms of the articles of association, to allow shareholders to participate in Shareholders’ Meetings electronically, the signature of the shareholder or his or her legal or judicial representative may be considered a reliable mechanism for identifying the shareholder and guaranteeing his or her association with the absentee ballot in question.”

The wording of the second sub-paragraphs of Article 4 and of Paragraph IV of Article 25 of the articles of association would be amended as follows:

In addition, under the terms of the 41<sup>st</sup> resolution, you are asked to delegate full powers to the Board of Directors, in accordance with Article L. 225-36 of the French Commercial Code, for the purpose of making any necessary changes to ensure that the articles of association remain consistent with all applicable legal and regulatory provisions. In accordance with the law, any such changes would be subject to the approval of the Extraordinary Shareholders’ Meeting.

## Fortieth resolution

### ■ AMENDMENTS TO ARTICLES 4 AND 25 OF THE ARTICLES OF ASSOCIATION

The Extraordinary Shareholders’ Meeting, having reviewed the Board of Directors’ report, resolves to amend the wording of:

- the second sub-paragraph of Article 4 of the articles of association, which will now read as follows:

*“Article 4 – Registered office*

*(...)*

*It may be transferred to any other location in accordance with the legal provisions in force.*

*(...)”*

- the second sub-paragraph of Paragraph IV of Article 25 of the articles of association, which will now read as follows:

*“Article 25 – Composition of the Shareholders’ Meeting*

*(...)*

*The Board of Directors may allow shareholders to complete the forms for voting by post or by proxy electronically, under the conditions set by applicable 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, such as a username and password, that complies with the provisions of the second sub-paragraph Article R. 225-79 of the French Commercial Code or any other subsequent legal provision that may replace it.*

*(...)”*

## Forty-first resolution

### ■ DELEGATION OF AUTHORITY GRANTED TO THE BOARD FOR THE PURPOSE OF MAKING ALL AMENDMENTS NEEDED TO ENSURE THE COMPLIANCE OF THE ARTICLES OF ASSOCIATION WITH ALL APPLICABLE LEGAL AND REGULATORY PROVISIONS

The Extraordinary Shareholders’ Meeting, having reviewed the Board of Directors’ report and in accordance with Article L. 225-36 of the French Commercial Code, delegates all necessary powers to the Board of Directors for the purpose of making all amendments needed to ensure that the Company’s articles of association comply with all applicable legal and regulatory provisions, provided these amendments are ratified by the Extraordinary Shareholders’ Meeting.

## Forty-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.

## chapter 6

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# ADDITIONAL INFORMATION

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## ADDITIONAL INFORMATION

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# INFORMATION ABOUT THE COMPANY

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## 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 fiscal 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 of 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 their 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.

#### 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.

## ADDITIONAL INFORMATION

### Articles of association relating to the management and governance bodies – Internal rules of the Board of Directors

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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 Director's 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, 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.

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 approving 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.

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.

## ADDITIONAL INFORMATION

### Articles of association relating to the management and governance bodies – Internal rules of the Board of Directors

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## 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, including by e-mail, 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 (the proposed modification to the second sub-paragraph of Article 25, paragraph IV of the articles of association will be submitted to the Extraordinary Shareholders' Meeting of 10 May 2017)*

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.

Votes cast by 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.

## 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 notified 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.

## ADDITIONAL INFORMATION

# STOCK MARKET INFORMATION

## SECURITIES LISTED ON EURONEXT PARIS (COMPARTMENT B)

- Rallye share (ISIN code: FR0000060618)<sup>(1)</sup>.

## SECURITIES LISTED ON THE LUXEMBOURG STOCK EXCHANGE

- Rallye 4.25% bonds maturing March 2019 (ISIN code: FR0011441831), issued 11 March 2013<sup>(1)</sup>.
- Rallye 5% bonds maturing October 2018 (ISIN code: FR0011337872), issued 26 April 2013<sup>(1)</sup>.
- Rallye 4% bonds maturing April 2021 (ISIN code: FR0011801596), issued 2 April 2014<sup>(1)</sup>.

## SECURITIES LISTED ON THE SWISS STOCK EXCHANGE

- Rallye 4% bonds maturing November 2020, in Swiss francs (ISIN code: CH0341440326), issued 23 November 2016<sup>(1)</sup>.

## 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<sup>(1)</sup>.
- 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<sup>(1)</sup>.

<sup>(1)</sup> 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<sup>(1)</sup>

| Year/Month  | High<br>(in €) | Low   | Trading volumes<br>(in shares) | Trading volumes<br>(in € millions) |
|-------------|----------------|-------|--------------------------------|------------------------------------|
| <b>2015</b> |                |       |                                |                                    |
| September   | 22.06          | 13.71 | 4,533,079                      | 78.36                              |
| October     | 19.29          | 14.56 | 2,644,691                      | 45.60                              |
| November    | 18.37          | 15.60 | 2,331,020                      | 40.33                              |
| December    | 17.85          | 11.81 | 7,208,573                      | 103.39                             |
| <b>2016</b> |                |       |                                |                                    |
| January     | 14.46          | 11.93 | 3,390,654                      | 45.27                              |
| February    | 15.11          | 12.20 | 3,933,527                      | 51.93                              |
| March       | 16.49          | 14.66 | 2,976,656                      | 46.23                              |
| April       | 17.31          | 14.64 | 1,800,434                      | 28.80                              |
| May         | 17.83          | 15.57 | 2,255,123                      | 37.23                              |
| June        | 16.54          | 13.41 | 2,427,663                      | 37.43                              |
| July        | 16.50          | 14.76 | 1,157,336                      | 18.24                              |
| August      | 15.66          | 14.19 | 1,552,167                      | 22.95                              |
| 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                              |
| <b>2017</b> |                |       |                                |                                    |
| January     | 20.95          | 18.43 | 1,726,032                      | 34.18                              |
| February    | 22.69          | 20.11 | 1,611,311                      | 34.77                              |

<sup>(1)</sup> Source: Euronext.

At 28 February 2017, the Rallye share price stood at €21.45 and the Company's market capitalisation was €1.01 billion.

# 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.

## DECLARATION 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 182 and 203 for the year ended 31 December 2016 and below incorporated by reference, for the years ended 31 December 2015 and 31 December 2014.

The Statutory Auditors' report on the 2016 consolidated financial statements, appearing on page 182 contains the following observation: "Without qualifying our opinion, we draw your attention to the note 1.3 "Restatement of Comparative Information", to the financial statements, which sets out the restatements of comparative information in the consolidated income statement, in respect of discontinued operations, and the change in method of presenting the costs of the non-recourse factoring of receivables."

The Statutory Auditors' report on the 2016 parent company financial statements, appearing on page 203 contains the following observation: "Without qualifying our opinion, we draw your attention to the note "Accounting policies" to the financial statements under item 1.1 "Intangible Assets and Property, Plant and Equipment", which discloses the consequences of the ANC 2015-06 regulation, applicable since January 1, 2016 regarding the recording of the merger losses."

**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 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;
- the consolidated financial statements prepared in accordance with IFRS, and the parent company financial statements for the year ended 31 December 2014, the corresponding Statutory Auditors' reports and Group management report on pages 82 to 163, 166 to 183, 164 to 165, 184 to 185 and 6 to 46 of the Registration Document filed with the AMF on 16 April 2015 under number D.15-0356.

The chapters of the registration documents numbered D.15-0356 and D.14-0369 that are not referred to above are either of no interest to investors or are covered elsewhere in this Registration Document.

## ADDITIONAL INFORMATION

Person responsible for the Registration Document and the Annual Financial Report

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## AUDITING OF THE FINANCIAL STATEMENTS

### Statutory Auditors

#### KPMG Audit

1, cours Valmy – 92923 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 Pierre Bourgeois, appointed at the Ordinary Shareholders' Meeting of 1 June 1999 and successively reappointed at the Ordinary Shareholders' Meetings of 8 June 2005 and 4 May 2011 for terms of six years, i.e., until the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2016.

### Alternate Statutory Auditors

#### KPMG Audit ID

Alternate Statutory Auditor for KPMG, whose registered office is located at 3, cours du Triangle, “Le Palatin” building – Puteaux – 92939 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.

#### Auditex

Alternate Statutory Auditor for Ernst & Young et Autres, 1/2, place des Saisons – 92400 Courbevoie – Paris-La Défense 1, appointed by the Ordinary Shareholders' Meeting of 4 May 2011 for a term of six years, i.e., until the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2016.

### Person responsible for the financial information

Franck Hattab, General Manager

Phone: +33 (0)1 44 71 13 73

Fax: +33 (0)1 44 71 13 70

E-mail: [info@rallye.fr](mailto: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](http://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.

## 2017 FINANCIAL CALENDAR

- 7 March 2017: 2016 results
- 10 May 2017: Shareholders' Meeting
- 27 July 2017: First-half 2017 Results

## CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

To facilitate the reading of the Registration Document, the following subject-based table below can be used to identify the main information required by Annex I to European Regulation no. 809/2004/CE.

Information not applicable to Rallye is marked "n/a".

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## CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

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**RALLYE**

2016 Annual Report