





The French version of this Registration Document was filed with the French securities regulator (*Autorité des marchés financiers* – AMF) on 18 April 2019, 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 was prepared by the issuer and its signatories assume responsibility for its content.

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

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AFR Information in this document identified with the "AFR" acronym is an integral part of the Annual Financial Report, in accordance with Article L. 451-1-2 of the French Monetary and Financial Code (Code monétaire et financier).



Management and governance





Jean-Charles Naouri, Chairman of the Board of Directors

Board of Directors(1)

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 Euris

Anne Yannic

Independent Director

Jean Chodron de Courcel

Christian Paillot

Non-voting Directors

Executive management_

Franck Hattab

General Manager

Statutory Auditors_

Ernst & Young et Autres

Represented by Henri-Pierre Navas

KPMG Audit – Department of KPMG SA(1)

Represented by Catherine Chassaing



Chairman's message



allye's primary asset, accounting for 98% of its consolidated net sales, Casino is one of the world's leading food retailers. 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, 2018 was marked by strong sales momentum in the retail businesses in France. Same-store sales growth was 1.3% and organic growth was 1.2%, with all formats contributing to the increase. Total gross sales under banner rose by 2.8%⁽¹⁾ over the year. The Casino Group continued to focus on the most buoyant formats, categories and geographies. Over 60% of net sales were generated by the 7,500 premium and convenience stores and around 60% were concentrated in France's three most dynamic regions⁽²⁾. This year, net sales of organic products by the various banners and the dedicated Naturalia format represented some €1 billion, representing an increase of more than 16%. The Group pursued the development of its e-commerce business, which accounted for 18%⁽³⁾ of the business in France, driven by Cdiscount, which reported 9.3%⁽⁴⁾ organic growth in gross merchandise volume. Moreover, the acquisition of Ocado technology and Monoprix's partnership with Amazon Prime now enabled the Group to strengthen its position in food e-commerce.

Outside France, in Latin America, net sales rose 8.9% on an organic basis and 4.5% on a same-store basis in an environment shaped by improved economic conditions. GPA delivered a very good performance, with sales up 10.6% on an organic basis. The pace of organic growth at Éxito (excluding GPA Food) accelerated to 4.2%.

Rallye's consolidated net sales amounted to €37.5 billion in 2018. Recurring operating income stood at €1,209 million, stable year-on-year.

The net debt of the Rallye holding company totalled €2,899 million at 31 December 2018, versus €2,877 million a year earlier.

In September 2018, Rallye signed a credit facility for an amount of €500 million, increasing the liquidity position to over €2.2 billion.

99% of the holders of 2020 exchangeable bonds exercised their put options, representing a par value of \leqslant 370 million.

At 31 December 2018, Rallye's financial covenants were met with ample headroom. The consolidated EBITDA to consolidated cost of net debt ratio amounted to 4.14x (vs. a covenant at 2.75x), and Rallye's standalone shareholders' equity was \in 1,788 million (vs. a covenant at \in 1,200 million).

Consolidated net sales for Groupe GO Sport amounted to &885 million, up 9.8% compared with 2017, including a 4.9% increase on a same-store basis and at constant exchange rates. Excluding Courir, consolidated net sales amounted to &494 million, up 5.4% versus 2017 including 3.3% growth on a same-store basis and at constant exchange rates.

Rallye's recurring cash flow remained slightly positive in 2018 and the Company also benefits from a robust liquidity position, with €1.3 billion worth of undrawn credit lines at 31 December 2018.

Rallye reiterates its strategy to maximize its assets' value and confirms the strength of its financial structure.

Further to the Board of Directors' decision of 13 March 2019, at the Shareholders' Meeting to be held on 15 May 2019 the Company will ask shareholders to approve a dividend of €1.00 per share, unchanged from 2017, to be paid on 22 May 2019.

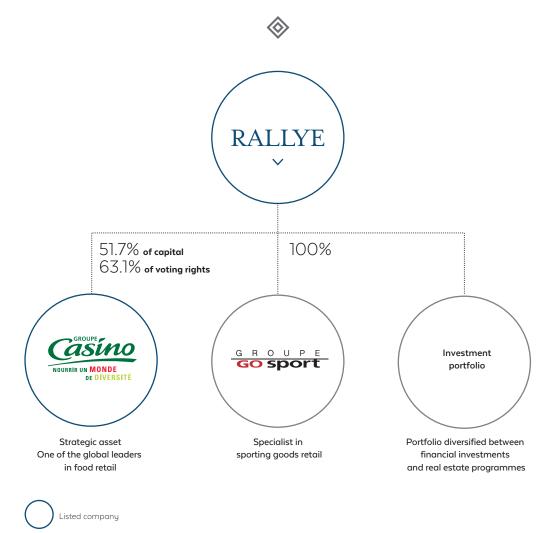
Jean-Charles Naouri

⁽²⁾ Île-de-France, Rhône-Alpes and Côte d'Azur regions

⁽³⁾ Online sales under the banners and Cdiscount's GMV.

⁽⁴⁾ The organic changes include sales and services at "corners" (stores-within-stores) but exclude sales made in Casino Group hypermarkets and supermarkets, and 1001Pneus (acquired in October 2018). The overall impact of their exclusion represented 1.1 points and 1.7 points for GMV and net sales respectively.

Simplified Group organisation chart at 31 December 2018



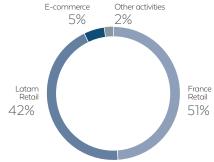


Key figures at 31 December 2018

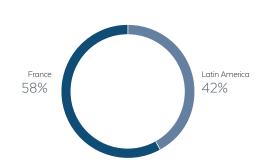




5%



NET SALES BY REGION



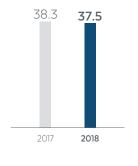
CONSOLIDATED NET SALES

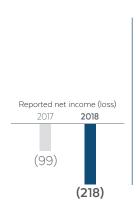
(€ billions)

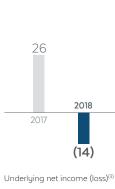
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE

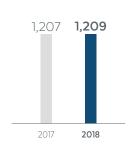
RECURRING OPERATING INCOME

(€ millions)









KEY CONSOLIDATED FIGURES

(€ millions)	2017 restated ⁽¹⁾	2018
Net sales	38,302	37,495
EBITDA ⁽²⁾	1,910	1,879
EBITDA margin ⁽²⁾ (%)	5.0%	5.0%
Recurring operating income	1,207	1,209
Recurring operating income margin (%)	3.2%	3.2%
Net income (loss) from continuing operations, Group share	(99)	(218)
Consolidated net income (loss), Group share	(102)	(223)
Underlying net income ⁽³⁾ from continuing operations, Group share	26	(14)

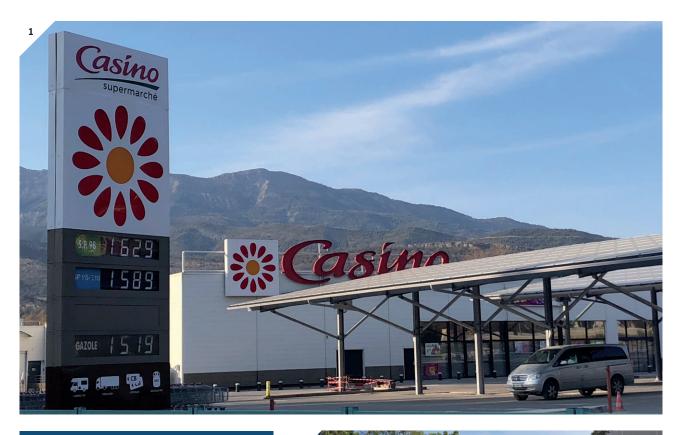
- (1) To permit meaningful comparisons with 2018, the 2017 financial statements have been restated to reflect the impact of IFRS 15.
- (2) EBITDA = recurring operating income + net recurring depreciation and amortisation expense.

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





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

















Highlights



Casino

- ♦ On 24 January 2018, the Casino Group announced that it had successfully placed a €200 million bond issue, adding to its existing bond debt maturing in June 2022. The new bond issue raised the total nominal amount of the paper from €550 million to €750 million.
- On 19 February 2018, Monoprix announced that it was in exclusive negotiations to acquire Sarenza. Following the partnership deals recently signed by the banner, namely with Ocado, this acquisition aims to complete Monoprix's offering and position it as an omni-channel lifestyle leader (Fashion, Home, Beauty). The planned acquisition is a seamless fit with Monoprix's digitalisation strategy. Sarenza is a leading online shoe retailer and is among France's favourite online banners. The transaction combines the forces of the Monoprix network, its Fashion, Home and Beauty offerings and its teams with the e-commerce know-how of Sarenza to create a truly unique omni-channel lifestyle leader. The acquisition of Sarenza was completed on 30 April 2018.
- On 26 March 2018, the Casino Group announced that Amazon and Monoprix had joined forces to bring grocery items sourced from Monoprix to customers of Amazon Prime Now in Paris and the inner suburbs in 2018. Grocery items sourced from Monoprix will be available on the Amazon Prime Now app and website through a dedicated virtual store. The service was officially launched in Paris on 12 September 2018.
- On 3 April 2018, the Casino Group and Auchan Retail announced that they had entered into exclusive talks to build, in compliance with competition rules, a strategic partnership enabling them to jointly negotiate their purchases in France and abroad with their main multi-national food and non-food suppliers.
- ⋄ On 11 June 2018, following a review of its business portfolio, the Group announced the launch of an asset disposal plan covering non-core assets, in particular real estate assets, for a value of €1.5 billion. This plan, which complements the planned disposal of Via Varejo, was originally intended to be completed half in 2018 and half in 2019. In fact, the entire plan was completed by January 2019 and, based on indicative offers already received, it has now been increased to at least €2.5 billion with the upcoming disposals due to be completed by early 2020. It will enable Casino to pay down its debt more rapidly and pursue the successful deployment of the business model based on innovation, digital solutions and partnerships.

- On 29 June 2018, the Casino Group, Auchan Retail, Metro and the Schiever Group announced a plan to cooperate in developing new generation central purchasing organisations. The organisations will be set up in France and internationally under the Horizon name and will centralise purchases of both branded and private-label products. The Horizon International Services alliance with Auchan Retail, Metro and Dia was officially deployed on 6 March 2019.
- On 25 July 2018, Casino's Board of Directors authorised the definitive disposal of a block of Mercialys shares representing 15% of its capital, through a total return swap (TRS) entered into with CA-CIB, which will sell the shares over a period of 2.4 years.
- ♦ On 3 September 2018, the Casino Group noted Standard & Poor's decision to downgrade its credit rating by a notch to BB with a negative outlook. While observing that Standard & Poor's had not taken into account the €1.5 billion asset disposal plan, the Group affirmed that the cost of its bond debt and its liquidity position were unaffected by the downgrade.
- On 28 September 2018, the Casino Group signed a synallagmatic agreement on the sale of 55 Monoprix store properties for a net amount of €565 million. A second synallagmatic agreement was signed on 17 October 2018, for the sale of 14 Monoprix store properties to AG2R La Mondiale for €180 million. On 21 December 2018, the Group announced that the sales had been completed for a total of €742 million.
- ♦ On 12 October 2018, the Casino Group, Tikehau Capital and Bpifrance announced the signing of an agreement for the acquisition by Tikehau Capital and Bpifrance of shares in GreenYellow, Casino's subsidiary dedicated to solar energy and energy efficiency solutions. The transaction was completed on 18 December 2018 through a €150 million capital increase that gave Tikehau Capital and Bpifrance a 24% stake in GreenYellow.
- On 15 October 2018, the Casino Group announced the signing of a partnership with the Quattrucci family whereby 12 stores specialised in fresh products would join the Casino Group. Starting in 2019, the stores are supplied by the Casino Group; seven have been converted to the "Marché frais Géant" banner and the other five to the "Marché frais Leader Price" banner.

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

Rallye

- On 8 February 2018, Rallye carried out a CHF 95 million bond issue, maturing in six years and paying annual interest at 3.25%. After hedging the currency risk, interest on the bonds converted into euros is 4.23%.
- On 9 March 2018, Rallye settled the equity swap by exercising its option to take delivery of 840,495 Casino shares.
- ♦ On 23 May 2018, the Annual Shareholders' Meeting approved the payment of a dividend of €1.00 per share for the 2017 financial year with an option for payment in shares. On 21 June 2018, following the exercise of 63.9% of the rights, 3,058,947 new shares were created representing 5.9% of the capital, enabling Rallye to increase its equity by €33.2 million.
- ♦ On 16 September 2018, Rallye signed a confirmed credit facility maturing 30 June 2020 for an amount of €500 million. This confirmed credit facility does not benefit from any pledge on Casino shares.
- ♦ On 2 October 2018, 99% of the holders of 2020 exchangeable bonds exercised their put options. The 3,738,479 bonds were redeemed for cash, representing €370 million (excluding accrued interest) out of a total issue amount of €375 million.
- ♦ On 22 October 2018, Groupe GO Sport, a wholly-owned subsidiary of Rallye, received a binding offer from Equistone Partners Europe for the acquisition of Courir for an equity value of €283 million. The disposal was completed on 28 February 2019.



Business report



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 through the GO Sport banner;
 - a diversified investment portfolio comprising financial investments held directly or through specialised funds, as well as commercial property programmes.

Casino₋

The comments contained in the Annual Financial Report reflect comparisons with 2017 for profit from continuing operations and in accordance with IFRS 5 are restated for the planned disposal of Via Varejo. In light of the new standards applicable from 1 January 2018, IFRS 15 has been applied for the first time in the 2018 consolidated financial statements and the comparative information for 2017 has been restated on the same basis to permit meaningful year-on-year comparisons.

The 2018 financial statements reflect the limited retrospective application of IFRS 9, which relates to financial instruments, and IAS 29, which relates to hyperinflation in Argentina. The prospective application of the amendments to IFRS 2 resulted in the reclassification to non-controlling interests at 1 January 2018 of a $\ensuremath{\mathfrak{e}}$ 5 million debt in the Latam Retail segment. Organic and same-store changes exclude fuel and calendar effects.

2018 highlights are outlined below.

♦ **In France**, the retail businesses enjoyed strong sales momentum. Same-store sales growth was 1.3% and organic growth was 1.2%, with all formats contributing to the increase. Total gross sales under banner rose by 2.8%(1) over the year.

The Group continued to focus on the most buoyant formats, categories and geographies. Over 60% of net sales were generated by the 7,500 premium and convenience stores and around 60% were concentrated in France's three most dynamic regions⁽²⁾. This year, net sales of organic products by the various banners and the dedicated Naturalia format represented some €1 billion, representing an increase of more than 16%. The Group pursued the development of its e-commerce business, which accounted for $18\%^{(3)}$ of the business in France, driven by Cdiscount, which reported 9.3%⁽⁴⁾ organic growth in gross merchandise volume. The acquisition of Ocado technology and Monoprix's partnership with Amazon Prime Now enabled the Group to strengthen its position in food e-commerce. The Group also continued to digitalise customer relationships, with an ecosystem of mobile apps already totalling more than 10 million downloads and a range of digital solutions that enhance the customer experience (Scan & Go, mobile payment, couponing, etc.). The Group also moved up a gear in the development of its new businesses. Its energy subsidiary GreenYellow, which had an installed photovoltaic capacity of 190 MWp at end-2018, set up the Reservoir Sun joint venture with Engie and opened up its capital to reference investors through a €150 million capital increase.

The Data and Data Center business continued to be deployed, with €41 million in net sales generated in 2018 from data-related services supported by a database with more than 30 million profiles.

The Group was rated A1+ and ranked number one in its sector by the non-financial rating agency Vigeo Eiris in December 2018.

The Group has completed its €1.5 billion asset disposal plan and achieved in January 2019 the objective announced on 11 June 2018. In light of the plan's implementation ahead of schedule and the indicative offers received for other assets, the Group has raised its objective for the disposal of non-strategic assets in France to at least €2.5 billion, to be achieved by the first quarter of 2020.

A major store base streamlining plan (closures and disposals of loss-making stores) was initiated at the end of 2018, for an increase in trading profit on full-year basis (from 2020) of €90 million (integrated stores). Sales agreements have already been signed for €149 million. Most of the plan will be completed in the first half of 2019. The plan is self-funded; proceeds from the disposals finance the cost of closures, with a net gain for the Group.

France Retail's trading profit was €579 million, up 8.4% on an organic basis compared with 2017. Trading profit from the retail business came to \in 518 million, representing organic growth of 15.7%.

 Outside France, in Latin America, the Group's business rebounded strongly in an environment shaped by improved economic conditions. Net sales rose 8.9% on an organic basis and 4.5% on a same-store basis. GPA delivered a very good performance, with sales up 10.6% on an organic basis. The pace of organic growth at Éxito (excluding GPA Food) accelerated to 4.2%.

Within GPA Food, Multivarejo (Hypermarkets and Supermarkets) staged a strong recovery. Extra Hypermarkets maintained positive momentum. Same-store sales accelerated at Extra Supermarkets, lifted by conversions to the new Mercado Extra and Compre Bem formats. Pão de Açúcar pursued its programme of store renovations, which led to increased sales in the stores concerned. Same-store sales by the Convenience network rose sharply, thanks to the change of marketing strategy. Multivarejo pursued its digital transformation, with its "Meu Desconto" mobile app downloaded 7.5 million times. Assaí (Cash & Carry) accounted for 46% of GPA Food's annual sales in 2018. Helped by its robust marketing model and dynamic expansion programme, the banner delivered another very good performance, reporting more than 20% growth for the sixth year running.

Éxito continued to develop the Cash & Carry format in Colombia. Surtimayorista enjoyed very strong growth, with net sales up 47.8%⁽⁵⁾. Nine stores were converted to the banner during the year. Deployment of Éxito's Carulla Fresh Market concept continued dedicated to fresh products during the year. The hypermarkets reported a sequential increase in same-store sales, with the new Éxito Wow format helping to drive growth. Expansion of retail-related businesses continued, particularly property development, with a portfolio that now totals 735,000 sq.m. Lastly, growth in Éxito's omni-channel business in Colombia was a strong 33.4%⁽⁶⁾

Casino Group consolidated net debt stood at €3.4 billion at year-end versus €4.1 billion at year-end 2017. For Casino in France⁽²⁾, net debt came to €2.7 billion at year-end 2018, versus €3.7 billion at year-end 2017, due to the impact of the asset disposal plan. Free cash flow from continuing operations amounted to €1.2 billion before dividends and financial expenses.

France Retail

(€ millions)	2017	2018
Net sales	18,799	19,061
EBITDA	882	914
EBITDA margin (%)	4.7%	4.8%
Trading profit	536	579
Trading margin (%)	2.9%	3.0%

France Retail net sales totalled €19,061 million in 2018 versus €18,799 million in 2017, reflecting organic growth of 1.2% and same-store growth of 1.3% excluding fuel and calendar effects.

The trading profit of the France Retail segment increased 7.9% year on year, to €579 million. Trading profit for the retail business amounted to €518 million, reflecting organic growth of 15.7% that was attributable to an improved margin mix, the development of additional businesses (GreenYellow, data monetisation), the optimisation of the store base and the banner's success in signing up new store operators and franchisees. Property development trading profit stood at €61 million, compared with

Trading margin for the food retail business in France represented 3.0%

⁽¹⁾ Total gross sales under banner including Cdiscount.

⁽²⁾ Île-de-France, Rhône-Alpes and Côte d'Azur regions. (3) Online sales under the banners and Cdiscount's GMV.

⁽⁴⁾ The organic changes include sales and services at "corners" (stores-within-stores) but exclude sales made in Casino Group hypermarkets and supermarkets, and 1001Pneus (acquired in October 2018). The overall impact of their exclusion represented 1.1 points and 1.7 points for GMV and net sales respectively.

⁽⁵⁾ Data published by the subsidiary. 6) Casino Group holding company scope, including the French businesses and wholly-owned holding companies.



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

- ♦ Monoprix saw sales rise by 1.7% on an organic basis and 1.1% on a same-store basis. This good performance was driven by 2.6% same-store growth in food sales. Sales of organic products were up 12.3%. Customer traffic grew by 1.2% on a same-store basis, reflecting dynamic activity levels in Paris. Monoprix pursued its multi-channel strategy. Online sales continued to grow rapidly, lifted by the integration of Sarenza and the ramp-up of Amazon Prime Now. Since September 2018, Amazon Prime Now customers in Paris and the inner suburbs can purchase selected Monoprix food offers (Monoprix, Monoprix Gourmet, Monoprix Bio, La Beauté Monoprix, etc.) via a dedicated virtual store. The Monop'Easy app has been rolled out across the entire store base. Monoprix pursued its ambitious expansion programme in 2018, opening 37 stores including 24 Naturalia units.
- ♦ Casino Supermarkets continued to grow, with sales up 1.6% on an organic basis and 1.3% on a same-store basis. The banner maintained its focus on a more quality-oriented model, with the ramp-up of stores converted to the new concept and 21.2% growth in sales of organic products. In line with its innovation-led strategy, the new "4 Casino" store concept was unveiled in central Paris − a place to eat, relax and shop where digital services enhance the shopping experience − and the first store open 24/7 was opened in Lyon. Casino Supermarkets also pursued the development of its e-commerce business, with 95% of stores offering an innovative solution (drive-through, home delivery, etc.). Last year's dynamic performances by franchisees and the 12 new franchisees signed up during the year attest to Casino Supermarkets' attractiveness.
- Franprix enjoyed good momentum in 2018, reporting organic growth of 1.5% and same-store growth of 1.2%. Customer traffic was up 2.4% for the year. The banner continued to strengthen its private label, organic ranges and innovative initiatives. It also stepped up the development of restaurant and snack services. The banner pursued the deployment of stores that are 100% autonomous for part of the week. There were 55 such stores at end-2018. A new beauty and wellness concept, called "Le Drugstore Parisien", started to be deployed in Paris, delivering a very good performance right from its launch. The success of the mobile app, which has been downloaded 1.1 million times, and the 41 prizes awarded to the banner in 2018, attest to its innovation-led approach. Seven additional independent retailers joined the network and the first Franprix store was opened outside France, in Brussels.
- Sales by the Convenience network rose 4.1% on an organic basis and 1.7% on a same-store basis, driven by the banner's strong sales dynamic and the success of its loyalty programmes, including the Casino Max app rolled out to all integrated stores. The banner restructured its offering, focusing on fresh and organic products, qualitative services (bulk, juice machines, fresh-cut fruits and vegetables) were developed and a new green grocery store format, "Un Tour au Jardin", was trialled in Lyon. The Convenience business also continued with the optimisation of the integrated store base and the rapid development of the franchise network.
- Leader Price reported 1.8% growth in same-store sales this year. The banner continues to convert its stores to the new Next concept, with 112 units converted at end-2018 outperforming the other stores in the network. The banner also continued to restructure its offering, by expanding the organic and fresh product ranges, adding service counters, revamping its product packaging and rolling out the Sooa beauty and wellness brand.

♦ **Géant Hypermarkets** delivered 2.2% organic growth and 1.9% same-store growth. This performance was driven by a 3.4% increase in food sales, led by organic products (up 26.9%) and fresh products. The 49 hypermarkets featuring Cdiscount "corners" outperformed the other stores in the network. The banner grew its e-commerce sales by 16.5% over the year, by leveraging the operational excellence of its drive-through service and the ramp-up of the Casino Max app. Sunday opening and sales events also contributed to the banner's healthy sales trend. One additional independent retailer joined the banner's network in 2018.

GreenYellow

At end-December 2018, GreenYellow had an installed photovoltaic capacity of 190 MWp. Several major contracts were won during the year. In the fourth quarter, GreenYellow signed a 50 MWp contract in Brazil, contracts in Thailand for a total of 18 MWp at 34 sites and a partnership agreement with IBL, the leading Mauritian group active in several sectors targeted by GreenYellow (retail, manufacturing, hospitality, etc.) for the deployment of energy efficiency and solar power solutions at IBL facilities. In October, GreenYellow and Engie signed an agreement for the creation of the "Reservoir Sun" joint venture with the objective of deploying up to 50 MWp in 2019. Also during the year, a contract was signed with AccorHotels to manage its energy purchases, optimise its energy contracts and monitor energy use at its 1,400 hotels in France. GreenYellow currently has projects representing 200 MWp in the pipeline⁽¹⁾.

E-commerce (Cdiscount)

(€ millions)	2017	2018
GMV (gross merchandise volume)		
as reported by Cnova	3,304	3,646
EBITDA	(10)	19
o/w Cdiscount group	(7)	22
o/w holding companies	(4)	(2)

In E-commerce, gross merchandise volume (GMV) totalled €3.6 billion, representing organic growth of 9.3%⁽²⁾ in 2018.

This performance was led by:

- ongoing expansion of the marketplace, which contributed 34.3% to GMV. The number of references available on the marketplace rose 37% compared with 2017. "Fulfillment by Cdiscount" contributed 21% to GMV, up 30% over the year;
- a 23% increase in monetisation revenues, driven by the advertising and financial services sectors, among which the "Coup de Pouce" instant loan, which climbed 67%. Four new commission-based B2B2C services were successfully launched in 2018 (travel, energy, ticketing and leasing);
- the strong performances delivered by the Cdiscount corners, which were located in 49 stores at end-2018;
- the success of the sales events organised during the year, including Black Friday, French Days and events to mark the banner's anniversary.

⁽¹⁾ All projects currently being examined.

⁽²⁾ The organic changes include sales and services at "corners" (stores-within-stores) but exclude sales made in Casino Group hypermarkets and supermarkets, and 1001Pneus (acquired in October 2018). The overall impact of their exclusion represented 1.1 points and 1.7 points for GMV and net sales respectively.



Cdiscount continued to develop its "Cdiscount à Volonté" (CDAV) loyalty programme, for which the number of members rose 23% over the year. A new and enhanced offer is available for €29. In addition, a delivery service operated directly or through partner marketplaces has been deployed in 19 European countries.

The banner consolidated its status as the number two player in terms of monthly unique visitors via computer or mobile phone, extending its lead over its closest competitor⁽¹⁾. In the fourth quarter of 2018, the number of monthly unique visitors totalled 21 million⁽²⁾, representing over a third of the French population. 2018 confirmed the growing popularity of the mobile app, which accounted for 63% of customer traffic.

E-commerce EBITDA improved significantly, representing a positive €19 million in 2018 versus a negative €10 million in 2017, reflecting a quarter-on-quarter acceleration. The recovery was attributable to monetisation initiatives deployed throughout the year, actions in progress since the beginning of the third quarter to reinvigorate the marketplace and tight control of operating costs.

Latam Retail

(€ millions)	2017	2018
Net sales	16,782	15,577
EBITDA	1,029	932
EBITDA margin	6.1%	6.0%
Trading profit	713	644
Trading margin	4.2%	4.1%

Latam Retail net sales were €15,577 million in 2018, up 8.9% on an organic basis and 4.5% on a same-store basis excluding fuel and calendar effects.

In Brazil, GPA Food put in an excellent trading performance, with 10.6% organic sales growth and 5.0% same-store growth.

Multivarejo (Hypermarkets, Supermarkets, Convenience) staged a recovery, reporting same-store growth of 3.6%⁽³⁾. Extra Hypermarkets maintained good momentum this year. Same-store sales growth accelerated at Extra Supermarkets, lifted by conversions to the new Mercado Extra and Compre Bem formats. The converted stores have been delivering solid growth. Same-store sales by the Convenience network increased steadily over the year, thanks to the new marketing plan (revamped assortment, exploitation of sales event synergies with Extra and Pão de Açúcar and steps to strengthen the private label). Pão de Açúcar remained on a positive trajectory, helped by the programme of store conversions to the "Generation 7" format. The converted stores are enjoying significantly faster growth than the rest of the store base. The banner also deployed a new wine store concept "Pão de Açúcar Adega", combining a specialised store, an e-commerce platform and a mobile app. Multivarejo also focused on repositioning its private labels, which are increasingly in demand among customers of its hypermarkets, supermarkets and convenience stores, deploying a total of 500 new private-label products this year. The banner pursued the roll-out of its digital solutions based on the "Meu Desconto" app, which had been downloaded 7.5 million times at end-2018.

◆ Assaí (Cash & Carry) reported organic growth of 24.2% and same-store growth of 8.1%⁽³⁾ (sixth consecutive year of above-20% growth), thanks to its powerful sales model and dynamic expansion programme. The Cash & Carry stores opened in the last 12 months achieved the best sales per sq.m. performances for the past five years. The banner, which accounted for 47% of GPA Food's sales in 2018, continued to develop its loyalty programme, with 600,000 Passaí cards issued. At end-2018, the network comprised 144 Cash & Carry outlets, with a total of 18 outlets opened during the year, including two converted from Extra hypermarkets.

Éxito continued to develop the Cash & Carry format in Colombia. The Surtimayorista banner, which reported sales up by a strong 47.8%⁽³⁾ in 2018, opened nine stores during the year by converting existing stores. These stores doubled their sales following their conversion. The Group continued to deploy Carulla Fresh Market, the concept dedicated to fresh products. The hypermarkets reported a sequential increase in same-store sales, with the new Éxito Wow format helping to drive growth. Éxito continued to develop its complementary businesses, such as property development with the delivery of the Viva Envigado and Viva Tunja projects in October 2018. The property network now totals 735,000 sq.m. Lastly, the Group pursued its omni-channel strategy with sales growth of 33.4%⁽³⁾ in Columbia. Deployment of the Carulla and Éxito mobile apps underscored the banner's digital transformation.

Latam Retail trading profit amounted to €644 million, a year-on-year change of -9.7% as reported and an increase of 7.1%. Excluding tax credits, Latam Retail trading profit was up 22.3% at constant exchange rates. The segment's trading margin was 4.1% in 2018. GPA reported a trading margin of 4.2% versus 4.3% in 2017. Trading margin at Éxito (excluding GPA Food) was 4.0% compared with 4.1% in 2017.

⁽¹⁾ Mediamétrie/Fevad at 5 February 2019.

⁽²⁾ The organic changes include sales and services at "corners" (stores-within-stores) but exclude sales made in Casino Group hypermarkets and supermarkets, and 1001Pneus (acquired in October 2018). The overall impact of their exclusion represented 1.1 points and 1.7 points for GMV and net sales respectively.



Casino financial highlights

The Casino Group's key consolidated figures for 2018 were as follows:

(€ millions)	2017	2018	Change (%)	Organic change
Consolidated net sales	37,490	36,604	-2.4%	+4.7% ⁽¹⁾
EBITDA ⁽²⁾	1,900	1,865	-1.9%	+6.7%(4)
Trading profit	1,213	1,209	-0.3%	+9.8%(3)
Other operating income and expenses	(480)	(375)	+21.9%	
Net financial expense	(446)	(465)	-4.3%	
Income tax	(48)	(204)	n.m.	
Share of profit of equity-accounted investees	13	17	+36.0%	
Net profit/(loss) from continuing operations, Group share	108	(45)	n.m.	
Net profit/(loss) from discontinued operations, Group share	(7)	(9)	-33.2%	
Consolidated net profit/(loss), Group share	101	(54)	n.m.	
UNDERLYING NET PROFIT, GROUP SHARE(4)	351	318	-9.4%	2.0%(5)

- (1) Based on a comparable scope of consolidation and constant exchange rates, excluding fuel and calendar effects.
- (2) EBITDA = Trading profit + amortisation and depreciation expense.
- (3) Based on a comparable scope of consolidation and constant exchange rates, excluding the effect of hyperinflation.
- (4) Underlying net profit corresponds to net profit from continuing operations adjusted for the impact of other operating income and expenses, the impact of non-recurring financial items, and income tax expense/benefits related to these adjustments (see Appendix 1).
- NB: The 2017 financial statements have been restated to reflect the impact of IFRS 15.

Consolidated net sales amounted to €36,604 million in 2018 versus €37,490 million in 2017, representing an increase of 4.7% on an organic basis and a change of 2.4% after taking into account the negative impact of currency movements. Changes in the scope of consolidation had a positive impact on sales of 0.2%. The currency effect and hyperinflation had a negative impact of 7.2%.

Consolidated trading profit came to €1,209 million in 2018 compared with €1,213 million in 2017, representing an increase of 9.8% on an organic basis and a change of 0.3% including the negative impact of currency movements. Excluding tax credits, trading profit was up 18.0% on an organic basis and 8.2% as reported.

Other operating income and expenses amounted to a net expense of €375 million in 2018 versus a net expense of €480 million in 2017.

In France, other operating income and expenses represented a net expense of €263 million, corresponding mainly to restructuring costs incurred to complete the major store transformation plans (conversion to the "Next" concept at Leader Price, the "Mandarine" concept at Franprix and Proximité). These expenses also include non-recurring expenses recognised in 2018 in relation to closures of loss-making stores, which will be more than offset by the proceeds from disposals of other loss-making stores in 2019.

Net other operating expense of ϵ 480 million in 2017 mainly comprised costs related to:

- ⋄ reductions in Géant retail space;
- roll-out of the "Mandarine" concept;
- overhaul of food services;
- streamlining of the Convenience network.

Net financial expense totalled €465 million in 2018 (€446 million in 2017), reflecting:

- ♦ finance costs, net of €327 million versus €367 million in 2017;
- ♦ other net financial expenses of €138 million, compared with other net financial expenses of €78 million in 2017.

Profit before tax came in at €369 million in 2018, an increase of 28.8% compared with €286 million in 2017.

Consolidated net profit (loss) from continuing operations, Group share came to a loss of €45 million, versus a profit of €108 million in 2017.

Consolidated net profit (loss), Group share was a loss of €54 million versus a profit of €101 million in 2017.

Underlying net profit from continuing operations, Group share was €318 million versus €351 million in 2017, a decrease of 9.4% that was due to the 7.4% negative currency effect and the higher effective tax rate.

Financial position

Casino Group net debt at 31 December 2018 stood at €3.4 billion versus €4.1 billion at 31 December 2017. Excluding the impact of the Ségisor operation, net debt was stable in E-commerce and Latam. The value of Via Varejo⁽¹⁾ was impacted by the currency effect.

For **Casino in France, net debt**⁽²⁾ was reduced sharply over the year, to €2.7 billion at 31 December 2018, versus €3.7 billion a year earlier, due to the impact of the asset disposal plan.

⁽¹⁾ Latam Electronics operations (aggregated with the Via Varejo subsidiary) have been classified as discontinued operations since end-2016. They are recognised in the financial statements under cash and cash equivalents at their carrying amount. As a result, fluctuations in the corresponding currencies continue to have an impact on the Group's net

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



Cash flow statement for the Group's continuing operations (€ millions)	2018
EBITDA	1,865
Non-recurring items	(289)
Other non-cash items	(2)
Cash flow	1,574
Change in working capital	(192)
Тох	(241)
Cash flow	1,141
Investments (gross capex)	(1,185)
Asset disposals	507
Net capex	(677)
Free cash flow ⁽¹⁾ , before disposal plan	463
Disposal plan	734
FREE CASH FLOW ⁽¹⁾	1,197
FREE CASH FLOW ⁽¹⁾ EXCLUDING NON-RECURRING ITEMS	1,486

⁽¹⁾ From continuing operations, before dividends paid in 2018 in respect of 2017 and 2018 to owners of the parent and holders of TSSDI deeply-subordinated bonds, and before financial expenses. See note on alternative performance indicators in Appendix 1.

Free cash flow from continuing operations before dividends and financial expenses amounted to €1.2 billion this year. The change in working capital was -€192 million in 2018 versus -€303 million in 2017.

Consolidated equity, Group share totalled €6,731 million compared with €7,555 million at end-2017.

At 31 December 2018, **Casino in France**⁽²⁾ had a liquidity position of €5 billion, corresponding to a **gross cash** position of €2.1 billion and **confirmed undrawn credit facilities** of €2.9 billion with an average

maturity of 2.4 years. Outstanding commercial paper at that date amounted to $\ensuremath{\mathfrak{e}}$ 221 million.

Casino has been rated Ba1 (negative outlook) by Moody's since 28 September 2018 and BB (negative outlook) by Standard & Poor's since 3 September 2018.

At 31 December 2018, the price of Casino shares was \leqslant 36.34, and market capitalisation was \leqslant 4 billion. At that same date, Rallye held 51.7% of Casino shares and 63% of its voting rights.

Other assets

Groupe GO Sport

Consolidated net sales for Groupe GO Sport amounted to €885 million, up 9.8% compared with 2017, including a 4.9% increase on a same-store basis and at constant exchange rates.

Excluding Courir, consolidated net sales amounted to €494 million, up 5.4% versus 2017 including 3.3% growth on a same-store basis and at constant exchange rates.

Same-store sales in **GO Sport France's** network of integrated stores grew 6%. The banner's clearer commercial positioning as a sports coach and the new in-store merchandising approach for shoes, based on a wall display, started to deliver results in the shape of a 3% increase in traffic. The loyalty programme was revamped by creating a system of award credits and adding innovative card holder services such as the opportunity to fix an appointment with an expert salesperson. A new street-style store was opened in the SO Ouest shopping centre in Levallois, a suburb of Paris. The programme to streamline the store base continued apace, with the closure of ten integrated stores during the year.

GO Sport Poland opened two new stores in a highly competitive environment exacerbated by a ban on Sunday opening. The 2018 launch of the e-commerce website marked the first step in the omni-channel strategy. Additional cost cutting measures were deployed in response to the worsening market conditions.

On 28 February 2019, Groupe GO Sport completed the disposal of the **Courir business** to Equistone for an equity value of €283 million.

In order to speed up Groupe GO Sport's transformation, a new management team came on board in early 2019, with Philippe Favre appointed as Chairman of the Board of Directors and Brice Garnier as Chief Executive Officer. The two executives are experienced turnaround specialists who work for the Prospheres consulting firm.

All networks combined, Groupe GO Sport operated a total of 328 stores at 31 December 2018, of which 77 outside France.

Investment portfolio

Rallye's investment portfolio was valued at €45 million at 31 December 2018 (versus €51 million at 31 December 2017).

At the end of 2018, the portfolio comprised financial investments with a market value $^{(1)}$ of \leqslant 38 million (versus \leqslant 44 million at end-2017) and property programmes measured at historical cost for \leqslant 7 million (unchanged from end-2017).

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



Comments on the financial statements



Consolidated financial statements_

Main changes in the scope of consolidation

- Acquisition of Sarenza on 30 April 2018 (Monoprix)
- ♦ Various store disposals and acquisitions during 2018 by Franprix-Leader Price

Currency effect

Currency effects were unfavourable in 2018, with the Brazilian real and Colombian peso losing an average 16.3% and 4.3% against the euro, respectively, compared with 2017.

Results

Rallye reported consolidated net sales of €37.5 billion in 2018 versus €38.3 billion in 2017. 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:

	20	2017		2018	
(€ millions)	Net sales	%	Net sales	%	
France Retail	18,799	49%	19,061	51%	
Latam Retail	16,782	44%	15,577	42%	
E-commerce	1,908	5%	1,965	5%	
Other ⁽¹⁾	813	2%	891	2%	
TOTAL	38,302	100%	37,495	100%	

⁽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:

	20	2017		18
(€ millions)	Net sales	%	Net sales	%
France	21,443	56%	21,839	58%
Latin America	16,782	44%	15,568	42%
Other	77	0%	87	0%
TOTAL	38,302	100%	37,495	100%

Recurring operating income totalled €1,209 million in 2018 versus €1,207 million in 2017. 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 €383 million in 2018 versus a net expense of €490 million in 2017.

The **cost of net debt** totalled €454 million versus €480 million in 2017. Other financial income and expenses amounted to a net expense of €164 million in 2018 compared to a net expense of €85 million in 2017.

Earnings before tax were €207 million for the year compared to a loss of €152 million in 2017.

The **share of net income of equity-accounted investees** was €14 million versus €10 million in 2017.

Consolidated net loss, Group share came in at €223 million in 2018 versus a loss of €102 million in 2017.

Rallye ended the year with an **underlying net loss, Group share**⁽¹⁾ of €14 million compared to underlying net income of €26 million in 2017.

⁽¹⁾ Underlying net income/loss corresponds to net income/loss 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 14).



Financial structure

Consolidated Group

♦ Equity

Equity attributable to owners of the parent was €958 million at 31 December 2018 compared with €1,362 million at 31 December 2017. This decrease chiefly reflects:

- ⋄ recognition of currency translation losses for €194 million;
- changes in ownership interests without gain or loss of control of subsidiaries, representing a positive €16 million;
- ♦ net loss, Group share for the year of €223 million;
- ♦ equity transactions for a negative €16 million;
- ♦ transactions in treasury shares, representing a positive €2 million.

♦ Leverage

At 31 December 2018, the ratio of consolidated EBITDA (recurring operating income adjusted for recurring operating depreciation and amortisation expense) to the cost of net debt was 4.14.

Rallye's consolidated net debt was €6,391 million at 31 December 2018 compared to €7,168 million at 31 December 2017, broken down between the following entities:

- ♦ Casino Group: net debt of €3,422 million (€4,126 million at end-2017);
- Rallye holding company scope: net debt of €2,899 million (€2,877 million at end-2017);
- ♦ debt relating to other Rallye assets: €70 million (€165 million at end-2017)

The gearing ratio (consolidated net debt to equity) was 63% at end-2018 compared with 64% at end-2017 and can be analysed as follows:

(€ millions)	2017	2018
Net debt	7,168	6,391
Total equity	11,229	10,187
Gearing ratio	64%	63%

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.

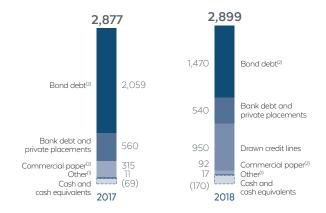
♦ Borrowings and debt

Rallye's net debt totalled €2,899 million at 31 December 2018 versus €2,877 million a year earlier. Changes in Rallye's net debt are detailed below:

(€ millions)	2017	2018
Net debt at 1 January	2,899	2,877
Net finance costs (A)	119	150
o/w cost of net debt	107	121
o/w commissions on bank lines and		
extensions	77	30
General expenses (B)	14	4
Dividends paid by Rallye (C)	15	18
Dividends received from Casino (D)	(177)	(177)
Recurring cash flow (A+B+C+D)	(29)	(5)
Net (disposals)/acquisitions of portfolio		
investments and treasury stock	(5)	16
Other	11	12
NET DEBT AT 31 DECEMBER	2,877	2,899

Rallye reported positive recurring cash flow⁽¹⁾ of €5 million in 2018 (€29 million in 2017).

Borrowings and debt for the Rallye holding company scope at 31 December 2018 break down as follows:



- (1) "Other" corresponds to accrued interest and IFRS restatements.
- (2) Bond interest and commercial paper are not secured by assets.

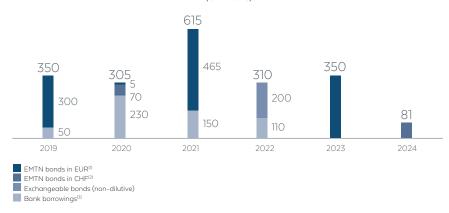
♦ Debt maturity schedule

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

At 31 December 2018, the average maturity of Rallye's bond and bank debt was 2.3 years.

BOND AND BANK LOAN MATURITY SCHEDULE

(€ millions)

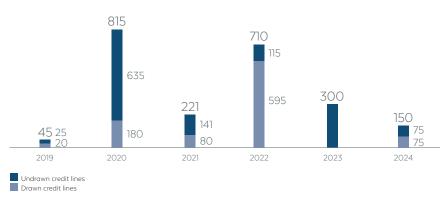


- (1) None of the bond issues are secured by assets. The total (excluding EMTNs) includes the €5 million outstanding balance on the 2020 exchangeable bond issue. (2) The currency risk was hedged on the issue date over the life of the bonds.
- (3) At 31 December 2018, €150 million in bank loans were secured by a pledge of 5.1 million Casino shares.

The average maturity of the confirmed credit lines is 2.8 years, as shown below:

CONFIRMED CREDIT LINE MATURITY SCHEDULE(1)

(€ millions)



(1) Including credit lines totalling €1.41 billion for which drawdowns are secured by Casino share pledges. At 31 December 2018, 33.2 million Casino shares were pledged as collateral for drawdowns of €920 million.

Rallye has a robust liquidity position, with €1.3 billion of confirmed undrawn credit lines at 31 December 2018.

♦ 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 broke down as follows at 31 December 2018:

♦ €150 million in bank loans subject to Casino share pledges;

♦ €1.41 billion in credit lines also require Casino share pledges, but only when drawn. Drawdowns secured by share pledges at 31 December 2018 amounted to €920 million.

Bonds and commercial paper are not subject to asset pledges.

At 31 December 2018, out of a total 56.7 million Casino shares held by Rallye, 38.2 million were pledged. The shares were pledged as collateral for bank loans and credit lines representing €1,070 million worth of financing.

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Coverage of borrowings and debt by net asset value

Rallye assets, measured at fair value for unlisted assets and at the share price for listed assets, came to $\[\in \]$ 2,240 million at 31 December 2018 and $\[\in \]$ 2,745 million at 12 March 2019. Management considers that the Casino share price is of little significance against a backdrop of short selling on an unprecedented scale.

	Number of securities	Share price (€)	Net asset value (€ millions)
Casino	56,714,263	36.34	2,061
Other assets			180
o/w investment portfolio			45
o/w Groupe GO Sport ⁽¹⁾			102
o/w miscellaneous ⁽²⁾			32
Net asset value			2,240
Net debt			2,899

⁽¹⁾ Valued at the 2014 compulsory buyout price of €9.10.

Appendix 1: Alternative performance indicators

The definition of key non-GAAP indicators are available on Rallye's website (http://www.rallye.fr/en/investors/financing), particularly underlying net income (see below).

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

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

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

			2018			2017
(€ millions)	2018	Restated	underlying	2017	Restated	underlying
Recurring operating income	1,209		1,209	1,207	-	1,207
Other operating income and expenses	(383)	383	-	(490)	490	-
Operating income	825	383	1,209	717	490	1,207
Cost of net debt	(454)	-	(454)	(480)	-	(480)
Other financial income and expenses	(164)	54	(110)	(85)	(40)	(125)
Income tax expense	(209)	(9)	(218)	(41)	(104)	(145)
Share of net income of equity-accounted investees	14	-	14	10	-	10
Net income from continuing operations	13	428	441	121	346	468
Attributable to non-controlling interests ⁽¹⁾	230	224	454	220	222	442
Attributable to owners of the parent	(218)	204	(14)	(99)	124	26

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

Rallye parent company financial statements

Results

Rallye reported an operating loss of €32.7 million, compared with an operating loss of €25.8 million in 2017.

Rallye had a headcount of 23 at 31 December 2018.

Rallye also recorded &82.2 million in net financial income for the year, compared with net financial income of &676.3 million in 2017.

Net financial income primarily includes the following:

Income

Dividends from Casino of €113.1 million.

Reversals of provisions and impairment, primarily relating to the redemption premium on the 2020 exchangeable bond, virtually all of which (\in 24.2 million) was redeemed.

Expenses

Allocations to financial provisions, mainly for:

 impairment of investments in subsidiaries and associates for €4.5 million (primarily Parande and Miramont Finance & Distribution shares);

- ♦ shares held under the liquidity agreement at the end of the year for €1.8 million;
- amortisation of early redemption premiums and redemption premiums on bonds for €2.3 million and provision for redemption premiums on the 2020 exchangeable bonds for €3.2 million;
- ♦ the unrealised loss on the two total return swaps (TRSs) on Mercialys shares for €4.3 million.

Non-recurring expense amounted to €2.5 million.

Net income for the year amounted to €47.1 million versus net income of €58 million in 2017.

Financial structure

At end-December 2018, shareholders' equity totalled $\[mathemath{\in}\]$ 1,787.7 million versus $\[mathemath{\in}\]$ 1,774.5 million at 31 December 2017. The increase in this item was mainly attributable to 2017 scrip dividends of $\[mathemath{\in}\]$ 51.2 million, which led to a $\[mathemath{\in}\]$ 33.2 million increase in equity, offsetting cash dividends of $\[mathemath{\in}\]$ 18 million, and to the inclusion of 2018 net income of $\[mathemath{\in}\]$ 47 million and the cancellation of 1.66 million treasury shares resulting in a $\[mathemath{\in}\]$ 15 million reduction in equity.

⁽²⁾ Including Rallye treasury shares valued at the closing price at 31 December 2018, at €9.01.



Supplier and customer payment terms_

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

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

	Invoices re	Invoices received and due but not yet settled at the year-end				Invoices	Invoices issued and due but not yet settled at the year-end				tled	
		14-	31 to	61 to		Total		14-	71 +-	C1+-		Total
	0 days	1 to 30	60	90	91+	(1 day or	0 days	1 to 30	31 to 60	61 to 90	91+	(1 day or
(€ thousands)	(indicative)	days	days	days	days	more)	(indicative)	days	days	days	days	more)
(A) Overdue invoices by period												
Number of invoices concerned	46					10	-					-
Total value excluding taxes of the invoices concerned	230	325	0	8	-	333	-	-	-	-	-	-
% of total value of invoices received/issued (excluding taxes) for the year	2.5%	3.6%	0.0%	0.1%	0.0%	3.7%						
% of net sales (excluding taxes) for the year							0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(B) Invoices excluded from (A) because they are	disputed or n	ot reco	gnised i	n the fir	ancial	stateme	nts					
Number of invoices excluded				None						None		
Total value of the invoices excluded (excluding taxes)				None						None		
(C) Benchmark payment terms used - Articles L	441-6 or L. 4	143-1 of	the Fre	nch Cor	nmercio	al Code	·					
Benchmark payment terms used to determine overdue invoices	Variable d te	contract rms	ual				Con		l terms: n invoic		0 days	

Dividend

Rallye's income statement for the year ended 31 December 2018 shows net income of €47,072,388.29, and the Board of Directors proposes that it be allocated as follows:

(€)		2018
Net income for the year		47,072,388.29
Allocation to the legal reserve	(-)	502,032.60
Prior year retained earnings	(+)	42,983,650.24
Distributable net income	(=)	89,554,005.93
Dividend distribution ⁽¹⁾	(-)	52,238,769.00
RETAINED EARNINGS	(=)	37,315,236.93

⁽¹⁾ The total dividend amount is determined based on the number of shares at 3 April 2019 it being specified that in case of change in the number of shares with rights to a dividend, the total amount will be adjusted accordingly and the amount allocated to retained earnings will be determined based on dividends.

On 13 March 2019, the Board of Directors decided to recommend to the Shareholders' Meeting of 15 May 2019 a dividend of €1 per share, to be paid on 22 May 2019.

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

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

A table presenting net income for the past year and the four preceding years appears on page 204 of this Registration Document.



Dividend policy_

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

	31 Dec. 2014	31 Dec. 2015	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018 ⁽¹⁾
Net dividend (€/share)	1.83	1.83	1.40	1.00	1.00
Number of shares	48,761,450	48,778,526	48,831,113	52,064,824	53,738,266
Maximum payout (€)	89,233,454	89,264,703	68,363,558	52,064,824	53,738,266

⁽¹⁾ In accordance with the resolutions proposed to the Shareholders' Meeting on 15 May 2019.

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 L. 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.

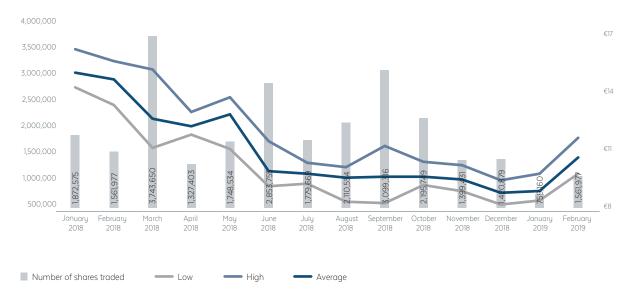
Stock market information

The Rallye share is listed for trading on Euronext Paris (compartment B). ISIN code: FR0000060618.

High (5 January 2018)	€16.32
Low (21 December 2018)	€8.50
Share price at 31 December 2018	€9.01
Trading volume in 2018 (in shares)	25,113,492
Trading volume in 2018 (in value)	€284 million

At 31 December 2018, Rallye had a stock market capitalisation of \in 484 million.

RALLYE SHARE - MONTHLY SHARE PRICE TRENDS IN 2018 AND EARLY 2019





Recent trends and outlook (unaudited data)



Recent events

Casino

- On 19 January 2019, the Casino Group announced that it had signed agreements to sell six Géant hypermarkets in France to members of Groupement E. Leclerc for a combined consideration of €100.5 million covering both the hypermarket properties and the businesses. These hypermarkets are located outside the Paris region and are among the least performing in the network. They represented combined net sales of around €150 million in 2018 and a total trading loss of around €8 million. The sales are expected to be completed in the first half of 2019. The agreements provide for the continuation of the employment contracts of the stores' staff.
- On 21 January 2019, the Casino Group announced that it had signed an agreement with funds managed by Fortress Investment Group for the sale of 26 store properties (13 Géant Casino hypermarkets, three Casino hypermarkets and ten Casino supermarkets) worth a total of €501 million, including €392 million received on 11 March 2019. Located primarily outside of Paris in the Group's traditional French operating regions, the 26 properties represent €31.8 million in annual rent and offer an estimated yield of 5.9% including transfer costs. The Fortress funds will create a specific entity to acquire the portfolio in order to enhance its value and sell it on the market under the best possible conditions. The Casino Group will receive an interest in this new entity, enabling it to benefit from the value created by the transaction. Depending on the entity's performance, the Casino Group could receive up to an additional €150 million in the next few years. On completion of the transaction, the Group achieved its initial objective of disposing of €1.5 billion worth of non-core assets, set on 11 June 2018. The transaction was completed on 11 March 2019.
- On 14 February 2019, the Casino Group announced the signature of an agreement with Compass Group providing for the sale of Casino's contract catering services, R2C. The transaction is expected to be completed by the end of the first half of 2019, subject to consultation with the employee representative bodies and the approval of the French Competition Authority.
- ⋄ On 15 February 2019, the Casino Group signed agreements for the sale of integrated stores and stores operated by master franchisees valued at a total of €42 million. In the case of the integrated stores, these commitments represent a value of €25 million in sale proceeds and relate to the following: 17 stores (eight Leader Price stores, eight Casino supermarkets and one Casino hypermarket) to be sold to Lidl, and the Géant hypermarket business in Roubaix to be sold to a member of Groupement E. Leclerc, with the hypermarket property to

- be sold to the owner of the shopping mall. These 18 stores represented net sales of $\in 88$ million in 2018 for a trading loss of $\in 12$ million. At the same time, master franchisees of the Group have signed agreements to sell 16 stores (nine Leader Price stores and seven Casino supermarkets) to Lidl for a total of $\in 17$ million. These 16 stores represented net sales of $\in 60$ million in 2018 for a trading loss of $\in 9$ million. The agreements provide for the continuation of the employment contracts of the stores' staff, in accordance with the law. The disposals are expected to be completed in the first half of 2019, subject to prior consultation with the employee representative bodies and the fulfilment of the usual conditions precedent.
- ♦ On 28 February 2019, the Casino Group signed agreements for the sale of two Géant hypermarkets located in the towns of Nevers and Montauban to Groupement Les Mousquetaires for a total of €23.4 million covering the value of the hypermarket properties and businesses. These hypermarkets are among the least performing in the network. They represented net sales of some €36 million for a trading loss of around €3.5 million. The agreements provide for the continuation of the employment contracts of the stores' staff, in accordance with the law. The disposals are expected to be completed in the first half of 2019, subject to prior consultation with the employee representative bodies, with whom a meeting was held on Wednesday, 27 February 2019, and the fulfilment of the usual conditions precedent.
- On 6 March 2019, the Casino Group officially launched Horizon International Services, its alliance with Auchan Retail, Metro and Dia. Announced in June 2018, Horizon International Services is dedicated to selling services to suppliers that operate internationally. After being granted approval by the relevant competition authorities, Horizon International Services has been up and running since 15 February 2019 and covers the 47 countries in Europe, Asia and South America in which these companies do business.
- On 2 April 2019, the Casino Group noted Moody's decision to downgrade its credit rating from Ba1 with a negative outlook to Ba3 with a negative outlook. However, it highlighted that Moody's analysis is based on Casino's 2018 gross debt, which does not take into account the asset disposal plan or the future decrease in bond debt. The Casino Group affirmed that the downgrade has not had any impact on the availability or cost of financial resources.

Groupe GO Sport

⋄ On 28 February 2019, Groupe GO Sport completed the sale of Courir to Equistone Partners Europe for an equity value of €283 million.



Outlook

Casino

In light of the plans already carried out and the new initiatives under way, the Casino Group has set the following objectives for 2019:

- Retail France: 10% growth in trading profit for the retail business, €0.5 billion in free cash flow⁽¹⁾ and a further reduction in net debt;
- ♦ E-commerce (Cdiscount): a sharp improvement in EBITDA, driven by marketplace growth and monetisation revenues;
- ♦ Latin America: an increase in the EBITDA margin, of which more than 30 bps in the EBITDA margin in Brazil and an improvement in the EBITDA margin in Colombia.

After significantly transforming its operations in France over the past four years, the Casino Group now draws on a model aligned with market trends and presents its objectives for 2019-2021:

- open 300 premium and convenience stores by 2021;
- increase in the share of buoyant formats with a reduced exposure to hypermarkets to 15% of gross sales under banner (vs. 21% in 2018);
- ♦ become the number one in organic products in 2021, with net sales of €1.5 billion (vs. €1 billion in 2018);
- ♦ increase the proportion of E-commerce sales to 30%⁽²⁾ in 2021 (vs. 18%⁽²⁾ at end-2018), thanks to the continued development of Cdiscount with a marketplace contribution above 50%, and faster digitalisation of customer relationships notably through mobile apps (already 10 million downloads);
- ♦ leadership in grocery home delivery thanks to the Ocado and Amazon Prime Now partnerships;

- develop new services businesses around the Group's assets:
 - energy (GreenYellow): consolidate the leadership position in self-consumption in France with 950 MWp of installed capacity by 2021 (vs. 190 MWp at end-2018),
 - data (3W.relevanC) and Data Center (ScaleMax): revenues of €130 million in 2021 (vs. €41 million in 2018),
 - a plan to reduce costs by €200 million by 2020.

The Casino Group has set the following financial targets for France for the period 2019-2021:

- ♦ increase in the EBITDA margin and the trading margin for the retail business of 0.2 points per year;
- ♦ growth in trading profit for the retail business of 10% per year;
- ♦ free cash flow of €0.5 billion per year;
- ♦ gross retail CAPEX below €350 million per year, in line with depreciation expense.

Rallye

Rallye's recurring cash flow⁽³⁾ remained slightly positive in 2018 and the Company also benefits from a robust liquidity position, with €1.3 billion worth of undrawn credit lines at 31 December 2018.

Rallye reiterates its strategy to maximize its assets' value and confirms the strength of its financial structure.

To the best of the Company's knowledge, at 28 February 2019⁽⁴⁾ no factors have come to light since 31 December 2018 that are likely to have a material impact on the Group's financial or trading position.

⁽²⁾ Online sales under the banners and Cdiscount's GMV.
(3) Dividends received from Casino, net of dividends paid by Rallye, net finance costs and general expenses.



Share capital and share ownership



Share capital

Rallye's share capital at 31 December 2018 totalled \in 161,214,798, divided into 53,738,266 shares with a par value of \in 3 each. At the same date in 2017, the Group's share capital was \in 156,194,472, divided into 52,064,824 shares with a par value of \in 3 each.

The change reflects the award of 278,330 new shares under two free share plans, the creation of 3,058,947 shares for the purpose of paying a scrip dividend and the cancellation of 1,663,835 shares.

The following notifiable interests were disclosed in 2018:

Shareholding structure_

At 31 December 2018, Foncière Euris held 59.47% of the share capital and 73.13% of the voting rights.

At 31 December 2018, Rallye held 1,335,546 shares under a liquidity agreement compliant with the code of conduct of the French Financial Markets Association (Association française des marchés financiers – AMAFI) and 309,572 treasury shares.

	Date threshold	% change	Number of shares	Number of voting		% of voting
Shareholder	crossed	in interest disclosed	concerned	rights concerned	% of capital	rights
Crédit Agricole SA*	05/01/2018	5% decrease in share capital	15,007	15,007	0.03%	0.02%
Crédit Agricole SA*	09/02/2018	5% increase in share capital	3,722,334	3,722,334	7.15%	4.62%

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

To the Company's knowledge, no other shareholder held more than 5% of the capital or voting rights at 31 December 2018.

Share buyback programme.

Transactions completed in 2018 and until 28 February 2019

Liquidity agreement

On 10 June 2005, to encourage transaction liquidity and price stability for Rallye shares, the Company entrusted Rothschild et Cie Banque with the implementation of a liquidity agreement. The agreement complied with the code of conduct issued by the AMAFI and approved by the AMF in its decision dated 1 October 2008. To implement this agreement, the Company allocated 370,000 shares and £1.5 million to a liquidity account.

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

In 2018, a total of 1,452,349 shares were bought back and 629,803 were sold under the liquidity agreement at an average price of \in 11.08 and \in 11.58, respectively. At 31 December 2018, the liquidity account held 1,335,546 shares and \in 11 million.

Rallye signed a new liquidity agreement with Rothschild Martin Maurel taking into account the changes in regulations governing such agreements (AMF decision 2018-01 dated 2 July 2018), which came into effect on 1 January 2019. The new contract replaces the previous liquidity agreement entered into with Rothschild Martin Maurel on 10 June 2005.

From 1 January 2019 to 28 February 2019, a total of 43,987 shares were purchased and 43,987 were sold under the liquidity agreement at an average price of €10.31 and €10.46, respectively.

Other transactions

In 2018, the Company purchased 1,973,407 shares at an average price of €9.4167 per share through an investment service provider acting in the name of and on behalf of the Company on an arm's length basis. The Annual Shareholders' Meeting of 10 May 2017 authorised the Board of Directors to reduce the share capital by cancelling shares bought back by the Company, by 24-month periods. Over the 24-month period beginning 27 February 2017 and ending 28 February 2019, the Board of Directors cancelled 1,663,835 shares: 278,524 shares on 25 July 2018 and 1,385,311 shares on 13 December 2018 representing 3.10% of the Company's capital at 13 December 2018.



Share buyback programme submitted to the Annual Shareholders' Meeting for approval

On 15 May 2019, the Shareholders' Meeting was asked to renew the authorisation granted to the Board of Directors to buy back shares of the Company pursuant to Article L. 225-209 of the French Commercial Code, in order to:

- ensure the liquidity of and stimulate the market for Company securities through an independent investment services provider acting in the name and on behalf of the Company, under the terms of a liquidity agreement compliant with a code of conduct recognised by the AMF;
- implement any Company stock option plan under the provisions of Articles L. 225-177 et seq. of the French Commercial Code, any savings plan in accordance with Articles L. 3332-1 et seq. of the French Labour Code (Code du travail), or any free share award carried out in line with the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code, or any other share-based compensation mechanism;
- deliver the shares upon exercise of rights attached to securities granting rights to Company shares through redemption, conversion, exchange, presentation of warrants or debt securities convertible to or exchangeable for Company shares, or any other means;
- cancel all or part of these shares in order to optimise earnings per share in the context of a share capital reduction under the conditions provided for by law;
- keep them for subsequent delivery in payment or consideration as part of or following any external growth transactions;
- implement any future market practice authorised by the AMF and, generally, carry out any transaction compliant with applicable regulations.

The maximum purchase price is set at €60 per share.

This authorisation may be used to raise the number of shares held in treasury to no more than 10% of the share capital at 13 March 2019, *i.e.*, 5,209,314 shares corresponding to a theoretical maximum investment of \leqslant 312,558,840 calculated based on the maximum purchase price of \leqslant 60 stipulated in the 18th resolution to be submitted to the vote at the Shareholders' Meeting of 15 May 2019, it being specified that when Company shares are purchased under a liquidity agreement, the number of those shares included in the calculation of the 10% threshold will be equal to the number of such shares purchased, minus the number of shares sold under the liquidity agreement during the period of the authorisation.

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

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

This authorisation to buy back shares is given for a period that will expire at the Shareholders' Meeting convened to approve the 2019 financial statements and management report, and no later than 15 November 2020.

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



Authorised and unissued capital.

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

Type of issue	Extraordinary Shareholders' Meeting	Period of validity	Expiry date	Maximum par values ⁽¹⁾
Delegation of authority to increase the share capital by capitalising reserves, profits, premiums or other sums eligible for capitalisation	10/05/2017	26 months	10/07/2019	€66 million
Delegation of authority to issue shares or securities carrying rights to new or existing shares of the Company or existing shares of any other company in which it directly or indirectly holds an equity interest, with pre-emptive subscription rights for existing shareholders ⁽²⁾	10/05/2017	26 months	10/07/2019	€66 million ⁽³⁾ €1 billion ⁽⁴⁾⁽⁵⁾
Delegation of authority to issue shares or securities carrying rights to new or existing shares of the Company or existing shares of any other company in which it directly or indirectly holds an equity interest, without pre-emptive subscription rights for existing shareholders ⁽²⁾	10/05/2017	26 months	10/07/2019	€15 million ⁽³⁾ €1 billion ⁽⁴⁾⁽⁵⁾
Delegation of authority to issue shares or securities carrying rights to new or existing shares of the Company or existing shares of any company in which the Company directly or indirectly holds an equity interest, without pre-emptive subscription rights for existing shareholders, via a private placement defined in Article L. 411-2-II of the French Monetary and Financial Code	10/05/2017	26 months	10/07/2019	€15 million ⁽³⁾ €1 billion ⁽⁴⁾⁽⁵⁾
Delegation of authority to issue securities carrying rights to shares in the event of a public tender offer initiated by Rallye for the securities of another publicly traded company, without pre-emptive subscription rights	10/05/2017	26 months	10/07/2019	€15 million ⁽³⁾ €1 billion ⁽⁴⁾⁽⁵⁾
Delegation of powers to issue shares or securities carrying rights to shares in order to compensate contributions in kind granted to the Company and composed of shares or securities carrying rights to shares	10/05/2017	26 months	10/07/2019	10% of the capital
Stock options granted for new or existing shares to employees of the Company and employees and corporate officers of the companies or groups defined in Article L. 225-180 of the French Commercial Code	10/05/2017	38 months	10/07/2020	1% of the total number of outstanding shares at the time of the grant
New or existing free shares awarded to employees of the Company, or to certain categories of employees or of economic interest groups related to the Company under the conditions stipulated in Article L. 225-197-2 of the French Commercial Code	23/05/2018	38 months	23/07/2020	1% of the total number of outstanding shares at the time of the award
Capital increase for employees who are members of a Company savings plan (PEE) of the Company or of its affiliated companies	10/05/2017	26 months	19/07/2019	1% of the total number of outstanding shares at the time of the issue

 $^{(1) \ \} Amounts \ authorised \ equal \ to \ residual \ amounts \ to \ the \ extent \ the \ authorisation \ is \ not \ used.$

None of the authorisations granted have been used, with the exception of those pertaining to the grant of free shares. At its meeting on 23 May 2018, the Board of Directors awarded 222,943 free shares (see section "Securities carrying rights to shares" hereafter).

The Board of Directors is also authorised for a period of 26 months 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. The Board of Directors cancelled 3,308,953 shares under the terms of this authorisation.

The Annual Shareholders' Meeting of 15 May 2019 will be asked to renew all the expiring authorisations.

⁽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.



Securities carrying rights to shares.

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

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

Stock options

There were no stock option plans outstanding at 31 December 2018.

Free shares

The Extraordinary Shareholders' Meetings of 10 May 2017 and 23 May 2018 authorised the Board of Directors to award free shares to Rallye employees and employees of related companies.

At 31 December 2018, there were 368,564 outstanding free shares relating to the following plans:

			_	Number of shar	es awarded	
Award date	Vesting date of free shares awarded	Date from which the vested shares can be sold	Initial number of beneficiaries	to employees who are also corporate officers	to the top ten employee beneficiaries	Total number of shares granted at 31 Dec. 2018 ⁽²⁾
03/04/2017	03/04/2019(1)	03/04/2021	36	35,995	50,436	145,621
23/05/2018	23/05/2020(1)	23/05/2022	38	52,609	79,008	222,943

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

Potential capital at 28 February 2019_

The potential capital at 28 February 2019 breaks down as follows:

Number of shares at 28 February 2019	53,738,266
Free shares to be issued	363,756
Number of potential shares	54,102,022

The maximum dilutive effect would amount to 0.7% for a shareholder holding 1% of the capital at 28 February 2019.

⁽²⁾ This corresponds to the original number of shares awarded, less rights cancelled due to the departure of beneficiaries (no rights were cancelled in 2018).



Change in capital over the past five years.

			Changes			
		Number	Capital	Share premium	New capital	Total number
Date	Change in capital	of shares	(€)	(€)	(€)	of shares
2014	Cancellation of shares	(106,883)	(320,649.00)	(1,107,963.25)		
	Exercise of options	87,857	263,571.00	1,391,631.48		
31/12/2014					146,165,844.00	48,721,948
2015	Exercise of options	17,076	51,228.00	400,261.44		
	Issuance of shares (free share award)	39,502	118,506.00	(118,506.00)		
31/12/2015					146,335,578.00	48,778,526
2016	Cancellation of shares	(12,000)	(36,000.00)	(155,400.00)		
	Issuance of shares (free share award)	64,587	193,761.00	(193,761.00)		
31/12/2016					146,493,339.00	48,831,113
	Payment of the 2017 interim dividend					
2017	in shares	3,182,997	9,548,991.00	43,511,568.99		
	Issuance of shares (free share award)	50,714	152,142.00	(152,142.00)		
31/12/2017					156,194,472.00	52,064,824
2018	Scrip dividend option	3,058,947	9,176,841.00	24,043,323.42		
	Issuance of shares (free share award)	278,330	834,990.00	(834,990.00)		
	Cancellation of shares	(1,663,835)	(4,991,505.00)	(10,829,380.99)		
31/12/2018					161,214,798.00	53,738,266
28/02/2019					161,214,798.00	53,738,266

Breakdown of capital and voting rights_

Amount of capital

- ♦ Amount of capital at 31 December 2018: €161,214,798.
- ♦ Amount of capital at 28 February 2019: €161,214,798.
- ♦ Number of shares held at 31 December 2018: 53,738,266 shares.
- ♦ Number of shares held at 28 February 2019: 53,738,266 shares.

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

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

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

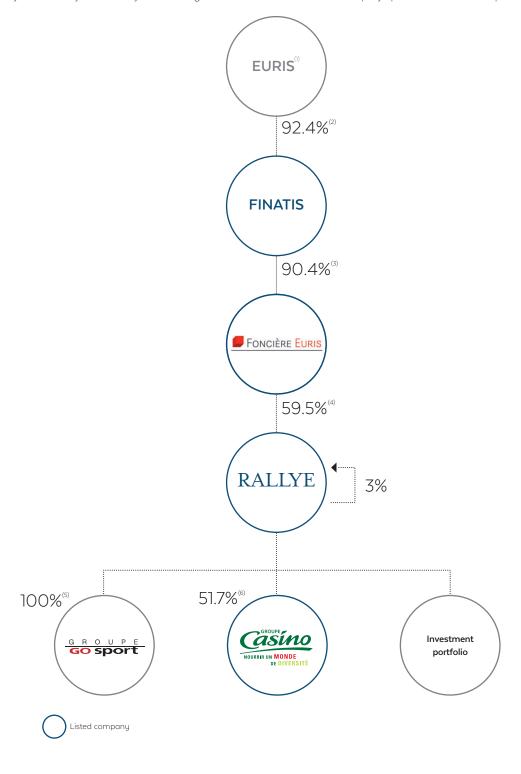
The shares are freely negotiable, except as otherwise stipulated by law or regulations.

Double voting rights are granted on shares that have been held in registered form by the same person for over two years. At 28 February 2019, based on the 1,645,118 shares stripped of voting rights and the 28,520,125 shares to which a double voting right has been granted, the total number of voting rights was 80,613,273 for 53,738,266 shares.



Group organisation chart at 28 February 2019_

Rallye is directly and indirectly controlled by Euris. The organisation chart below shows the Company's position within the Group on 28 February 2019:



⁽¹⁾ Euris is controlled by Jean-Charles Naouri. (2) 92.4% of theoretical voting rights. (3) 90.4% of theoretical voting rights.

^{(4) 71.7%} of theoretical voting rights.(5) 100% of voting rights.(6) 60.6% of theoretical voting rights.



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

- the contribution of all the hypermarket, supermarket and cafeteria business lines to the Casino Group;
- the consolidation of the parent companies Rallye SA and Coficam and of SMPO and Record Carburants via mergers. After these transactions, the acquiring company, Genty-Cathiard, changed its name to Rallye;
- a transfer of real estate by Foncière Euris and the public exchange offer for Casino shares initiated in September 1997;
- the merger of Courir into GO Sport to form the entity known as Groupe GO Sport, on 27 December 2000.

Changes in the breakdown of capital and voting rights over the last three years_____

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

		31 De	ec. 2018		31 Dec. 2017				31 Dec. 2016			
			% of voting		% of voting			% of voting				
			rights that				rights that				rights that	
			may be				may be				may be	
			exercised	% of			exercised	% of			exercised	% of
			at the	theoretical			at the	theoretical			at the	theoretical
	Number of	% of	Shareholders'	voting	Number of	% of	Shareholders'	voting	Number of	% of	Shareholders'	voting
Shareholders	shares	capital	Meeting ⁽¹⁾	rights ⁽¹⁾	shares	capital	Meeting ⁽¹⁾	rights ⁽¹⁾	shares	capital	Meeting ⁽¹⁾	rights ⁽¹⁾
Foncière Euris	31,958,125	59.47%	73.13%	71.67%	29,263,517	56.21%	70.53%	70.08%	26,996,291	55.29%	70.23%	70.23%
Treasury shares	1,645,118	3.06%		[2.00%](2)	513,000	0.99%		[0.64%](2)				
Other shareholders	20,135,023	37.47%	26.88%	26.35%	22,288,307	42.81%	29.47%	29.29%	21,834,822	44.71%	29.77%	29.77%
TOTAL	53,738,266	100.00%	100.00%	100.00%	52,064,824	100.00%	100.00%	100.00%	48,831,113	100.00%	100.00%	100.00%

⁽¹⁾ The number of voting rights that may be exercised at the Shareholders' Meeting is not the same as the number of voting rights reported under France's disclosure threshold rules (theoretical voting rights). In fact, each month, for the publication, from the total number of voting rights and the number of shares making up the share capital, the total number of voting rights is calculated on the basis of all of the shares to which voting rights may potentially be attached, including shares without voting rights (treasury shares), in accordance with Article 223-11 of the AMF's General Regulation.

The breakdown of share capital and voting rights at 28 February 2019 is as follows:

Shareholders	Shares	% capital	Voting rights	% voting rights
Foncière Euris	31,958,125	59.47%	58,954,416	73.13%
Other Euris Group companies	1,505	-	2,780	-
Other members of the Board of Directors	239,492	0.45%	387,950	0.49%
Sub-total	32,199,122	59.92%	59,345,146	73.62%
Treasury shares	1,645,118	3.06%	-	-
Other shareholders	19,894,026	37.02%	21,268,127	26.38%
- o/w shares in registered form	1,736,152	3.23%	3,110,253	3.86%
- o/w shares in bearer form	18,157,874	33.79%	18,157,874	22.52%
TOTAL	53,738,266	100.00%	80,613,273	100.00%

Pledged securities

Foncière Euris has arranged credit facilities whereby it pledges Rallye shares based on the amount of the facilities or the current drawdown level, as applicable. At 31 December 2018, a total of 26,919,389 Rallye shares held by Foncière Euris were pledged, accounting for 50% of Rallye's capital.

Shareholders' agreement and shares held in concert

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

Material contracts

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

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

⁽²⁾ Theoretical voting rights that will only become exercisable again if the underlying shares cease to be held as treasury shares



Related-party transactions

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

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

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

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

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

Summary of transactions in Rallye shares carried out during the year by Directors and related parties⁽¹⁾

In accordance with Article 223-26 of the AMF's General Regulation, the table below shows transactions in Rallye shares carried out by Directors or related parties in 2018.

Shareholder	Financial instrument	Date	Type of transaction	Amount (€)	Number
Jacques Dumas ⁽¹⁾	Shares	30/07/2018	Purchase ⁽²⁾	0.00	3,930
	Shares	17/12/2018	Purchase ⁽³⁾	0.00	2,604
Foncière Euris ⁽¹⁾	Shares	12/06/2018	Purchase ⁽⁴⁾	10.86	2,694,608
Virginie Grin ⁽⁵⁾	Shares	25/01/2018	Sale	15.00	2,000
	Shares	26/01/2018	Sale	15.00	2,000
	Shares	01/02/2018	Sale	14.81	3,500
	Shares	30/07/2018	Purchase ⁽²⁾	0.00	10,399
	Shares	17/12/2018	Purchase ⁽³⁾	0.00	6,910
Franck Hattab ⁽⁶⁾	Shares	12/06/2018	Purchase ⁽⁴⁾	10.86	3,958
Didier Lévêque ⁽⁷⁾	Shares	30/07/2018	Purchase ⁽²⁾	0.00	14,828
	Shares	17/12/2018	Purchase ⁽³⁾	0.00	9,847
Odile Muracciole ⁽⁸⁾	Shares	30/07/2018	Purchase ⁽²⁾	0.00	13,588
	Shares	17/12/2018	Purchase ⁽³⁾	0.00	9,300

⁽¹⁾ 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 2018.

⁽²⁾ Free share awards under the 28 July 2016 employee savings plan.

⁽³⁾ Free share awards under the 15 December 2015 employee savings plan. (4) Scrip dividend option.

⁽⁵⁾ Permanent representative of Finatis.

⁽⁶⁾ General Manager of Rallye. (7) Permanent representative of Foncière Euris, Director.

⁽⁸⁾ Permanent representative of Euris, Director.



Stock options and free shares____

There were no stock option plans outstanding at 31 December 2018.

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

	Extraordinary	Extraordinary	
Meeting date	Shareholders' Meeting of 18 May 2016	Shareholders' Meeting of 23 May 2018	Total
Date of Board meeting	03/04/2017	23/05/2018	
Type of plan	Free shares	Free shares	
Initial number of beneficiaries	36	38	
Total number of shares initially awarded	145,621	222,943	368,564
o/w total number of shares awarded to corporate officers	35,995	52,609	88,604
o/w total number of shares awarded to top ten employees	50,436	79,008	129,444
Plan expires on	03/04/2019	23/05/2020	
Rights cancelled at 28 February 2019 ⁽¹⁾		4,808	4,808
o/w since 1 January 2018		4,808	4,808
Residual number of shares that may vest at 28 February 2019	145,621	218,135	363,756

⁽¹⁾ Following the departure of beneficiaries.

Investment strategy_

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

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

(€ millions)	2018	2017
Casino	1,206	1,247
Other	21	17
TOTAL	1,227	1,264

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.

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Internal control and risk management



1. Organisation of internal control and risk management

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.

Accounting standards

The Group's internal control and risk management system is based on the internal control and risk management framework published by the *Autorité des marchés financiers* (the "AMF Framework"). The system's organisation and procedures comply with the general principles described in the AMF Framework, the related internal control and risk management guidelines dated January 2007 and the updated risk management guidelines dated July 2010. This chapter has been prepared based on the Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013.

Parties involved in internal control and risk management

The internal control and risk management approach is 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. Employees, managers and department heads are responsible for ensuring that risk management and internal control systems operate efficiently while continuously seeking to improve them.

The main actors involved in managing these systems are as follows:

Executive Management – Administration and Finance department

Executive Management defines the general internal control and risk management 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 risk management, as well as their 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 and risk management 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 and risk management via their work and recommendations.

Disseminating information internally

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

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

Identifying and assessing risks

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

The Group's exposure to risks inherent in its business activities and the provisions designed to control them are presented in the "Risk factors and insurance" section of this document and partially detailed in note 11.5 "Financial risk management objectives and policies" to the 2018 consolidated financial statements.

Control activities

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

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



At operating subsidiary level

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

The 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 and preparing weekly and monthly reports.

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.

2. General internal control principles.

Definition and objectives of internal control procedures

Internal control is a system applicable to the Company and its consolidated subsidiaries (the Group) which ensures:

- compliance with laws and regulations;
- compliance with Executive Management instructions and guidelines;
- efficient execution of processes, particularly for the safeguarding of assets:
- ♦ the reliability of financial information.

However, as underlined by the AMF Framework, no matter how well-designed or well-applied, no internal control system can provide

absolute assurance that the Group will achieve its objectives. All internal control systems have inherent limitations, due notably to uncertain external events, the exercise of human judgment and the breakdowns that can occur because of human failures such as simple errors.

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.

3. General risk management principles.

The risk management system encompasses a set of resources, behaviours, procedures and actions adapted to the Group's specific characteristics that enables Executive Management to effectively detect and keep risks at acceptable levels for the Company if not eliminate them altogether. That enables executives to effectively detect and keep risks at acceptable levels for the Group if not eliminate them altogether. Taking advantage of opportunities and developing the business in an inherently uncertain environment necessarily involves a certain amount of risk-taking.

The key objectives of risk management are to help:

- create and preserve the Group's value, assets and reputation;
- secure decision-making processes and the processes that help the Group meet its objectives;
- ensure that the Group's actions are consistent with its values;
- promote a shared vision of the main risks among all employees.

4. Internal control procedures.

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

Procedures for monitoring operating risks Cash management, finance and expenditures

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

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

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

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

Tax

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



Financial control

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

Market risk monitoring

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

Investment portfolio

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

Payroll and compensation

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

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

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

Procedures for preparing and processing financial and accounting information

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

- the compliance of published accounting and financial information with the applicable standards;
- the compliance with Executive Management instructions and guidelines concerning accounting and financial information;
- the reliability of information circulated and used internally for management or control purposes that contributes to the preparation of published accounting and financial 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 accounting and financial irregularities, to the extent possible.

Accounting and financial organisation

Administration and Finance department

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

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

♦ Accounting standards

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

♦ Key performance indicators

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

♦ Audit Committee

The role and duties of the Audit Committee are described on page 62. Its duties are compliant with Article L. 823-19 of the French Commercial Code.

Preparation of financial and accounting reporting

\diamondsuit 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 Group's 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 [EU] No. 2014/56) applicable since 17 June 2016.

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

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

IT system security

The IT systems managers ensure that IT solutions are implemented in line with ongoing operations. Functions 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.

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 press 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;
- $\ \, \diamond \,$ annual and interim results presentations;
- road shows, conferences, meetings or conference calls with financial analysts and investors, in France and abroad;
- ♦ Annual Shareholders' Meetings;
- Registration Documents and Annual Reports;
- the Group's corporate website.

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

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



5. Risk factors and insurance.

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

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

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

The risks to which the Group considers that it is exposed are as follows:

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

Pursuant to Articles L. 225-102-1 and R. 225-104 of the French Commercial Code, management of non-financial risks is detailed in the Non-Financial Information Statement of the parent company, Finatis, which was the subject of a report on the consolidated non-financial information statement by an independent verifier.

Risks related to Rallye's holding activity: financial risks

The Group's main financial risks are liquidity risks and market risks. They are managed independently by the Casino Group and by Rallye as the parent company. Within both entities, financial 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 2018 consolidated financial statements.

In the financial risks category, the Group considers that its greatest exposure is to liquidity risk in light of the potential seriousness of its consequences.

Liquidity risk

At any time, the Rallye Group must have the necessary funds to settle its commitments when they fall due. Liquidity risk is managed by constantly monitoring and optimising financing terms and conditions, maintaining available credit lines, and diversifying resources, both at the level of the holding company and the operating subsidiaries.

Casino

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

Casino, Guichard-Perrachon's debt and the debts of its main subsidiaries (GPA, Éxito and Monoprix) are unsecured, except for loans obtained by GPA from BNDES which totalled €9 million at 31 December 2018.

The vast majority of Casino, Guichard-Perrachon's confirmed bank lines of credit are subject to a hard covenant based on the consolidated net debt/EBITDA ratio at 31 December, which must be less than 3.5. At 31 December 2018, the covenant was between 1.84x and 2.74x depending on the definition in the facility agreement.

The financing facilities of GPA, Éxito and Monoprix are also subject to hard covenants. All of the covenants were complied with at 31 December 2018. The Casino Group's loan and bond agreements include the usual *pari passu*, negative pledge and cross default clauses.

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

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

Liquidity risk is discussed at length in note 11.5.4 to the 2018 consolidated financial statements.

Rallye

The Rallye holding scope had net debt of €2,899 million at 31 December 2018, composed primarily of €1,470 million in bond debt and €1,490 million in non-bond debt subject to regular refinancing.

Rallye regularly refinances its maturities and seeks out new liquidity sources for the Group. Rallye's liquidity position includes $\ensuremath{\in} 2.2$ billion in lines of credit of which, $\ensuremath{\in} 1.3$ billion undrawn at 31 December 2018. Rallye's lines of credit are contracted with some 20 different banks in order to mitigate counterparty risk. Rallye also has an EMTN programme capped at $\ensuremath{\in} 4$ billion, of which $\ensuremath{\in} 1,265$ million was drawn down at 31 December 2018. Lastly, since October 2013, the holding company has implemented a commercial paper programme for a maximum amount of $\ensuremath{\in} 750$ million, with $\ensuremath{\in} 92$ million drawn down at the end of 2018. 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. At 31 December 2018, their market value was lower than net debt. More details on the Group's financial structure are provided on pages 18 to 20 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 2018, the Group met both covenants, with the results of the covenant tests standing at 4.14 times and €1.79 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 11.5.6 to the consolidated financial statements provides additional information on the Group's liquidity management.



Market risks

The Group's main market risk exposures concern interest rate risk, currency risk and valuation risk.

♦ Interest rate risk

Casino

Interest rate risk is managed by monitoring and, when necessary, adjusting the interest cover ratio based on rate forecasts. The aim is to manage the risk of an increase in interest rates and optimise borrowing costs. Various standard instruments are used to implement this strategy, but mainly interest rate swaps and options.

Specifically, Casino, Guichard-Perrachon's debt is mainly composed of fixed-rate bonds (principal amount of €5,338 million at 31 December 2018). Interest streams on part of this debt were swapped for variable rate streams. As a result, at 31 December 2018, 66% of Casino, Guichard-Perrachon's bond debt was at fixed rates of interest and 34% was at variable rates.

Note 11.5.2 to the Casino Group's 2018 consolidated financial statements includes an analysis of the sensitivity of debt to a 100-bps increase or decrease in interest rates.

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. At end-December 2018, 44% of Rallye's debt was at fixed rates and 56% at variable rates.

Interest rate risk is discussed at length in note 11.5.2 to the 2018 consolidated financial statements.

♦ Currency risk

Casino

Casino Group policy consists of hedging currency transaction risk on highly probable future purchases (mainly goods purchases billed in US dollars). The risk is hedged through forward purchases of the payment currency. Currency risks on debt issues denominated in a currency other than that of the issuer are hedged in full.

The Casino Group uses standard financial instruments such as interest rate swaps and forward currency transactions to manage its exposure to interest rate risks and currency risks. These instruments are mainly over-the-counter instruments transacted with first-class bank counterparties. Most of these transactions or instruments qualify for hedge accounting.

However, like many other large groups, Casino may take very small, strictly controlled positions that do not qualify for hedge accounting, for more dynamic and flexible management of its interest rate exposures.

A breakdown of derivative financial instruments by type of risk and accounting classification is provided in note 11.5.1 to the Casino Group's 2018 consolidated financial statements.

Rallye

Due to its geographically diversified business base, the Rallye Group is exposed to both currency translation risk and to transaction risk on transactions denominated in currencies other than the euro.

Translation risk (or balance sheet currency risk) is the risk of an unfavourable change in the exchange rates used to translate the financial statements of subsidiaries located outside the euro zone into euros for inclusion in the consolidated financial statements adversely affecting the amounts reported in the consolidated statement of financial position and income statement, leading to a deterioration of the Group's gearing ratios.

Transaction risk is the risk of an unfavourable change in exchange rates that adversely affects a cash flow denominated in foreign currency.

The Group's policy in this respect is to hedge highly probable budget exposures, which mainly involve purchases made in a currency other than its functional currency, such as goods purchased in US dollars hedged by forward contracts. Substantially all budgeted purchases are hedged using instruments with the same maturities as the underlying transactions.

Concerning the exposure of debt to currency risk, all borrowings denominated in a currency other than the borrower's functional currency are fully hedged.

Currency risk is discussed at length in note 11.5.3 to the 2018 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.

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

Operational risks specific to Rallye's majority stake in the Casino Group

As the majority shareholder of the Casino Group, Rallye is indirectly exposed to operational risks incurred by Casino. The Casino Group considers that its main exposure is to information system and cybersecurity risks, and more specifically the loss or theft of sensitive/confidential data, which can have a serious financial and reputational impact.

A summary of the primary operational risks is set out below. For an exhaustive presentation of these risks, see the Casino Group's Registration Document.

Information systems and cybersecurity risks

The Casino Group is dependent on its technical infrastructure and computer applications for all aspects of the day-to-day management of the business, including purchasing, sourcing, distribution, online sales, loyalty programme management, data exploitation, invoicing, cash collection, reporting and consolidation, as well as electronic data interchange and access to internal information



Information systems protection, uptime and integrity are therefore considered of prime importance. The 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. Any breach of systems integrity, for example due to a technical failure or cyber-attack, could have a serious adverse effect on the Group's business operations and assets. A hardware or software failure, or failure by a service provider (especially a hosting company), interruption of mission-critical IT services or a data security breach could have an unfavourable impact on the Casino Group, particularly the E-commerce business, which is highly dependent on reliable and secure computer systems.

The Group implements comprehensive measures in each business unit to protect sensitive data, in particular personal data about customers and employees, and ensure business continuity. The aim is to make the Group a responsible and engaged leader in the digital economy and in personal data protection.

A set of cybersecurity rules, procedures and indicators have been defined by the Group Information Systems Security department and circulated among all units to protect their information systems and data more effectively. This department also reports regularly to the Group Audit Committee and Executive Committee on the status of action plans for preventing cybersecurity risks.

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 2018 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 of its markets (e.g., Brazil and Colombia) is under constant attack from international and local retailers that are seeking to strengthen their positions. Promotional campaigns and loyalty programmes may not be sufficient to protect its market shares and the Group may be forced to cut prices, with a negative impact on its results.

In addition, its ability to adjust its selling models to customer expectations is a major issue for the Casino Group, given the structural changes in consumer habits such as the growing popularity of online shopping and digital apps, the emergence of a new Cash & Carry model within the Group (with 144 stores based on this model in Brazil, ten in Colombia and one in Cameroon), demographic and social change (ageing population, urbanisation, increase in single-person homes) and the increasing polarisation of customers' consumption patterns.

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

Product quality, conformity and safety risks

Guaranteeing traceability and product safety and complying with health and safety standards in stores is a major challenge for the Casino Group. From product specifications to store operations, the Casino Group must have an end-to-end system which makes sure it sells safe, healthy and high-quality products, because the sale of products that represent a health risk for consumers could have a serious adverse effect on its reputation and financial performance, and could also result in liability claims.

The Group Quality department defines and implements product and supplier control processes for Casino private-label and similar products, value lines bearing the Casino seal of approval and direct imports. Quality audits are carried out at supplier plants, particularly those that manufacture Casino private-label products. Analytical product control plans are also drawn up and implemented.

Risks related to the supply chain and the Group's ethical commitments

Products sold by the Casino 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. This may have a serious adverse effect on the Group's reputation and image, and also on its business if there are calls for a boycott of some of its private-label products.

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 units and by all of its suppliers. The Casino Group has drawn up a Suppliers Ethics Charter setting out its commitment to promoting responsible trade.

Business disruption/interruption risks

Business disruption/interruption risk includes the risks of supply disruption, inability to gain access to facilities (stores, warehouses, headquarters), building destruction or damage and critical information system failure.

Each unit has developed its own crisis management procedures to address business disruption/interruption risk. For example, Monoprix addressed the risk of being unable to gain access to its stores in Paris by developing a business continuity plan, setting up a crisis management team and conducting drills based on a simulation of the crisis situation that would arise if the Seine were to break its banks. Libertad in Argentina focused on the risk of building damage or destruction due to a maintenance failure, by paying close attention to ensuring that maintenance plans are in place and are properly executed.

Geographic risks

The Group's international operations expose it 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. In 2018, its businesses in Latin America accounted for some 43% 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 Casino Group develops action plans and implements measures designed to reduce the effects of these risks and ensure business continuity.

Human resources risks

The skills, drive, quality and engagement of Casino Group employees and the Group's ability to retain talent play a significant role in developing the business. If the Group were to fail to identify, attract, retain and train the skilled employees the business needs, the development of its businesses and results could be affected.

The Casino Group addresses this risk by developing a nurturing and participative working environment and encouraging employees to adopt its values. As an engaged employer, the Casino Group is deploying various initiatives aimed at fighting all forms of discrimination, promoting diversity, equal access to career and social advancement opportunities and gender equality and improving workplace health and safety. The Group's human resources policy aims to ensure a better allocation of resources within the Group through structured recruitment and career management policies designed to help achieve the objectives set by the parent company.

Risks related to climate change

The Group's international operations expose it to significant country risks linked to climate change, including the risk of natural disasters that could affect business continuity, assets, customers and employees, with consequences for the Group's businesses and financial position. The main climate change risk identified as potentially impacting the Group's activities is the increase in extreme weather events, such as extreme rainfall in France, which resulted in the Seine reaching a 100-year high in Paris, a mix of drought and torrential rain in Brazil and an earthquake in Colombia. An increase in the occurrence of such events would have not only direct consequences for the Group's operations (business interruption), but also an indirect impact through higher raw material prices, energy prices and insurance premiums, a drop in sales of seasonal products and changes in consumer habits. Policies and action plans are in place to mitigate the impacts of these risks.

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 legal risks incurred by Casino. In the legal risks category, the Casino Group considers that its main exposure is to compliance risk. For an exhaustive presentation of these risks, see the Casino Group's Registration Document.

Legal and regulatory compliance risks

Rallye

The Sapin II Act of 9 December 2016 requires senior executives of large companies to implement measures to prevent and detect corruption and influence peddling in France and abroad. Under the provisions of Sapin II, the Rallye Group has issued a Code of Conduct to employees, organised an alert and report compilation mechanism, along with a handbook explaining how employees can use the mechanism to report serious violations of Sapin II or the Code of Conduct. All employees are required to take a training course covering general anti-corruption issues, the legal framework and the Group policies in place to combat corruption.

As part of the Group's day-to-day management, Rallye is involved in normal business relationships with all of its subsidiaries. Information concerning potential conflicts of interest in the Group's governing bodies and Executive Management is presented in the management report on page 65 below.

During 2018, measures were put in place to ensure compliance with the new European General Data Protection Regulation.

Casino

Due to the nature of its businesses and international footprint, the Casino Group is subject to a wide variety of local laws and regulations, including labour, competition, distribution, consumer and town planning laws, personal data protection regulations, and public health and environmental laws. Changes in these laws and regulations, particularly if they lead to more rigorous, stepped up obligations, investigations, inquiries and controls, as well as potentially applicable penalties, could have a negative impact on the Group, its results and its reputation.

Both in France and abroad, the Group is required to follow all laws and regulations governing the operation of establishments open to the public, notably health and safety regulations and product conformity and safety regulations, and of classified facilities (service stations).

The Group considers that the anti-corruption provisions of France's Sapin II Act and the General Data Protection Regulation (GDPR) give rise to the greatest legal and regulatory risks, because they have only recently been adopted and their impact in terms of sanctions and reputational damage could be significant.

Group-wide initiatives to prevent bribery and corruption were taken well before the Sapin II Act was passed on 9 December 2016. For example, a Group Ethics Committee was set up during 2016. A Steering Committee responsible for monitoring the implementation of Sapin II Act requirements was set up in January 2017. Several new departments or positions (Compliance Officers, Risks and Compliance department) were also created and tasked with drawing up and implementing the necessary procedures and ensuring the Casino Group's compliance with the provisions of the new law.

Despite measures taken to comply with the regulations that apply to its business activities and detailed in its Registration Document, the Casino Group cannot guarantee that all risks will be eliminated. The materialisation of such a risk could negatively impact its business activities, results or reputation.

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. The Group is subject to periodic tax audits in France and in its other host countries. Tax matters are dealt with by the Group Tax department which reports to the Group Finance department. Its main role is to provide support to the Group business units in France and its foreign subsidiaries. It monitors regulations and developments in all types of taxes and duties affecting the Group.

Claims and litigation

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



Information on outstanding claims and litigation is provided in note 13 to the Casino Group's 2018 consolidated financial statements (see the Casino Group's Registration Document).

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

Insurance - risk cover

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

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

Rallye's insurance policies

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

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

The Casino Group's insurance policies

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

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

- contributing to the risk culture;
- helping to identify and analyse operational risks and transferring them to the insurance market;
- defining and coordinating French and international life and non-life insurance programmes;
- managing and controlling the captive reinsurance company;
- managing and overseeing claims processes;
- contributing to the crisis management process;
- supporting the distribution of insurance products (affinity products, franchisee insurance).

To help the department to fulfil these responsibilities, the Casino Group uses the services of international brokers, engineering firms and consulting firms. The policies are purchased from leading insurance companies with a satisfactory financial strength rating that are specialised in insuring major risks. The Casino Group has purchased several international insurance programmes. Where permitted under local laws and regulations, risks are insured directly under the master policies. Alternatively, the master policies may increase or extend the limits or conditions of cover available under policies purchased locally.

Self-insurance

To manage and control its insurance costs, in 2018 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, the Casino Group reinsures part of its property damage risks through its captive reinsurance company in Luxembourg. In 2018, the Casino Group capped the reinsurance captive's commitments at €10 million per year. This strategy reinforces risk and litigation management and optimises the insurance premiums that the Group pays.

Summary of insurance cover

In 2018, the Casino Group pursued its policy of rationalising its insurance programmes covering all French and international subsidiaries.

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

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

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

Speculative attacks on the share price

Following the distribution by Muddy Waters – while trading was in progress and after it had shorted Rallye and Casino stock – of a report containing untrue or misleading information about the Casino Group, triggering an abrupt, very steep fall in the Casino share price, Casino and Rallye filed a complaint with France's securities regulator, the AMF, at the end of 2015. The inquiry is still in progress.

Since June 2018, Rallye and Casino have been the victims of coordinated speculative attacks by short sellers who had borrowed unprecedentedly large quantities of Casino shares and disinformation campaigns, aimed at artificially causing the value of their shares to collapse and destabilising the two companies, their employees and shareholders. In September 2018, Casino and Rallye therefore filed an additional complaint with the AMF.

In addition, in October 2018 they filed a criminal complaint with France's financial Public Prosecutor for price manipulation, dissemination of false or misleading information, and insider trading, followed in November 2018 by a criminal complaint for false allegations with the Paris Public Prosecutor. These procedures are in progress.



Duty of care plan

As provided for by French law No. 2017-399 of 27 March 2017 (Article L. 225-102-4 of the French Commercial Code) Rallye has established its own duty of care plan. The law requires parent companies and ordering parties to establish and implement a reasonable duty of care plan, comprising measures designed to identify risks and prevent serious violations of human rights and fundamental freedoms, serious harm to the health and safety of persons, and serious damage to the environment resulting from the operations of the Company, the companies it controls, and its subcontractors and suppliers with which it has an established business relationship, when activities are associated with such a relationship.

Rallye's duty of care plan includes a map of the risks covered by the duty of care plan, which indicates very limited exposure to these risks given, in particular, its limited number of suppliers and their type (office equipment suppliers, IT equipment and services suppliers and regulated service providers, e.g., lawyers, statutory auditors, banks, consultants, etc.). Nonetheless, Rallye has established a procedure for assessing its suppliers and potential service providers. The Group has also put in place a whistleblowing system, which can also collect alerts through a dedicated email address. Lastly, it also plans to establish a system for tracking the implemented measures and assessing their effectiveness.

Given the Group's organisation and the holding activities of Rallye (whose sales are 98% comprised of Casino sales), as well as the diversity of its business and the breakdown of its suppliers and subcontractors, the primary risks and challenges addressed by duty of care are associated with the Group's operational subsidiaries. Casino and Groupe GO Sport's duty of care plans are described below.

The Casino Group has deployed its own duty of care plan built on the commitments it has made to stakeholders and the initiatives it has been involved in since the early 2000s. Casino's Duty of Care Committee has, since 2017, ensured the proper implementation of the duty of care plan and the associated measures and procedures, which led to the creation of a risk map, regular assessment procedures, and an alert and report compiling mechanism, as well as measures to mitigate risks or prevent serious harm associated with the Group's activities and

- its suppliers. These include the implementation of a Supplier Ethics Charter, a policy for approving plants in high-risk countries, an annual social audit campaign and information campaigns. A full report on the implementation of the duty of care plan is included in Chapter 3 of Casino's 2018 Registration Document.
- Groupe GO Sport has also implemented a duty of care plan and set up a dedicated working group. Its plan includes a risk map, procedures for regularly assessing conditions at subsidiaries, subcontractors or private-label product suppliers, and action plans to mitigate risks or prevent serious harm associated with the Group's activities and its suppliers. Groupe GO Sport's purchasing process focuses on working with a core group of efficient, reliable suppliers capable of helping the Group to meet its business objectives while complying with environmental, ethical and labour standards and with national and international legislation. The Group requires its suppliers to comply with the rules set out in its general terms and conditions of sale, in addition to its "Livret Blanc" guide. This guide formalises the Group's commitment and defines responsible purchasing practices regarding quality, product traceability and the Group's ethical requirements. Private-label product suppliers are required to provide a statement of compliance with labour laws, as well as a social audit report in accordance with Group requirements, which is analysed systematically before validation. A system has been put in place to strictly monitor the validity dates of audit reports. In 2018, 41 social audits were conducted. Regarding environmental responsibility, Groupe GO Sport's two primary requirements are manufacturing facilities' compliance with laws and decrees on environmental protection in accordance with ISO 14001, and to safeguard customers' health and protect the environment according to the European REACH regulation. This involves banning the supply of substances of very high concern to human health, and toxic and very persistent substances.
- In 2018, Groupe GO Sport joined the Initiative for Compliance and Sustainability (ICS), reaffirming its objective of harmonising its practices based on an internationally recognised standard and developing environmental audits.





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This chapter of the Registration Document addresses all of the provisions arising from the Corporate Governance Report prepared by the Board of Directors, in accordance with Article L. 225-37 of the French Commercial Code (Code de commerce).

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

It also contains the section of the report on the Board's executive compensation and benefits in kind, the components of compensation due or paid to the executive corporate officers in respect of 2018, and the principles and criteria set for the following year, submitted respectively at the Annual Shareholders' Meeting, as referred to in Articles L. 225-37-2 and L. 225-37-3 of the French Commercial Code.

The provisions of the Company's articles of association regarding shareholder attendance and participation in Shareholders' Meetings and factors that may have an impact in the event of a public offering, as referred to in Article L. 225-37-5 of the French Commercial Code, are presented on pages 235 and 65, respectively. A table summarising the delegations of authority to issue new shares granted at the Shareholders' Meeting is provided in Chapter 1, page 26. For further information about matters addressed in the Corporate Governance Report, please see the cross-reference table provided on page 242 of this Registration Document.

The report was reviewed by the Appointments and Compensation Committee on 12 March 2019 and subsequently approved by the Board of Directors on 13 March 2019. It was made available to the shareholders prior to the Annual Shareholders' Meeting.

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



Corporate Governance Code



In line with the Company's policy of implementing sound governance practices, the Board of Directors refers to the Afep-Medef Code, as revised in June 2018 in particular, when drafting the Corporate Governance Report.

The Afep-Medef Code, as revised in June 2018, 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 principles 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-Medel Code. $% \label{eq:condition}%$

The Company's situation in relation to each of the recommendations of the Afep-Medef Code is presented in the "Assessment of the conditions under which the Board of Directors operates" section of this chapter on pages 63 and 64.

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Board of Directors



Composition of the Board of Directors at 13 March 2019(1)

At 13 March 2019, the Board of Directors had eight members, including three members who qualified as independent within the meaning of the Afep-Medef Code (more than one-third) and four women (50%). Jean-Charles Naouri serves as Chairman of the Board, a position which is separate from that of General Manager.

					Appointments and			Years on	
		Age on	Independent	Audit	Compensation		Current term	the Board	
Name	Position	13 March 2019	Director	Committee	Committee	First elected	expires	as of 2019	
Jean-Charles Naouri	Chairman of the Board	70				25 October 1993	15 May 2019	26	
Philippe Charrier	Director	64	Х	Chairman	Member	3 June 2009	15 May 2019	10	
Jacques Dumas	Director	66				19 July 1990	15 May 2019	29	
Catherine Fulconis	Director	57	х		Chairman	13 May 2014	15 May 2019	5	
Virginie Grin	Permanent representative of Finatis	51				18 May 2016	15 May 2019	3	
Didier Lévêque	Permanent representative of Foncière Euris	57		Member		4 June 2008	15 May 2019	11	
Odile Muracciole	Permanent representative of Euris	58			Member	4 May 2011	15 May 2019	8	
Anne Yannic	Director	56	Х	Member		10 May 2017	15 May 2019	2	
Non-voting Directors:									
Christian Paillot		71				18 May 2016	15 May 2019	3	
Jean Chodron de Courcel		63				10 May 2017	15 May 2019	2	

Board diversity policy

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

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

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

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

As in 2017, the percentage of women employed by Rallye in 2018 was 52% and the share of women holding management positions was 55%. Women managers are present in each of the Company's departments.

The reappointment of Directors proposed at the Annual Shareholders' Meeting of 15 May 2019 are in keeping with this policy.

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

Terms of office

The one-year terms of office of all the Directors expire at the Shareholders' Meeting of 15 May 2019.

Age limit

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

(1) Date on which the 2018 financial statements were approval by the Board of Directors.

Representation of independent Directors

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

The Appointments and Compensation Committee conducted an annual review of the independence of Directors with regard to the assessment criteria proposed by the Afep-Medef Code, detailed in the table below. The Committee presented its findings to the Board of Directors on 13 March 2019.

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

Criterion 1: not to be and not to have been within the previous five years an employee or executive corporate officer of the Company, an employee, executive corporate officer or Director of a company within the Company's consolidation scope, or of the Company's parent or a company within said parent's consolidation scope;

Criterion 2: not to be an executive corporate officer of a company in which the Company, directly or indirectly, holds a directorship, or in which a designated company employee or a current or former executive corporate officer holds a directorship;

Criterion 3: not to be (or be related either directly or indirectly to) a customer, supplier, investment banker or commercial banker of the Company or for which the Company or its Group represents a significant part of the business;

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

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

Criterion 6: not to have been a Director of the Company for more than 12 years (the Director no longer qualifies as independent once the 12-year limit is reached);

Criterion 7: not to be a non-executive corporate officer of the Company who receives variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or the Group;

Criterion 8: not to be and not to control or represent a shareholder that owns, either alone or acting in concert, over 10% of the share capital or 10% of the voting rights at Company Shareholders' Meetings.

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	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Criterion 8
Independent Directors								
Philippe Charrier	Υ	Υ	Υ	Υ	Υ	Υ	Υ	Υ
Catherine Fulconis	Υ	Υ	Υ	Υ	Υ	Υ	Υ	Υ
Anne Yannic	Υ	Υ	Υ	Υ	Υ	Υ	Υ	Υ
Directors not meeting independence criteria								
Jacques Dumas	N	Υ	Υ	Υ	Υ	N	Ν	N
Virginie Grin, representing Finatis	N	Υ	Υ	Υ	Υ	Υ	Ν	Ν
Didier Lévêque, representing Foncière Euris	N	Υ	Υ	Υ	Υ	Υ	Ν	Ν
Odile Muracciole, representing Euris	N	Υ	Υ	Υ	Υ	Υ	Ν	Ν
Jean-Charles Naouri	Ν	Υ	Υ	Υ	Υ	Ν	Ν	Ν

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

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

In addition, the Board noted that none of the independent Directors whose reappointment is proposed at the Shareholders' Meeting of 15 May 2019 will reach the maximum 12-year limit in 2019.

Gender balance

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

Directors holding more than one office

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

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



Attendance at Board meetings

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

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

The following table shows the attendance rate of the Directors in office at 13 March 2019 at Board and Board Committee meetings held in 2018.

			Appointments and
	Board of Directors	Audit Committee	Compensation Committee
Jean-Charles Naouri	8/8 (100%)	-	-
Philippe Charrier	8/8 (100%)	6/6 (100%)	3/3 (100%)
Jacques Dumas	8/8 (100%)		-
Catherine Fulconis	8/8 (100%)	-	3/3 (100%)
Virginie Grin	8/8 (100%)	-	-
Didier Lévêque	8/8 (100%)	6/6 (100%)	-
Odile Muracciole	8/8 (100%)	-	3/3 (100%)
Anne Yannic	7/8 (88%)	6/6 (100%)	
Jean Chodron de Courcel (non-voting Director)	7/8 (88%)	-	-
Christian Paillot (non-voting Director)	8/8 (100%)		-

Non-voting Directors

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

On the proposal of the Board, based on the recommendation of the Appointments and Compensation Committee, Jean Chodron de Courcel and Christian Paillot were reappointed as non-voting Directors at the Annual Shareholders' Meeting held on 23 May 2018.

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

Employee representatives on the Board of Directors

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

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 pursuant to 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, thereby justifying the exemption to put such a measure in place in the Company.

Proposed composition of the Board of Directors, subject to approval at the Shareholders' Meeting of 15 May 2019

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

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

Following the Shareholders' Meeting of 15 May 2019, the Board will therefore have eight Directors, including four women (50%), and three independent Directors (more than the one-third threshold for controlled companies recommended by the Afep-Medef Code).



Summary of changes in the composition of the Board of Directors and the Special Committees_____

All of the proposed reappointments of Directors and non-voting Directors were approved at the Shareholders' Meeting of 23 May 2018.

Changes in the composition of the Board of Directors that took place in 2018 and reappointments proposed at the Shareholders' Meeting of 15 May 2019 are as follows:

	Shareholders' Meeti	ng of 23 May 2018	Shareholders' Meeting of 15 May 2019	
Director	Current term expires	Reappointment	Current term expires	Reappointment
Jean-Charles Naouri	•	•	•	•
Philippe Charrier ⁽¹⁾	•	•	•	•
Jacques Dumas	•	•	•	•
Catherine Fulconis ⁽¹⁾	•	•	•	•
Société Euris (Odile Muracciole)	•	•	•	•
Finatis (Virginie Grin)	•	•	•	•
Foncière Euris (Didier Lévêque)	•	•	•	•
Anne Yannic ⁽¹⁾	•	•	•	•

⁽¹⁾ Independent Directors.

The composition of the Board's Special Committees has not changed since 23 May 2018:

Audit Committee		
Chairman	Philippe Charrier ⁽¹⁾	
Members	Anne Yannic ⁽¹⁾	
	Didier Lévêque	
Appointments and Compensation Committee		
Chair	Catherine Fulconis ⁽¹⁾	
Members	Philippe Charrier ⁽¹⁾	
	Odile Muracciole	

⁽¹⁾ Independent members.

Executive Management

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

On 23 May 2018, the Board reappointed Franck Hattab as General Manager for a term that will expire at the end of the Shareholders' Meeting of 15 May 2019 called to approve the financial statements for the year ended 31 December 2018.

Powers of Executive Management_

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

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

Thus, Executive Management may not, without the prior authorisation of the Board of Directors, enter into:

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

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

Furthermore, Executive Management has specific annual authorisations, as detailed below, particularly concerning: borrowings, credit lines and other financing agreements and cash advances; guarantees, endorsements and sureties; transactions in shares, securities and derivative products, and bond issues. These authorisations were last renewed at the Board meeting held on 7 March 2018, and took effect on 11 May 2018.

Given the date of the 2019 Shareholders' Meeting, which is scheduled for 15 May, the specific authorisations granted to Executive Management were renewed early by the Board of Directors on 13 March 2019, effective 12 May 2019. The previous authorisations will remain in effect until the end of their original term, i.e., 11 May 2019.

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 ${\bf \in }1.5$ billion.

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

♦ Securities, collateral and guarantees

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 $\ensuremath{\in} 100$ million.

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 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 and options, subject to an annual limit (including, if applicable, the value of the underlying) of €100 million per year.

♦ Bond issues

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

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

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

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

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

♦ Compensation for all contracts or offices held

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

♦ Taxation

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

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

Terms of office and positions held by members of the Board of Directors_

I. Directors being proposed for reappointment at the Shareholders' Meeting of 15 May 2019

Jean-Charles Naouri

Date of birth: 8 March 1949

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

Biography

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

Main executive positions

- Chairman and Chief Executive Officer 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 15 May 2019
Chairman of the Board of Directors	2 April 1998	Ordinary Shareholders' Meeting of 15 May 2019

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

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

Outside the Rallye/Euris Group

- Director of Fimalac;
- Member of the Selection, Appointments and Compensation Committee of Fimalac;
- Honorary Chairman and Director of Institut de l'École Normale Supérieure

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

Within the Rallye/Euris Group

- Member of the Supervisory Board of Monoprix;
- Director and Chairman and Chief Executive Officer of Casino Finance;
- Chairman and Director of Cnova N.V. (listed company Netherlands);
- Chairman and Director of the Board of Directors of Wilkes Participações (Brazil).

Outside the Rallye/Euris Group

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

Number of Rallye shares held: 369





Philippe Charrier

Date of birth: 2 August 1954

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

Biography

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

Main position

Executive Chairman of Ponroy Santé group

Offices and positions held at the Company

Office/Position First elected/appointed Current term expires Director 3 June 2009 Ordinary Shareholders' Meeting of 15 May 2019

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

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

Outside the Rallye/Euris Group

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

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

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

Number of Rallye shares held: 1,363

Jacques Dumas

Date of birth: 15 May 1952

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

Biography

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

Main executive positions

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

Offices and positions held at the Company

Office/Position First elected/appointed Current term expires

Director 19 July 1990 Ordinary Shareholders' Meeting of 15 May 2019

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

- Permanent representative of Euris, Director of Finatis (listed company);
- Member of the Audit Committee of Finatis (listed company);
- Permanent representative of Euris, Director of Casino, Guichard-Perrachon (listed company);
- Member of the Supervisory Board of Monoprix.

Outside the Rallye/Euris Group

- Director of Mercialys (listed company);
- Member of the Appointments and Compensation Committee of Mercialys (listed company);
- Manager of SCI Cognac-Parmentier and SCI Longchamp-Thiers.

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

Within the Rallye/Euris Group

- Chairman of GreenYellow;
- 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 Distribution Casino France on the Board of Directors of Distribution Frangrix;
- Permanent representative of Messidor SNC on the Board of Directors of Cdiscount;
- Member of the Appointments and Compensation Committee of Rallye (listed company);
- Member of the Appointments and Compensation Committee of Casino, Guichard-Perrachon (listed company).

Outside the Rallye/Euris Group

 Member of the Audit, Risk and Sustainable Development Committee of Mercialys (listed company).

Number of Rallye shares held: 27,506



Catherine Fulconis

Date of birth: 1 September 1961

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

Biography

Catherine Fulconis is a graduate of the HEC School of Management. She started her career within the L'Oréal Group in 1985, in the Luxury Products division, and then successively held various international executive management positions over the years: Director of Marketing for Lancôme Care and Makeup from 1994 to 1998; General Manager 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 the Leather Goods - Saddlery division and Chair of the Board of Directors of Hermès Parfums. In April 2019, she became a member of the Casino Group's Executive Committee.

Main executive position

General Manager of the Leather Goods - Saddlery division (Hermès). In April 2019, she became a member of Hermès' Executive Committee.

Offices and positions held at the Company

Office/Position

First elected/appointed Current term expires Director 13 May 2014 Ordinary Shareholders' Meeting of 15 May 2019

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

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

Outside the Rallye/Euris Group

■ Chair of the Board of Directors of Hermès Parfums.

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

Outside the Rallye/Euris Group

■ Chair and Chief Executive Officer of Hermès Parfums.

Number of Rallye shares held: 480

Anne Yannic

Date of birth: 5 April 1962

Biography

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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. From January 2016 until September 2018, she was General Manager of SETE (Eiffel Tower concession operator).

Main executive position

Independent consultant and coach

Offices and positions held at the Company

Office/Position

10 May 2017 Director Ordinary Shareholders' Meeting of 15 May 2019

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

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

Outside the Rallye/Euris Group

First elected/appointed

Current term expires

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

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

Within the Rallye/Euris Group

Outside the Rallye/Euris Group

■ None.

- General Manager of SETE;
- Chair of Financière TXL;
- Director of Syndicat du Voyage (SNAV);
- Member of the Office du Tourisme de Paris.

Number of Rallye shares held: 450

Corporate Governance Report

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

First elected/appointed Office/Position Current term expires

8 June 2005 Director Ordinary Shareholders' Meeting of 15 May 2019

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

Director of Casino, GuichardPerrachon, Finatis and Foncière Euris (listed companies).

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

Number of Rallye shares held: 419

Permanent representative of Euris: Odile Muracciole, since 15 December 2017

Date of birth: 20 May 1960

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

Biography

After receiving her advanced studies diploma in employment law, Odile Muracciole began her career as head of the Legal department at the petroleum group Alty. She joined Euris in 1990 as Manager of Legal Affairs.

Outside the Rallye/Euris Group

Member of the Board of Directors of Wansquare.

Main executive position

Legal Manager of Euris.

Other offices and positions held in 2018 and continuing as of 15 May 2019

Within the Rallye/Euris Group

■ CEO of Matignon Abbeville, Parinvest, Pargest and Parande;

- Chair of Pargest Holding and Saris;
- Member of the Appointments and Compensation Committee of Rallye (listed company);
- Director of employment law matters at Casino;
- Permanent representative of Finatis (listed company) on the Board of Directors of Carpinienne de Participations (listed company);
- Permanent representative of Euris on the Board of Directors of Foncière Euris (listed company);
- Permanent representative of Par-Bel 2 on the Board of Directors of Finatis (listed company);
- Representative of Saris, Manager of Euriscom;
- Member of the Supervisory Board of Centrum Development (Luxembourg);
- Director of the Euris Foundation.

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

Within the Rallye/Euris Group

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

Number of Rallye shares held: 71,207

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 15 May 2019

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

■ Director of Carpinienne de Participations, Casino, Guichard-Perrachon and Foncière Euris (listed companies).

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

None

Number of Rallye shares held: 348

Permanent representative of Finatis: Virginie Grin, since 18 May 2016

Date of birth: 21 September 1967

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

Biography

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 2018 and continuing as of 13 March 2019

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) and Euris Limited (UK);
- Treasurer and Secretary of Euris North America Corporation (ENAC), Euristates Inc., Euris Real Estate Corporation (EREC) and Parande Brooklyn Corp. (United States);
- Member of the Supervisory Board of Centrum Krakow SA, Centrum Baltica SA, Centrum Poznan SA, Centrum Warta SA and Centrum Weiterstadt SA (Luxembourg).

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

Within the Rallye/Euris Group

- Member of the Supervisory Board of Centrum Leto SA (Luxembourg);
- Permanent representative of Eurisma on the Board of Directors of Carpinienne de Participations SA;
- Director of Parande Brooklyn Corp. (United States);
- Treasurer and secretary of Parande Brooklyn (United States).

Number of Rallye shares held: 53,012



Foncière Euris

A French *société anonyme* (joint stock company) with a share capital of €149,158,950 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 15 May 2019

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

■ Director of Casino, Guichard-Perrachon (listed company);

■ Chair of Matignon Abbeville, Marigny Foncière and Mat-Bel 2.

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

Within the Rallye/Euris Group

■ Chair of Marigny Belfort.

Number of Rallye shares held: 31,958,125

Permanent representative of Foncière Euris: Didier Lévêque, since 4 June 2008

Date of birth: 20 December 1961

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

Biography

Didier Lévêque is a graduate of HEC School of Management. From 1985 to 1989, he served as Research Analyst in the Finance department of the Roussel-UCLAF Group. He joined Euris in 1989 as Deputy Company Secretary. He was appointed Company Secretary in 2008.

Main executive positions

Company Secretary of Euris;

Chairman and CEO of Finatis (listed company).

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

- Chairman and Chief Executive Officer of Carpinienne de Participations (listed company) and of Euris North America Corporation (ENAC), Euristates Inc., Euris Real Estate Corporation (EREC) (United States);
- Member of the Audit Committee of Rallye (listed company);
- Member of the Appointments and Compensation Committee of Foncière Euris (listed company);
- 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.

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

Within the Rallye/Euris Group

- Chairman of the Board of Directors, Vice-Chairman and Director of Cnova N.V. (listed company – Netherlands);
- Member of the Supervisory Board of Centrum Leto;
- Permanent representative of Foncière Euris, Director of Casino, Guichard-Perrachon (listed company);
- Chief Executive Officer of Parande Brooklyn Corp. (United States).

Outside the Rallye/Euris Group

Outside the Rallye/Euris Group

General Manager of SARL EMC Avenir 2.

■ Member of the Board of Directors of Wansquare.

Number of Rallye shares held: 88,638



II. Non-voting Directors whose reappointment is proposed at the Shareholders' Meeting of 15 May 2019

Jean Chodron de Courcel

Date of birth: 14 May 1955

Biography

Jean Chodron de Courcel is a graduate of HEC School of Management and an alumnus of the École Nationale d'Administration. After holding various positions within the government and in ministerial offices, Jean Chodron de Courcel joined the executive management of the Schneider group in 1990, where he served as Chief Financial Officer from 1991 to 1995. 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

Non-voting Director

First elected/appointed

10 May 2017

Current term expires

Ordinary Shareholders' Meeting of 15 May 2019

Other offices and positions held in 2018 and continuing as of 13 March 2019

Outside the Rallye/Euris Group

Manager of Semper Consulting.

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

Within the Rallye/Euris Group

Director of Rallye (listed company).

Number of Rallye shares held: 376

Christian Paillot

Date of birth: 9 September 1947

Offices and positions held at the Company

Office/Position

Non-voting Director

First elected/appointed

18 May 2016

Current term expires

Ordinary Shareholders' Meeting of 15 May 2019

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, 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 2018 and continuing as of 13 March 2019

Outside the Rallye/Euris Group

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

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

Within the Rallye/Euris Group

Outside the Rallye/Euris Group

- Director of Rallye (listed company).
- Manager of Écurie du Haras de Plaisance;
- Manager of SCI Parim.

Number of Rallye shares held: 1,055

Executive Management



Franck Hattab, General Manager

Date of birth: 14 November 1971

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

Biography

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

Main executive position

General Manager of Rallye.

Other offices and positions held in 2018 and continuing as of 13 March 2019

Within the Rallye/Euris Group

- Chief Executive Officer of Alpétrol, Cobivia and L'Habitation Moderne de Boulogne;
- Permanent representative of Rallye (listed company) on the Board of Directors of Miramont Finance et Distribution;
- Permanent representative of L'Habitation Moderne de Boulogne on the Board of Directors of La Bruyère;
- Chairman and member of the Supervisory Board of Groupe GO Sport.

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

Within the Rallye/Euris Group

- Deputy Chairman of the US companies Crapon LLC, King LLC, Lobo I LLC, Oregon LLC, Parker I LLC, Pointer I LLC, Sharper I LLC, and Summit I LLC;
- Permanent representative of Alpétrol, Director of Groupe GO Sport;
- Permanent representative of Matignon Sablons on the Board of Directors of La Bruyère

Number of Rallye shares held: 58,307

Organisation and functioning of the Board of Directors____

Preparation and organisation of the work of the Board of Directors

The requirements governing the preparation and organisation of the work of the Board of Directors are defined by law, by the Company's articles of association, by the Board's Internal Rules, and by the charters of the Special Committees set up within it.

Organisation and procedures of the Board of Directors

Since 28 February 2013, the functions of Chairman of the Board of Directors, a position held by Jean-Charles Naouri, and General Manager have been separate.

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. The Chairman of the Board of Directors does not hold any other function.

♦ Board of Directors' Internal Rules

The organisation and functioning of the Board of Directors are subject to the Internal Rules adopted in December 2003, and last revised by the Board of Directors on 7 March 2018. They include and specify the different rules that are applicable by law, the regulations and the Company's articles of association. They include the corporate governance principles with which they ensure compliance.

The Internal Rules describe the functioning, powers, authorisations and duties of the Board of Directors and of its Special Committees: the Audit Committee and the Appointments and Compensation Committee. They describe the limits to the powers of Executive Management.

The Internal Rules set out the principle of formal and regular assessments of the functioning of the Board of Directors.

They also spell out the terms and conditions for its meetings and deliberations and, in particular, enable Directors to attend Board meetings by videoconference and by any other means of telecommunication.

They incorporate the rules of conduct applicable to members of the Board of Directors as set out below in the "Code of conduct" section on page 64.

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 Board of Directors' Internal Rules.

Under Article L. 225-35 of the French Commercial Code, the Chairman or General Manager of the Company provides each member of the Board with all the documents and information necessary for the performance of their duties.

All the necessary information relating to the subjects to be discussed by the Board of Directors is provided to its members prior to each Board meeting. Accordingly, each Board member receives a preparatory file containing information and documents, provided that such documents are available and depending on the progress status of the files, relating to the subjects on the agenda. A secure platform installed in 2016 introduced the process of digitalisation of the work files used by the Board and its specialised Committees for its meetings.

Under the Board's internal rules, Executive Management reports to the Board of Directors at least once a quarter on the Company's business and that of its main subsidiaries, including information on sales and results. Executive Management also provides the Board with the schedule of borrowings, the position of the credit lines available to the Group and a list of the Company's employees and those of its main subsidiaries.

Once every six months, the Board of Directors also reviews the Group's off-balance sheet commitments.

When Directors start their term of office, they receive all the information necessary for the performance of their duties, and they 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.

Role and responsibilities of the Board of Directors

Pursuant to the provisions of Article L. 225-35 of the French Commercial Code, the Board of Directors determines the Company's business strategy and monitors its implementation. Subject to the powers expressly reserved to Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors deals with all questions related to the Company's operations and by its deliberations governs the matters that concern it. It also carries out all the checks and verifications it deems necessary.

The Board of Directors also reviews and approves the parent company and consolidated annual and interim financial statements. It presents reports on the business activities and performance of the Company and its subsidiaries, and approves the Company's management forecasts. It also reviews the Corporate Governance Report prior to its approval. It determines Executive Management's method of conducting business whether the offices of Chairman and General Manager are to be combined or split, and appoints its Chairman, General Manager and Deputy General Manager, whose compensation it sets. It awards stock options and free shares. It is called upon to deliberate every year with regard to the Company's policy on equal opportunities and equal pay for men and women.

With respect to limitations on the powers of Executive Management, certain significant transactions are subject to the Board's prior authorisation due to their nature and/or amount (see page 50).

Activity of the Board of Directors during the past year

In 2018, the Board of Directors met eight times. The attendance of Directors at these meetings was 98%.

Approval of the financial statements – Business activity of the Company and its subsidiaries

The Board of Directors reviewed and approved the financial statements of the Company and the Group for the year ended 31 December 2017 and the interim financial statements of the Group for the first half of 2018, 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 Company'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 23 May 2018. 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 and notably authorised a confirmed credit line for €500 million maturing in 2020 from five of its core banks, namely BNP Paribas, Crédit Agricole CIB, Crédit Industriel et Commercial, HSBC and Natixis, and the sale of Courir France, which operates stores under the Courir banner.

The Board was informed of the main transactions carried out by the Casino Group, particularly the €1.5 billion asset disposal plan to support the ongoing transformation of its business model and to accelerate the deleveraging process in France announced on 11 June 2018. It was also given a presentation on changes in the credit rating of Casino, and on the performance of the Casino and Rallye shares.

The Board was also informed of the "Horizon" purchasing cooperation initiative between Auchan and Casino, the partnership between Monoprix and Amazon, and Monoprix's acquisition of Sarenza.

The Board's members were informed of legal action and procedures taken by the Company in light of virulent and repeated attacks by hedge funds on the Rallye and Casino shares in a bid to artificially drive down their share prices and destabilise the two companies, their employees and shareholders.

Members of the Board of Directors were given specific presentations on Monoprix and on the Casino Group's corporate social responsibility strategy.

The Board of Directors received a report on gender equality within the Company

The Board of Directors approved the Corporate Governance Report.

In accordance with Article L. 225-40-1 of the French Commercial Code, the Board of Directors reviewed and approved the related-party agreements concluded during past years that remain in effect.

Governance

The Board of Directors conducted the annual review of the Appointments and Compensation Committee's conclusions on the Company's situation with regard to applying corporate governance principles, and more specifically, concerning the composition and organisation of the Board and its Special Committees, the independence of Directors and the gender balance on the Board for the process of renewing the directorships that expired at the Shareholders' Meeting held on 23 May 2018.

In connection with the reappointment of Franck Hattab as General Manager, the Board of Directors maintained the limitation of Executive Management's powers and renewed the specific annual authorisations for borrowings, credit lines, other financing agreements and cash advance contracts, guarantees, endorsements and securities, transactions in equities, marketable securities, derivative products and bond issues.

The Board of Directors was informed about all the work of its Committees, as described below.

Compensation

The Board of Directors determined the 2017 variable compensation of Franck Hattab in his capacity as General Manager. It approved the underlying principles, structure and components used to determine his overall compensation package as General Manager for 2018. It also approved the specific report disclosing the components of compensation to be submitted for shareholder approval. The Chairman of the Board of Directors does not receive any fixed or variable compensation other than Directors' fees, which are halved for Directors representing the majority shareholder.

It also examined the terms for allocating 2017/2018 Directors' fees to Directors, non-voting Directors and members of the Board's Special Committees. It decided on the award of bonus shares to the executives and employees of the Group and its affiliates, subject to the conditions of continued employment and performance.

Special Committees of the Board of Directors

The Board of Directors is assisted by two Special Committees: the Audit Committee and the Appointments and Compensation Committee.

The Committees are composed exclusively of Directors. Committee members are appointed by the Board of Directors, which also appoints the Chairman of each Committee.

The Chairman of the Board of Directors and the 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 at 13 March 2019

			First appointed/last	Number	
	Position	Independence	reappointed	of meetings	Attendance rate
Philippe Charrier	Chairman	*	13 May 2013	6	100%
Anne Yannic	Member	*	10 May 2017	6	100%
Didier Lévêque	Member		15 December 2017	6	100%
Independence rate		67%			

The Audit Committee has three members, two of whom are independent (i.e., two-thirds): Philippe Charrier (Chairman), and Anne Yannic. The third member is Didier Lévêque. They are appointed for the duration of their term of office as Director.

All members of the Audit Committee hold or have held executive or management positions 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 effectiveness of internal control and risk management systems, the legally required audit of the annual and consolidated financial statements by the Statutory Auditors and the independence of the Statutory Auditors.

In particular, the Audit Committee reviews the procedures for approving the financial statements and the work undertaken by the Statutory Auditors.

The Audit Committee holds a meeting with the Statutory Auditors once a year without any Executive Management members being present.

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

♦ Activity in 2018

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 2018 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.

The Committee was informed about the Statutory Auditors' findings on procedures relating to the processing and preparation of accounting and financial information.



In accordance with the provisions of Article L. 823-16 of the French Commercial Code, the Audit Committee reviewed the Statutory Auditors' additional report.

In connection with the Board of Directors' annual review, the Committee reviewed the related-party agreements entered into in past years that remained in effect, and recommended to the Board the continuation thereof.

As part of the pre-approval procedure for non-audit services to be provided by the Group's Statutory Auditors, the Audit Committee authorised several non-audit engagements.

The members held a meeting with the Statutory Auditors without any Executive Management members being present.

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

Appointments and Compensation Committee

♦ Composition at 13 March 2019

			First appointed/last	Number	
	Position	Independence	reappointed	of meetings	Attendance rate
Catherine Fulconis	Chair	*	10 May 2017	3	100%
Philippe Charrier	Member	*	10 May 2017	3	100%
Odile Muracciole	Member		18 May 2016	3	100%
Independence rate		67%			

The Appointments and Compensation Committee has three members, two of whom are independent: Catherine Fulconis (Chair) and Philippe Charrier. The third member is Odile Muracciole. They are appointed for the duration of their term of office as Director.

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.

It reviews the composition, size and organisation of the Board of Directors and its Committees on an annual basis in order to make recommendations on the appointment or reappointment of Directors.

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

♦ Activity in 2018

The Committee performed its annual review of the organisation and functioning of the Board of Directors and its Special Committees, as well as of the correct application of corporate governance principles in accordance with the Afep-Medef Corporate Governance Code and the provisions of the Internal Rules.

It examined each Director's situation with regard to dealings with Group companies that might compromise their freedom of judgement or entail conflicts of interest, in particular with respect to the applicable criteria defined in the Afep-Medef Corporate Governance Code.

The Committee expressed a favourable opinion on the continued separation of the office of Chairman from that of General Manager and, in light of the above, approved the proposed reappointment of Franck Hattab as General Manager and Jean-Charles Naouri as Chairman of the Board of Directors.

Upon the reappointment of the General Manager, the Committee made recommendations on the continuation of the specific annual authorisations granted to him.

The Committee expressed a favourable opinion on the proposed reappointment of Directors and non-voting Directors, submitted for approval at the Shareholders' Meeting of 23 May 2018. In May 2018, the Committee also expressed a favourable opinion on the renewal of the appointment of the Chairman of the Board of Directors.

The Committee expressed a favourable opinion on the variable component of the General Manager's compensation for 2017.

In respect of the review of the components of the 2018 compensation and benefits in kind for the General Manager, the Committee took note of findings of a study carried out by an external specialist firm. It expressed a favourable opinion on the principles for determining the General Manager's 2018 compensation as approved by the Board of Directors on 7 March 2018 and approved at the Shareholders' Meeting of 23 May 2018.

It examined the Board of Directors' Corporate Governance Report, as well as other information related to corporate governance and compensation for executive corporate officers.

The Committee also received a presentation on the implementation of the duty of care principle across the Group (Rallye, Casino and Groupe GO Sport). In particular, it was informed of the results of the supplier risk mapping exercise, which identified, analysed and ranked said risks.

Board members were given a presentation by the Human Resources department on the main initiatives deployed within the Group in 2018 as part of the gender equality policy.

The Committee reviewed the Company's situation relative to the Afep-Medef Code and the reports issued by the AMF and the High Commission on Corporate Governance (Haut Comité de Gouvernement d'entreprise).

The Chairman of the Committee reported to the Board of Directors on the work of the Appointments and Compensation Committee.

Assessment of the conditions under which the Board of Directors operates

Pursuant to the Corporate Governance Code, the Internal Rules provide for an annual discussion and regular assessment of the functioning of the Board of Directors, to be performed by the Appointments and Compensation Committee, with assistance from an external consultant if it so chooses.





The latest assessment of the organisation and functioning of the Board of Directors was conducted during the first quarter of 2017, using the responses to a questionnaire sent to each Director. A specific assessment of the effective contribution of each Director to the Board's work, as recommended by the Afep-Medef Code, was not performed. However, the responses and comments made by the Directors were sufficient to assess the involvement of each of the Board members. Implementation of this recommendation will be reviewed during the next assessment.

The assessments and observations made by the members of the Board of Directors indicated that the organisation and operations of the Board were entirely satisfactory with respect to ethics and proper corporate governance.

Code of conduct

The Board of Directors' Internal Rules describe the code of conduct applicable to Board members. The code states that each Director must fulfil his or her duties in full compliance with the rules of independence, business ethics, loyalty and integrity. It includes the disclosure rules applicable to Directors, their obligation to protect the Company's interests, to avoid and manage conflicts of interest, to make every effort to attend all meetings of the Board, and, if applicable, its Committees, as well as all Shareholders' Meetings, to protect confidential information and for Directors appointed by the Shareholders' Meeting to hold shares in the Company. Measures regarding the prevention of insider trading are also included in the stock market code of conduct issued in 2017, which is referred to directly in the Internal Rules. These documents are available on the Company's website (http://www.rallye.fr/en).

The Internal Rules specify that before accepting office, Directors must familiarise themselves with all legal and regulatory requirements concerning their position, with the applicable codes and best governance practices and with any provisions specific to the Company set out in its articles of association and the Internal Rules.

As regards rules on avoiding and managing conflicts of interest, the Internal Rules specify that all Directors are required to advise the Board of any actual or potential conflicts of interest in which they might be directly or indirectly involved and in such a case to abstain from taking part in the discussion and vote on the matter concerned. Each Director is additionally required to consult with the Chairman before engaging in any activity or accepting any position or obligation that could result in a conflict of interest or a potential conflict of interest. The Chairman may examine these issues with the Board of Directors.

Shares held by members of the Board of Directors

The Internal Rules require all Directors elected by the shareholders, whether individuals, legal entities or permanent representatives, to hold shares worth the equivalent of one year's Directors' fees assessed on the date of acquisition. Shares held to meet this requirement must be held in registered form.

To the best of the Company's knowledge there are no restrictions on the sale of Company shares by the members of the Board of Directors, apart from the requirements implemented by the Group in accordance with the stock market code of conduct or, more generally, set by the laws and regulations to prevent insider trading.

Preventing insider trading

The stock market code of conduct adopted in 2017 includes (i) a description of applicable laws and regulations, (ii) a definition of inside information, (iii) measures the Company has taken to prevent insider trading, (iv) obligations applicable to individuals with access to inside information and (v) the penalties for non-compliance. In addition, it states that each of Rallye's publicly traded subsidiaries and parent companies have their own stock market code of conduct.

The code applies to all Directors, senior executives and related persons, as well as more generally to employees and any person who may have access to inside information.

The stock market code of conduct and the Board of Directors' internal rules both require that a blackout period concerning any transactions in Company's shares and financial instruments be observed:

- for 30 calendar days prior to the publication by the Company of a press release announcing annual and interim results and on the date of publication;
- holding inside information until such time as the information is no longer confidential or until it becomes public.

The code also includes provisions governing insider lists, and the declarations required from corporate officers, related persons and from individuals with "close personal ties" to members of the Board of Directors with respect to their transactions in Company shares.

Other information about Directors and executive corporate officers

There are no family ties between the members of the Board of Directors currently in office. To the Company's knowledge, none of the members of the Board of Directors or Executive Management, has, in the past five years, been found guilty of fraud or has, as a senior executive, been associated with bankruptcy, receivership or liquidation (as understood under French insolvency laws). Furthermore, no judgement and/or official public penalty (understood as a conviction for economic and financial matters) has been pronounced against them by any statutory or regulatory authority, and no court of law has prevented them from acting as members of an administrative, management or supervisory body of a listed company, nor from taking part in the management or supervision of a listed company's affairs.

Conflicts of interest in corporate bodies and Executive Management – related-party agreements_____

The Company has relations with all of its subsidiaries in its day-to-day management of the Group. It also receives strategic advice from Euris, its ultimate parent company, which is controlled by Jean-Charles Naouri, Chairman and majority shareholder of Euris. Euris provides permanent advisory services on strategy under the terms of an agreement dated 2003 and subsequently amended four times on 16 June 2008, 28 January 2015, and later on 16 and 14 March 2017. Pursuant to the agreement, the Company paid Euris €1,730,000 (excluding VAT) in 2018 in respect of services provided in 2018 (see Statutory Auditors' report on related-party agreements).

Moreover, Euris provides strategic consulting services to Company subsidiaries, and particularly to the Casino Group, which represented total fees of €3.36 million (excluding VAT) in 2018. 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 169 of this Registration Document).

Jean-Charles Naouri, Jacques Dumas, Jean-Marie Grisard, Didier Lévêque, Virginie Grin and Odile Muracciole, Directors or permanent representatives of Group companies, as well as Franck Hattab have employee and/or 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 and their members, two-thirds of whom are independent, including the Chairs, 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 205.

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. Moreover, no agreements other than those pertaining to ordinary business transactions and entered into on an arm's length basis were signed, directly or through an intermediary, between a subsidiary of the Company and the General Manager, a Director or a shareholder holding more than 10% of the Company's voting rights.

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

Other disclosures

Methods for attending Shareholders' Meetings

Methods for attending Shareholders' Meetings are set forth in Articles 25, 27 and 28 of the articles of association (see pages 235 and 237 of this Registration Document).

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

The Company's capital structure and the direct or indirect interests in the Company's capital of which it is aware by virtue of Articles L. 2337 and L. 233-12 of the French Commercial Code are described on pages 24 et seq.

The articles of association contain no restrictions on the exercise of voting rights or the transfer of shares. There are no agreements of which the Company is aware under Article L. 233-11 of the French Commercial Code that provide for pre-emptive rights with respect to the sale or purchase of the Company's shares, nor are there, to the best of the Company's knowledge, any agreements between shareholders which might restrict share transfers or the exercise of voting rights.

The Company has not issued securities with special rights of control, and no mechanism for control is provided for in any employee stock ownership plan, when the rights of control are not exercised by the employees.

The rules which apply to appointing and replacing members of the Board of Directors, and to amending the Company's articles of association, are described in pages 233 et seq.

The powers of the Board of Directors are described on page 60.

With respect to the issuance of shares, the authorisations awarded to the Board of Directors are set forth on page 26 and, with regard to the repurchase of shares, the powers of the Board of Directors are described on page 25.

In addition, there are no agreements providing for compensation for the members of the Board of Directors, the Directors, senior executives or the employees should they resign or be dismissed without just cause or should their employment be terminated as a result of a public offering.

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Executive and management compensation

Corporate Governance Report



Compensation of the Chairman of the Board of Directors

Determination of components of compensation for the year ended 31 December 2018

The Company does not pay the Chairman of the Board of Directors any fixed or variable compensation other than Directors' fees.

♦ 1. Directors' fees due and paid by Rallye

The compensation, Directors' fees and benefits in kind due and paid by Rallye to Jean-Charles Naouri, Chairman of the Board of Directors, for and during 2017 and 2018 are as follows:

	201	17	201	18
(€)	Amount due ⁽¹⁾	Amount paid ⁽²⁾	Amount due(1)	Amount paid ⁽²⁾
Fixed compensation	-	-	-	-
Annual variable compensation	-	-	-	-
Multi-annual variable compensation	-	-	-	-
Long-term incentive	-	-	-	-
Deferred exceptional bonus	-	-	-	-
Directors' fees	10,000	10,000	10,000	10,000
Benefits in kind	-	-	-	-
TOTAL	10,000	10,000	10,000	10,000

⁽¹⁾ Compensation and Directors' fees awarded in respect of the year, irrespective of the payment date.

(2) Total amount of compensation and Directors' fees paid by the Company during the year

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

Jean-Charles Naouri has not been awarded any stock options or free shares in Rallye, or in companies controlled by Rallye, or in the companies that control Rallye, or the companies that they in turn control.

♦ 3. Summary table of compensation due and paid by the Company and the companies that it controls or that control it or that are controlled by the latter

The table below shows the compensation, Directors' fees and benefits in kind due and paid to the Chairman of the Board of Directors for and during 2017 and 2018, by Rallye, the companies that it controls or that control it or that are controlled by the latter:

	2017		2018	
(€)	Amounts due	Amount paid	Amount due	Amount paid
Compensation due for the year (gross)	2,101,520	2,272,620(1)	1,380,240	1,476,520(2)
Value of stock options granted during the year	No grant		No grant	
Value of free shares awarded during the year	No award	No award		rd
TOTAL	2,101,520	2,272,620	1,380,240	1,476,520

(1) Compensation and/or Directors' fees paid in 2017:

- Casino, Guichard-Perrachon: €1,11,620, of which €480,000 in fixed compensation, €625,120 in variable compensation in respect of 2016, and €12,500 in Directors' fees;
 - Rallye: €10,000 in Directors' fees
- Euris: €1,145,000, of which €520,000 in fixed compensation and €625,000 in variable compensation. (2) Compensation and/or Directors' fees paid in 2018:
 - Casino, Guichard-Perrachon: €946,520, of which €480,000 in fixed compensation, €454,020 in variable compensation in respect of 2017, and €12,500 in Directors' fees;
 - Rallye: €10,000 in Directors' fees;
 - Euris: €520,000 in fixed compensation. No variable compensation was paid



♦ 4. Employment contract, supplementary retirement plan, severance pay and non-compete clause compensation: none

				Compensation	or benefits due		
				or likely to be due	as a result of the	Compensat	ion relating
Employme	nt contract	Supplementary	retirement plan	termination or ch	ange of functions	to a non-cor	npete clause
Yes	No	Yes	No	Yes	No	Yes	No
	X		X		Χ		X

General Manager's compensation

General principles

The Board of Directors uses the Afep-Medef Code (June 2018 version) as its reference to determine the principles for setting the compensation of executive corporate officers. It decides the principles for determining and structuring the General Manager's compensation based on the recommendations of the Appointments and Compensation Committee.

The Board of Directors ensures that the compensation policy is consistent with the Company's corporate interests and the interests of shareholders and stakeholders. The policy is determined so that it is consistent with that of the Group's employees. The performance indicators selected for setting the variable compensation must be in line with the strategic priorities of the Group and include both financial and non-financial criteria, with performance assessed annually and/or over several years.

The Board of Directors bases its consideration of this issue on the analyses and findings of an external consulting firm specialising in compensation, which advises its members and the Appointments and Compensation Committee on market practices in this area. These periodic compensation analyses make it possible to benchmark the General Manager's compensation, its level and growth, the weighting of components, as well as assessment criteria, with practices of peer companies.

Determination of components of compensation for the year ended 31 December 2018

Method of determining the General Manager's compensation for 2018

For 2018, the Board of Directors decided to apply the same compensation structure as in 2017 (fixed compensation, annual variable compensation and long-term incentive) while continuing to increase the variable portion of the General Manager's compensation based on market practices and recommendations issued by the external consultant, in particular by introducing a third financial criteria and increasing the weighting of quantitative objectives.

The principles and criteria for determining, allocating and awarding the components of the General Manager's compensation were set by the Board of Directors on 7 March 2018 based on the recommendations of the Appointments and Compensation Committee and the benchmarking studies performed by an external consultant. They were subsequently approved by the Shareholders' Meeting of 23 May 2018 as required by Article L. 225-37-2 of the French Commercial Code. Accordingly, the General Manager's compensation for 2018 comprises fixed compensation, annual variable compensation, a long-term incentive and an exceptional deferred bonus, determined as follows:

Fixed compensation for 2018

The fixed compensation is a gross €450,000.

2018 annual variable compensation

Franck Hattab's variable compensation for 2018 was determined by the Board of Directors on 7 March 2018 on the following basis:

 a gross target amount of €290,000 representing 64.5% of his fixed compensation in the event he achieves all the objectives;

- quantitative and qualitative objectives:
 - three quantitative financial objectives, accounting for 50% of the target amount, i.e., €145,000 gross, based on the cost of net debt of the Rallye holding company scope, Rallye's consolidated EBITDA interest coverage ratio and the EBITDA of Groupe GO Sport and up to 100% in the event of outperformance (€290,000),
 - two individual qualitative objectives, accounting for 30% of the target amount, i.e., €87,000 gross,
 - an assessment of managerial attitudes and behaviour, also accounting for 20% of the target amount, i.e., €58,000 gross;
- an outperformance bonus for the three quantitative financial criteria only.

The maximum potential annual variable compensation is therefore $\ensuremath{\mathfrak{C}}435,\!000$ gross.

The quantitative objectives were established in advance and precisely defined and assessed according to the Rallye Group's key business indicators. The target levels corresponding to achievement of the Group's objectives, minimum achievement thresholds and an outperformance level were also established in advance. Detailed figures are not published for confidentiality reasons.

Determination of the amount of variable compensation due for 2018

On 13 March 2019, the Board of Directors reviewed the results achieved and determined the amount of variable compensation due with respect to 2018.

The amount of variable compensation as a percentage of the gross €290,000 target was as follows:

- 40% for the cost of net debt of the Rallye holding company scope:
 i.e., €116,000 gross;
- 35.52% for the consolidated EBITDA interest coverage ratio, i.e., €103,000 gross;
- the Groupe GO Sport EBITDA criterion was not met;
- ♦ 30% for the individual qualitative objectives: i.e., €87,000 gross;
- 20% for the assessment of managerial attitudes and behaviour:
 i.e., €58,000 gross.

Total variable compensation for 2018 therefore amounted to €364,000 gross, representing 80.9% of annual gross fixed compensation.

As required by Article L. 225-37-2 of the French Commercial Code, payment of the annual variable compensation due for 2018, as determined, is subject to approval at the Ordinary Shareholders' Meeting of 15 May 2019 ($16^{\rm th}$ resolution).

Long-term incentive (LTI)

In order to increase the variable component in his overall compensation and maintain an assessment of his performance over longer periods, the General Manager has been awarded a long-term incentive, subject to performance and continuous service conditions.

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It is therefore proposed to raise the target amount from €250,000 to €280,000 gross (62% of fixed compensation).

The other terms and conditions relating to the long-term incentive are determined as follows:

- performance conditions are assessed over a three-year period (2018-2020);
- payment of the incentive is contingent on a continuous service requirement and the achievement of the following unchanged performance conditions, each accounting for 50% of the total target, i.e.. €140.000:
 - the consolidated EBITDA interest coverage ratio,
 - 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 of outperformance. The long-term incentive is calculated on a linear basis between the minimum and maximum thresholds,
 - the variable compensation as determined by the achievement of the above two criteria, will be based on the upward or downward change in the Rallye share price between the grant date and the vesting date (based on the average closing share price over the 20 trading days preceding these two dates).

As required by Article L. 225-37-2 of the French Commercial Code, payment of the annual variable compensation due for 2018 is subject to approval at the Ordinary Shareholders' Meeting of 15 May 2019. Payment of the

long-term incentive is subject to approval at the Ordinary Shareholders' Meeting to be held in 2021, corresponding to the year in which the allocation will be final.

Deferred exceptional bonus

The Board of Directors also awarded the General Manager an exceptional bonus deferred over a two-year period in recognition of his seamless transition to his new functions and a highly satisfactory first year of increased responsibility, including oversight of Groupe GO Sport. The deferred exceptional bonus is a gross amount of €400,000 covering the entire two-year period and will only be paid at the end of this period subject to fulfilment of the continuous service condition, i.e., with payment in 2021.

As required by Article L. 225-37-2 of the French Commercial Code, payment of the deferred exceptional bonus is also subject to approval at the Ordinary Shareholders' Meeting to be held in 2021.

Other components of compensation and benefits in kind awarded to the General Manager

The General Manager is a member of the specific unemployment insurance plan for Directors and corporate officers (GSC), which is considered to be a benefit in kind, and is covered by all of the compulsory group retirement plans in existence at Rallye (ARRCO and AGIRC), the defined contribution supplementary retirement plan, and the health insurance and death and disability plans.

The General Manager is not covered by any defined benefit supplementary retirement plan, and is not entitled to any compensation for loss of office or any non-compete indemnity.

Compensation due or paid to Franck Hattab, General Manager, in 2018

\$ 1. Compensation and Directors' fees due and paid by Rallye

The compensation, Directors' fees and benefits in kind due and paid by Rallye for and during 2017 and 2018 are as follows:

	2017		2018	
_(€)	Amount due ⁽²⁾	Amount paid ⁽⁴⁾	Amount due ⁽²⁾	Amount paid ⁽⁴⁾
Fixed compensation ⁽¹⁾	405,270	405,270 ⁽¹⁾	450,000	450,000
Annual variable compensation	336,000	174,750	364,000	336,000
Multi-annual variable compensation	-	-	-	-
Long-term incentive ⁽³⁾	-	230,371		249,985
Deferred exceptional bonus	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind ⁽⁵⁾	7,244	7,244	23,732	23,732
TOTAL	748,514	817,635	837,732	1,059,717

⁽¹⁾ Gross compensation before taxes and charges. Franck Hattab received fixed compensation for his previous functions as Deputy General Manager and Chief Financial Officer, calculated on a pro rata basis from 1 January to 3 April 2017 based on a gross annual amount of €367,500, i.e., €88,798 gross, and for his new function as General Manager, calculated on a pro rata basis from 4 April to 31 December 2017 based on a gross annual amount of €420,000, i.e., €316,472 gross.

♦ 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 2018, no stock options for new or existing shares or free shares were awarded by Rallye, the companies that it controls or that control it or that are controlled by the latter.

⁽²⁾ The basis for determining 2018 variable compensation is detailed on page 67 of this Registration Document.

⁽³⁾ Corresponds to deferred conditional bonuses based on a target amount of €208,000 gross awarded on 15 December 2015 and 29 July 2016, respectively, subject to a continuous service requirement and performance conditions assessed over a three-year period for the December 2015 payment and a two-year period for the July 2016 payment.

⁽⁴⁾ Compensation awarded for the year irrespective of the payment date.

⁽⁵⁾ Corresponds to contributions to the specific unemployment insurance plan for Directors and corporate officers (GSC).



3. Summary table of compensation due and paid by the Company and the companies that it controls or that are controlled by the latter

The table below shows the compensation, Directors' fees and benefits in kind due and paid for and during 2017 and 2018 by Rallye, the companies that it controls or that control it or that are controlled by the latter:

	2017		2018	
(€)	Amounts due	Amount paid	Amount due	Amount paid
Compensation due for the year (gross)	748,514	817,635 ⁽¹⁾	837,732	1,059,717 ⁽¹⁾
Value of stock options granted during the year		No grant		No grant
Value of free shares awarded during the year		No award		No award
TOTAL	748,514	817,635	837,732	1,059,717

⁽¹⁾ Compensation paid by Rallye only.

4. Employment contract, supplementary retirement plan, severance pay and non-compete clause

			or likely to be due as a result of termination or change of functions Compensation relat			on relating to	
Employment contract Supplementary retirement plan		as an executive corporate officer		a non-compete clause			
Yes	No	Yes	No	Yes	No	Yes	No
X ⁽¹⁾		X ⁽²⁾			Χ		X

⁽¹⁾ Franck Hattab's employment contract dated 1 March 1999 was suspended on 4 April 2017 when he was appointed as General Manager.

Principles and criteria for determining and awarding the components of the General Manager's 2019 compensation

(17th resolution at the Ordinary Shareholders' Meeting of 15 May 2019)

In accordance with Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining the total compensation and benefits in kind to be awarded to the General Manager for 2019 must be approved by the shareholders at the Shareholders' Meeting of 15 May 2019.

On 13 March 2019, the Board of Directors set the principles for determining the amount and structure of the General Manager's compensation package for 2019, based on the recommendations of the Appointments and Compensation Committee.

♦ Components of the General Manager's compensation

For 2019, the Board of Directors appointed an external consultant to review the General Manager's compensation package. Based on market practice and the recommendations of the external consultant, and after obtaining an opinion from the Appointments and Compensation Committee, at their meeting on 13 March 2019 the Board of Directors determined the structure of the General Manager's 2019 compensation, as follows:

Fixed compensation

The General Manager's fixed compensation is a gross annual €480,000.

Annual variable compensation

Based on market practice and the recommendations made, annual variable compensation will continue to be set at 64.5% of fixed compensation (corresponding to a gross amount of €310,000) if the objectives are met. In the event of outperformance, variable compensation will represent up to 96.9% of fixed compensation (corresponding to a gross amount of €465,000).

Annual variable compensation remains entirely contingent on the achievement of quantitative financial objectives and individual qualitative objectives:

 $\ \, \diamondsuit \ \, \text{Quantitative objectives:}$

Three quantitative financial objectives related to the cost of net debt of the Rallye holding company scope, the consolidated EBITDA interest coverage ratio and Groupe GO Sport EBITDA. These objectives remain strategic priorities and key business indicators for the Rallye Group.

Qualitative objectives:

Three individual qualitative objectives and an assessment of managerial attitudes and behaviour.

- ♦ There is no guaranteed minimum.
- $\ensuremath{\diamond}$ The weighting of the proposed objectives is as follows:
 - The three financial objectives account for 50% of the target amount, i.e. €155,000 gross and up to 100% in the event of outperformance, i.e. €310,000 gross;
 - the individual qualitative objectives account for 30% of the target amount, i.e., €93,000 gross, and the assessment of managerial attitudes and behaviour for 20%, i.e., €62,000 gross.
- Outperformance would therefore only be rewarded for the three financial criteria, thus continuing to represent 100% of their target level.

⁽²⁾ The General Manager is a member of the mandatory pension, health and supplementary retirement plan in force within the Group for all Group employees. He also benefits from the defined benefit supplementary retirement plan in force at Rallye.



The quantitative and qualitative criteria and their weighting in the General Manager's 2019 variable compensation break down as follows:

Target amount: €310,000 (i.e., 64.5% of fixed compensation)	Variable component target	Maximum variable component
I Three quantitative financial objectives		
1/ Cost of net debt of the Rallye holding company scope		
% of the target amount	20%	40%
Amount	€62,000	€124,000
2/ Consolidated EBITDA/interest coverage ratio		
% of the target amount	20%	40%
Amount	€62,000	€124,000
3/ Groupe GO Sport EBITDA		
% of the target amount	10%	20%
Amount	€31,000	€62,000
II Three individual qualitative objectives		
1/ Holding company financial management/Banking relationships		
% of the target amount	10%	
Amount	€31,000	
2/ Financial reporting		
% of the target amount	10%	
Amount	€31,000	
3/ Preparation and convening of the Annual Shareholders' Meeting		
% of the target amount	10%	
Amount	€31,000	
III. – Managerial attitudes and behaviour		
% of the target amount	20%	
Amount	€62,000	

^{*} Linear change between amounts.

Long-term incentive (LTI)

In accordance with market practice and the recommendations made by the external consultant as regards the heavy weighting of the variable component in the overall compensation package, as well as the assessment of the Group's longer-term performance, the Board of Directors decided to renew the long-term cash incentive plan in 2019.

The long-term incentive bonus is determined as follows:

- \diamond The target gross amount was increased from \in 280,000 to \in 300,000 to maintain the percentage of fixed compensation at 62.5% and to keep a consistent target weighting for the variable portion of total compensation.
- The performance conditions continue to be assessed over a three-year period (2019-2021).
- ♦ Payment of the incentive is contingent on a continuous service requirement and the achievement of the following unchanged performance conditions, each accounting for 50% of the target amount, i.e., €150,000 gross:
 - consolidated EBITDA interest coverage ratio;
 - cost of net debt of the current Rallye holding company scope.

- A minimum threshold and a target level have also been set for the two criteria. The target level corresponds to performance in line with the Group's objectives without any reward in the event objectives are exceeded. The long-term incentive is calculated on a linear basis between the minimum and maximum thresholds.
- In addition, for 100% of the variable compensation as determined by the achievement of the above two criteria, a weighting will be applied based on the upward or downward change in the Rallye share price between the grant date and the vesting date (based on the average closing share price over the 20 trading days preceding these two dates).

As required by Article L. 225-37-2 of the French Commercial Code, payment of the annual variable compensation due in 2019, after determining its amount based on the achievement of the above objectives, is subject to approval at the Ordinary Shareholders' Meeting to be held in 2020. Payment of the long-term incentive is subject to approval at the Ordinary Shareholders' Meeting to be held in 2022, i.e., the year in which the payment is due.

Deferred exceptional bonus

In light of his significant contribution toward the negotiations and sale of Courir, the Board of Directors also decided to award the General Manager an exceptional bonus of €300,000, payable in 2019, subject to approval at the Ordinary Shareholders' Meeting of 15 May 2019.

Subsequent to the 2018 and 2017 reviews, the components of the General Manager's total compensation were again reviewed by a specialised consultant in 2019. The consultant confirmed that the structure and positioning of the General Manager's overall annual variable compensation was consistent with market practices. The renewal of the long-term cash incentive plan is also consistent with the practices observed and recommendations made relating to the weighting of variable compensation in the structure of compensation and long-term performance analysis.

Other components of compensation and benefits in kind awarded to the General Manager

The General Manager does not receive any stock options or performance shares and is expressly excluded from any such plans under the resolutions submitted to the Extraordinary Shareholders' Meetings of 10 May 2017 and 23 May 2018.

The General Manager is a member of the specific unemployment insurance plan for directors and corporate officers (GSC), which is considered to be a benefit in kind, and is covered by all of the compulsory group retirement plans in existence at Rallye (ARRCO and AGIRC), the defined contribution supplementary retirement plan, and the health insurance and death and disability plans.

Furthermore, the General Manager is not covered by any defined benefit supplementary retirement plan, and is not entitled to any compensation for loss of office or any non-compete indemnity.

Compensation and/or Directors' fees paid to the other corporate officers

Principles and methods of determining Directors' fees paid in 2018

The Shareholders' Meeting of 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 23 May 2018, 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;

The Chairman of the Board is not paid Directors' fees for the position of Chairman.

The gross amount of Directors' fees and compensation paid in May 2018 to the Directors, non-voting Directors and members of the Special Committees for the prior year totalled €215,500, compared to €227,533 for the previous year, with a heavy weighting attributed to variable fees in accordance with the Afep-Medef Code recommendations.

Corporate Governance Report

Directors' fees and compensation paid in 2017 and 2018

The total amount of compensation and Directors' fees paid to Company officers other than Jean-Charles Naouri and Franck Hattab by the Company, the companies it controls, the companies that control it or the companies controlled by the latter, is as follows:

Directors' fees and compensation paid

	In 2017		In 201	8
(€)	Directors' fees	Other compensation	Directors' fees	Other compensation ⁽¹⁾
Philippe Charrier	40,000	-	50,000	-
Jean Chodron de				
Courcel	50,000	-	20,000	-
Jacques Dumas	10,000	1,029,050 ⁽²⁾	10,000	1,049,552(2)
Catherine Fulconis	20,000		40,000	
Jean-Marie Grisard ⁽³⁾	10,000			
Sophie Guieysse ⁽⁴⁾	10,733			
Virginie Grin	10,000	350,852 ⁽⁵⁾	10,000	371,000 ⁽⁵⁾
Didier Lévêque	10,000	844,930(6)	10,000	900,245(6)
Odile Muracciole ⁽⁷⁾	20,000	538,518 ⁽⁸⁾	20,000	564,804 ⁽⁸⁾
Gabriel Naouri ⁽⁹⁾	20,000	604,828 ⁽¹⁰⁾	3,500	
Christian Paillot	16,800	-	12,000	-
Anne Yannic	-	-	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) Other compensation paid in 2018: €1,049,552, including gross variable compensation of €466,000 in respect of 2017, gross fixed compensation of €540,355, €4,700 in benefits in kind and other Directors' fees of €38,500, excluding gross exceptional or deferred variable compensation of €1,809,006. In 2017, excluding the gross exceptional and deferred bonuses for a total of €1,017,271.
- (3) No longer a Director since 10 May 2017. Jean-Marie Grisard is also a Manager of Frégatinvest, which received €55,000 excluding taxes in consulting fees from Casino in 2016 and 2017.
- (4) No longer a Director since 10 December 2016.
- (5) Other compensation paid in 2018: €371,000, including gross variable compensation of €58,500 in respect of 2017, gross fixed compensation of €260,000 and other Directors' fees of €52,500 (excluding gross deferred bonuses of €23,993). In 2017, excluding gross exceptional bonuses of €46,517.
- (6) Other compensation paid in 2018: €900,245, including gross variable compensation of €235,000 in respect of 2017, gross fixed compensation of €565,245 and other Directors' fees of €100,000, excluding gross exceptional and deferred bonuses for a total of €59,184. In 2017, excluding gross exceptional and deferred bonuses for a total of €109,453.
- (7) Representative of Euris, parent company of the Group, since 15 December 2017. Euris received a total of €5.5 million in 2018 for providing ongoing strategy consulting services to the Rallye Group parent companies and their subsidiaries.
- (8) Other compensation paid in 2018: €564,804, including gross variable compensation of €205,000 in respect of 2017, gross fixed compensation of €319,804 and other Directors' fees of €40,000 (excluding gross exceptional and deferred bonuses of €128,143). In 2017, excluding gross exceptional and deferred bonuses of €150,192.
- (9) No longer a Director since 11 July 2017.
- (10) Other compensation paid in 2017: €604,828, including gross variable compensation of €190,000 in respect of 2016, gross fixed compensation of €412,660 and €2,200 in benefits in kind (excluding termination benefits of €677,522 following the termination of his function as an employee).

Stock options for new or existing shares awarded to corporate officers and options exercised_____

No stock options for new or existing shares were awarded in 2018 by Rallye to the Company's executives and employees of related companies who are also corporate officers, nor to the companies that it controls. There were no stock option plans outstanding at 31 December 2018.



Free shares awarded to corporate officers_

The free shares awarded in 2018 by the Company to executives and employees of the Company and related companies who are also corporate officers of the Company are as follows:

> Value of the shares according to the method used for the

				D	N
	CO	nsolidated financial		Date from which the	Number of free
Officer	Date of award	statements (€)	Vesting date ⁽¹⁾	shares may be sold	shares awarded
Jacques Dumas	23 May 2018	9.6066	23 May 2020	23 May 2022	4,837
Virginie Grin	23 May 2018	9.6066	23 May 2020	23 May 2022	12,799
Didier Lévêque	23 May 2018	9.6066	23 May 2020	23 May 2022	18,250
Odile Muracciole	23 May 2018	9.6066	23 May 2020	23 May 2022	16,723

⁽¹⁾ Vesting of the free shares is contingent on a continuous service requirement and on the achievement of two performance conditions: EBITDA interest coverage ratio for 50% and cost of net debt for 50%

The free shares awarded in 2018 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:

Value of the shares

according to the method used for the Date from which the Number of free consolidated financial Officer Date of award statements (€) Vesting date shares may be sold shares awarded 15 May 2018 18.35 Jacques Dumas 15 May 2021⁽¹⁾ 16 May 2023 13 December 2018 31.46 1 December 2020⁽²⁾ 14 December 2020 1.250

The free shares vested in 2018 to employees of the Company and of related companies who are also corporate officers of the Company are as follows:

		Vesting date of	Number of free	Number of free	Date from which the
Officer	Date of award	shares ⁽¹⁾	shares granted	shares vested ⁽¹⁾	shares may be sold
Jacques Dumas	15 December 2015	15 December 2018	2,604	2,604	15 December 2020
	28 July 2016	28 July 2018	3,930	3,930	28 July 2020
Virginie Grin	15 December 2015	15 December 2018	6,910	6,910	15 December 2020
	28 July 2016	28 July 2018	10,399	10,399	28 July 2020
Didier Lévêque	15 December 2015	15 December 2018	9,847	9,847	15 December 2020
	28 July 2016	28 July 2018	14,828	14,828	28 July 2020
Odile Muracciole	15 December 2015	15 December 2018	9,300	9,300	15 December 2020
	28 July 2016	28 July 2018	13,588	13,588	28 July 2020

⁽¹⁾ Vesting of the free shares is contingent on a continuous service requirement and on the achievement of two performance conditions: EBITDA interest coverage ratio for 50% and cost of net debt for 50%.

The free shares awarded in 2018 by Casino, Guichard-Perrachon to executives and employees of the Company and related companies who are also corporate officers of the Company are as follows:

Officer	Date of award	Vesting date	Number of free shares granted	Number of free shares vested ⁽¹⁾	Date from which the shares may be sold
Jacques Dumas	13 May 2016	13 May 2018 ⁽¹⁾	9,699	5,517	13 May 2020
	14 October 2016	14 October 2018 ⁽²⁾	2,898	2,898	15 October 2018

⁽¹⁾ Vesting of the share grants is contingent on a continuous service requirement and on the achievement of two performance conditions assessed over a three-year period (2018, 2019 and 2020), each concerning half of the initial grant: the Company's TSR compared to a sample of nine European food retailers (Ahold-Delhaize, Carrefour, Colruyt Group, Dia, Jeronimo Martins, Metro, Morrisons, Sainsbury's and Tesco), and the Group's average EBITDA margin (EBITDA/net sales).

⁽¹⁾ Vesting of the free shares is contingent on a continuous service requirement and on the achievement of two performance conditions assessed over a three-year period (2017, 2018 and 2019), each concerning half of the initial grant: TSR compared to a sample of European companies in the Food Retail index and the Group's average EBITDA margin (EBITDA/net sales).

⁽²⁾ Vesting of the share grants is contingent only on a service requirement.

⁽²⁾ Vesting of the share grants was contingent only on a service requirement.



Auditing of the financial statements



Statutory Auditors.

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

Statutory Auditors

KPMG

Signing partner: Catherine Chassaing (since October 2013)(1).

Date of first appointment: 29 June 1993.

Latest term of office expires: at the close of the 2019 Annual Shareholders' Meeting.

Ernst & Young et Autres

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

Date of first appointment: 1 June 1999

Latest term of office expires: at the close of the 2022 Annual Shareholders' Meeting.

Alternate Auditors

KPMG Audit ID

Alternate Statutory Auditor for KPMG.

Date of first appointment: 19 May 2010

Latest term of office expires: at the close of the 2019 Annual Shareholders' Meeting.

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

KPMG's term of office is due to expire at the close of the Shareholders' Meeting to be held on 15 May 2019 to approve the 2018 financial statements. In accordance with the provisions of the European statutory audit reform (Regulation (EU) No. 537/2014 and Directive 2014/56 dated 16 April 2014) transposed into French law by the Decree of 17 June 2016, the Audit Committee considered that there was no need to issue a call for tenders and implemented a procedure to renew KPMG's expiring term. The Audit Committee subsequently recommended to the Board of Directors that it renew KPMG's term as Statutory Auditor. On the recommendation of the Audit Committee, the Board of Directors will propose at the Shareholders' Meeting on 15 May 2019 to renew KPMG's term as Statutory Auditor for a period of six years ending at the close of the Ordinary Shareholders' Meeting to be called to approve the 2024 financial statements. In accordance with the provisions of Article L. 823-1 paragraph 2 of the French Commercial Code, the appointment of the alternate Statutory Auditor to KPMG will not be renewed.



CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018



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Statutory auditors' report on the consolidated financial statements



This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to 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, 2018

To the Shareholders of Rallye,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Rallye for the year ended December 31, 2018.

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, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters_

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

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Assessment of goodwill and trademarks

See Notes 10.1 "Goodwill", 10.2 "Other intangible assets" and 10.5 "Impairment of non-current assets" to the consolidated financial statements

Our response

At December 31, 2018, the net carrying amounts of goodwill and trademarks with indefinite useful lives in the consolidated statement of financial position amounted to M€ 9,691 and M€ 1,517 respectively, representing approximately 29% of total consolidated assets.

To measure these assets, the Group carries out impairment tests at least once a uear and whenever there is an indication that their carrying amount may not be recovered.

An impairment loss is recognized when the carrying amount of an asset or 🧇 the methods and inputs used to determine the discount rates applied the cash generating unit to which it belongs is greater than its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

We deemed the assessment of goodwill and trademarks, including goodwill in respect of Franprix - Leader Price and the Extra trademark, to be a key 🔹 the sensitivity scenarios used by Management. audit matter given:

- their materiality in the consolidated financial statements;
- Management's substantial use of judgements, estimates and regarding the sensitivity test. assumptions to determine the recoverable amount, based on discounted future cash flows expected from these assets:
- the sensitivity of recoverable amounts to certain assumptions

We examined the compliance of the methodology used by Management with current accounting standards.

We also assessed the primary estimates used, particularly by analyzing:

- the correspondence of projected cash flows to budgets and medium term plans approved by Management using internal and external data and their consistency with the historical performance of the Group and the economic environment;
- to estimated cash flows. With the assistance of our valuation experts, we recalculated the discount rates and compared them with those used by major financial analysts, as well as with observed rates for several companies operating in the same business segment as the Group;

Lastly, we examined the appropriateness of the information provided in the notes to the consolidated financial statements, in particular, those

Assessment of business benefits receivable from suppliers at the year-end See Notes 6.2 "Cost of goods sold and 6.8 "Other current assets" to the consolidated financial statements

Risk identified Our response

As part of its retail activities, the Group receives business benefits in the form of discounts and commercial cooperation fees from its suppliers. These contractually defined benefits are deducted from the cost of goods

We deemed the assessment of business benefits receivable from suppliers 💠 comparing, using sampling techniques, the contractual terms of business at the year-end to be a key audit matter given the material impact of these benefits on income for the period, the number of agreements and the need for Management to estimate purchases covered by these benefits for each supplier.

Our work consisted in:

- familiarizing ourselves with the internal control system used to monitor business benefits in the Group's main subsidiaries and testing, using sampling techniques, the effectiveness of the key controls;
- benefits receivable from suppliers with those used in assessing the
- reviewing estimates used by Management to determine business benefits receivable from suppliers at the year-end, in particular, the assessment of year-end purchase volumes used to determine the amount of invoices to be issued.

See Notes 5.1 "Key indicators by operating segment", 6.8.1 "Breakdown of other current assets", 6.9.1 "Breakdown of other non-current assets" and 13.3 "Contingent assets and liabilities" to the consolidated financial statements

Risk identified

As part of its retail activities at GPA, the Group recognizes ICMS tax credits. The balance of unused credits amounted to M€ 519 at December 31, 2018. These credits are deducted from the cost of goods sold in the income

Credits are recognized based on:

- ♦ (i) the interpretation of legislation and past tax decisions, in particular in the Brazilian retail sector; and
- (ii) the opinions obtained from tax advisors outside the subsidiary.

As described in Note 13.3 to the consolidated financial statements, the 🔞 the documents attesting to either the recognition of ICMS tax credits Group estimates that the contingent tax asset relating to the exclusion of the ICMS tax from the PIS and COFINS tax base amounts to M ≤ 315

GPA is also involved various administrative and legal proceedings as a 🔞 the legal or technical opinions prepared by the lawyers or external experts result of tax disputes with the Brazilian authorities. The tax risks, estimated at M€ 2.128 at December 31, 2018, were considered to be contingent liabilities and no provision was set aside at that date, as indicated in Note 13.3 to the consolidated financial statements.

We deemed the recognition and recoverability of tax credits and the monitoring of contingent tax liabilities to be a key audit matter given:

- ♦ (i) the materiality in the consolidated financial statements of the balance of tax credits, potential PIS and COFINS tax assets and the amount of 🔞 examined the documents relating to the proceedings and/or legal or contingent tax liabilities at 31 December 2018;
- (ii) the complexity of Brazilian tax legislation;
- ♦ (iii) the judgement exercised and estimates used by Management in recognizing tax credits and measuring contingent tax liabilities.

Our response

We conducted interviews with various people with different responsibilities at GPA to identify and obtain an understanding of the tax credit situation and existing disputes and liabilities, as well as the corresponding judgements

Regarding tax credits, we analyzed:

- * the internal control system associated with the process in place to monitor these credits and tested, using sampling techniques, the effectiveness of the key controls;
- during the year or the qualification of PIS and COFINS tax credits as
- selected by Management in order to assess the credits recognized in the consolidated financial statements:
- the assumptions used by Management to draw up a recovery plan supporting the amounts recognized for ICMS tax credits.

Regarding contingent liabilities, we:

- compared the list of identified disputes to the information provided by the main law firms acting for the Brazilian subsidiaries, which were interviewed;
- technical opinions prepared by the law firms or external experts selected by Management in order to assess the qualification of the various disputes as contingent liabilities;
- examined the Group's risk estimates and compared them with the data presented in the notes to the consolidated financial statements on contingent liabilities.

Lastly, we examined the appropriateness of the information provided in the Notes to the consolidated financial statements.



Presentation and valuation of Via Varejo's discontinued operations

See Notes 2 "Significant events of the year" and 3.5 "Assets held for sale and discontinued operations" to the consolidated financial statements

Our response

Via Varejo represents the entire "Latam Electronics" operating segment and, through its subsidiary Cnova Brézil, the Group's e-commerce business in Brazil (hereinafter "Via Varejo"). At December 31, 2018, Via Varejo's assets and liabilities held for sale were presented on a separate line of the statement of financial position for M€ 5,698 and M€ 4,426, respectively, representing net assets for Via Varejo of M€ 1,272 (approximately 12% of consolidated net assets).

As described in Note 2 to the consolidated financial statements, the process to sell the Group's stake in Via Varejo, which started in 2016, was not yet complete at December 31, 2018. However, while continuing the process of seeking out potential buyers, GPA's Board of Directors authorized Management to explore alternative solutions to enable the sale to be completed before December 31, 2019. Therefore, as the Group estimates that the sale of Via Varejo in 2019 is highly probable, its activities have been maintained in discontinued operations in accordance with IFRS 5:

- * the assets and liabilities as well as the cash flows of Via Varejo have been * we also assessed the methods for determining the fair value, less presented on separate lines of the consolidated statement of financial position and of the consolidated statement of cash flows, respectively:
- Via Varejo's net income was presented on a separate line of the consolidated income statement ("Net income from discontinued" Lastly, we examined the appropriateness of the information provided in the
- Via Varejo was valued at the lower of its carrying amount and fair value less estimated costs to sell.

Given the materiality of Via Varejo in the consolidated financial statements, and the degree of judgement used to determine (i) the highly probably nature of the sale justifying the continued recognition of Via Varejo in discontinued operations, and (ii) the valuation of the investment, we deemed the presentation and the valuation of Via Varejo's discontinued operations to be a key audit matter.

Within the scope of our audit, we:

- analyzed the documents underlying the continuing process of selling Via Varejo, which led the Group's Management to maintain Via Varejo in assets held for sale and discontinued operations, in particular (i) the minutes of the meeting of GPA's Board of Directors which authorized Management to explore alternative solutions to enable the sale to be completed by December 31, 2019, including by selling the Via Varejo shares in a series of transactions on the stock market, and (ii) the methods used to sell some of Via Varejo's ordinary shares in December 2018 as described in Note 2 to the consolidated financial statements;
- * based on the provisions of IFRS 5, we examined the presentation of all items making up the assets and liabilities, statement of cash flows and net income of Via Varejo in "Assets held for sale" and "Liabilities associated with assets held for sale" (see Note 3.5.1) as well as in income and cash flows from discontinued operations (see Notes 3.5.2 and 3.5.3);
- estimated costs to sell, of these assets and liabilities at 31 December 2018. In particular, we checked that the estimation of Via Vareio's fair value was in line with the sales methods envisaged by Management.

Notes to the consolidated financial statements.

Specific verifications.

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Rallye by your Annual General Meeting held on June 29, 1993 for KPMG Audit and on June 1, 1999 for ERNST & YOUNG et Autres.

As at December 31, 2018, KPMG Audit and ERNST & YOUNG et Autres were in the twentieth year and twenty-sixth year of total uninterrupted engagement,

Previously, Barbier Finault et Associés had been statutory auditor since 1995.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.



Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 22, 2019 The Statutory Auditors French original signed by

KPMG Audit
Catherine Chassaing

ERNST & YOUNG et Autres Henri-Pierre Navas

Consolidated financial statements



The following tables include individually rounded data. Consequently, the totals and sub-totals shown may not correspond exactly to the sum of the reported amounts.

Consolidated income statement_

(€ millions)	Notes	2018	2017 (restated*)
Continuing operations			
Net sales	5/6.1	37,495	38,302
Other income	6.1	534	556
Total income	6.1	38,029	38,858
Cost of goods sold	6.2	(28,384)	(29,048)
Gross margin		9,646	9,810
Selling expenses	6.3	(6,956)	(7,168)
General and administrative expenses	6.3	(1,481)	(1,435)
Recurring operating income	5.1	1,209	1,207
Other operating income	6.5	424	190
Other operating expenses	6.5	(807)	(680)
Operating income		825	717
Income from cash and cash equivalents	11.3.1	37	81
Cost of gross debt	11.3.1	(491)	(561)
Cost of net debt	11.3.1	(454)	(480)
Other financial income	11.3.2	130	179
Other financial expenses	11.3.2	(294)	(264)
Income before tax		207	152
Income tax expense	9.1	(209)	(41)
Share of net income of equity-accounted investees	3.3.3	14	10
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		13	121
Attributable to owners of the parent		(218)	(99)
Attributable to non-controlling interests		230	220
Discontinued operations			
Net income (loss) from discontinued operations	3.5.2	(21)	47
Attributable to owners of the parent	3.5.2	(5)	(4)
Attributable to non-controlling interests	3.5.2	(16)	51
Continuing and discontinued operations			
CONSOLIDATED NET INCOME (LOSS)		(8)	169
Attributable to owners of the parent		(223)	(102)
Attributable to non-controlling interests		215	271

_(€)	Notes	2018	2017 (restated*)
Earnings per share			
From continuing operations			
- Basic	12.10.3	(4.12)	(1.91)
From continuing and discontinued operations			
- Basic	12.10.3	(4.21)	(1.98)

^{*} The comparative information has been restated to reflect the retrospective application of IFRS 15 - Revenue from Contracts with Customers (note 1.3).

Consolidated statement of comprehensive income_____

(€ millions)	2018	2017 (restated) ⁽¹⁾
Consolidated net income (loss)	(8)	169
Cash flow hedges and cash flow hedge reserve ⁽²⁾	22	(44)
Foreign currency translation reserves ⁽³⁾ (note 12.7.1)	(795)	(1,259)
Available-for-sale financial assets		(7)
Debt instruments and other instruments at fair value through other comprehensive income	2	
Hedges of net investments in foreign operations	(1)	1
Share of items of equity-accounted investees that may be subsequently reclassified to profit or loss	(10)	(15)
Income tax effects	(7)	14
Items that may subsequently be reclassified to profit or loss	(790)	(1,311)
Equity instruments at fair value through other comprehensive income	(9)	
Share of items of equity-accounted investees that will never be subsequently reclassified to profit or loss	(2)	
Actuarial gains and losses	(14)	(40)
Income tax effects	6	9
Items that will never be reclassified to profit or loss	(20)	(30)
Other comprehensive income (loss), net of tax	(810)	(1,341)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	(818)	(1,173)
Attributable to owners of the parent	(406)	(429)
Attributable to non-controlling interests	(412)	(744)

⁽¹⁾ The comparative information has been restated to reflect the retrospective application of IFRS 15 - Revenue from Contracts with Customers (note 1.3).

Changes in other comprehensive income are presented in note 12.7.2.

⁽²⁾ The change in the cash flow hedge reserve in 2018 was not material.
(3) The €795 million negative net translation adjustment in 2018 arose primarily from the depreciation of the Brazilian and Colombian currencies (€693 million and €46 million, respectively). The €1,259 million negative net translation adjustment in 2017 arose primarily from the depreciation of the Brazilian and Colombian currencies (€1,116 million and €89 million, respectively).



Consolidated statement of financial position_____

Assets

(€ millions)	Notes	31 December 2018	31 December 2017 (restated*)	1 January 2017 (restated*)
Goodwill	10.1	9,691	10,045	10,609
Intangible assets	10.2	2,933	2,934	3,161
Property, plant and equipment	10.3	5,902	7,330	8,167
Investment property	10.4	497	460	416
Investments in equity-accounted investees	3.3.3	500	575	611
Other non-current assets	6.9	1,380	1,313	1,208
Deferred tax assets	9.2	554	524	678
Total non-current assets		21,458	23,182	24,851
Inventories	6.6	3,981	4,015	4,105
Trade and other receivables	6.7	924	955	906
Other current assets	6.8	1,378	1,327	1,556
Other current financial assets	11.1.1	220	54	87
Current tax assets		166	139	130
Cash and cash equivalents	11.1.2	3,801	3,511	5,836
Assets held for sale	3.5.1	7,241	6,594	6,120
Total current assets		17,711	16,594	18,740
TOTAL ASSETS		39,169	39,776	43,590

^{*} The comparative information has been restated to reflect the retrospective application of IFRS 15 - Revenue from Contracts with Customers (note 1.3).



Equity and liabilities

			31 December 2017	1 January 2017
(€ millions)	Notes	31 December 2018	(restated*)	(restated*)
Share capital	12.2	161	156	146
Retained earnings and net income		796	1,206	1,652
Equity attributable to owners of the parent		957	1,362	1,798
Non-controlling interests	12.8	9,230	9,867	10,820
Total equity		10,187	11,229	12,618
Non-current provisions for employee benefits	8.2	371	363	317
Other non-current provisions	13.1	483	514	615
Non-current financial liabilities	11.2	9,477	9,559	10,064
Non-current put options granted to owners of non-controlling interests	3.4.1	63	28	41
Other non-current liabilities	6.10	492	509	657
Deferred tax liabilities	9.2.2	637	725	1,095
Total non-current liabilities		11,521	11,698	12,789
Current provisions for employee benefits	8.2	11	11	11
Other current provisions	13.1	157	173	171
Trade payables	4.2	6,809	6,788	7,041
Current financial liabilities	11.2	2,839	2,352	3,333
Current put options granted to owners of non-controlling interests	3.4.1	126	143	341
Current tax liabilities		124	88	54
Other current liabilities	6.10	2,712	2,615	2,829
Liabilities associated with assets held for sale	3.5.1	4,683	4,680	4,404
Total current liabilities		17,461	16,849	18,183
TOTAL EQUITY AND LIABILITIES		39,169	39,776	43,590

^{*} The comparative information has been restated to reflect the retrospective application of IFRS 15 - Revenue from Contracts with Customers (note 1.3).

Net name before tox front continuing spendanon 3.5.2		Notes	2018	2017 (restated*)
Consistinated net income (loses) before tox 2.00 2.0	Net income before tax from continuing operations		207	152
Perceionition/amortisaction for the year 4.1 221 570	Net income (loss) before tax from discontinued operations	3.5.2	(46)	74
Devolution separete 13	Consolidated net income (loss) before tax		161	226
Unexamined losses (Depreciation/amortisation for the year	6.4	670	703
Sperinsensity Contemp and share-based pagament plans 8.5 5.5	Provision expense	4.1	221	61
Other non-cash items 56 (5-4) (Goinal/Josses on disposals of non-current ossets 4-4 (330) 11 (Goinal/Josses on disposals of non-current ossets 4-4 (330) 12 Dividends received from equity—occounted investees 3.31/3.3.3 55 101 Cost of ner defet 11.31 454 480 Non-recourse factoring and associated transaction costs 11.52 81 85 (Guinal) Issues on disposal of discontinued operations, set of tax 41.52 81 85 Net cash from operating activities before change in working capital income tax poid and change in working capital indiscontinued aperations 1.55 1.76 1.79 Of Whiric continuing operations 1.76 1.75 1.76 1.72 2.72	Unrealised losses/(gains) arising from changes in fair value	11.3.2	49	(57)
Garins Income Case Ca	Expenses/(income) on share-based payment plans	8.3.1	23	19
	Other non-cash items		65	(54)
Dividends received from equity-accounted investees 3.31/3.33 \$5 101	(Gains)/losses on disposals of non-current assets	4.4	(230)	11
Cost of net debt 13.1 454 480 Non-recourse foctoring and associated transaction costs 13.2 81 83 Colonial biasses and disposal of discontinued operations 5.3 130 387 Adjustments related to discontinued operations 5.53 130 387 Net cash from operating activities before change in working capital and income tax poil (244) (066) (233) Income tax poil and change in working capital and capital and change in working capital and	(Gains)/losses due to changes in percentage ownership of subsidiaries resulting in acquisition/loss of control		(29)	29
Name	Dividends received from equity-accounted investees	3.3.1/3.3.3	55	101
Reginary losses on disposal of discontinued operations 3.53 3.50 3.87 3.88	Cost of net debt	11.3.1	454	480
Adjustments related to discontinued operations 3.53 130 387 Net cash from operating activities before change in working capital and income tax paid (244) (008) (1938) Change in working capital 4.2 (206) (293) Income tax paid and change in working capital discontinued operations 3.53 266 (788) Net cash used in operating activities 1.466 1.509 Of which continuing operations 1.166 1.509 Acquisitions of property, plant and equipment, intangible assets and investment property 4.4 1.242 306 Acquisitions of financial assets 5.4 1.242 306 Acquisitions of financial assets 5.4 1.72 3.2 11 Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 1.96 (69) Effect of changes in scope of consolidation related to equity-occounted investees 4.6 170 0.7 Change in loans and advances granted 1.2 4.6 17.2 1.2 Met cash used in investing activities 5.5 1.2 1.2 Or whi	Non-recourse factoring and associated transaction costs	11.3.2	81	83
Net cash from operating activities before change in working capital and income tax paid 1,000 1,	(Gains) losses on disposal of discontinued operations, net of tax			
Change in local pool	Adjustments related to discontinued operations	3.5.3	130	387
Change in working capital 4.2 (206) (293) Income tax poid and change in working capital: discontinued operations 3.53 266 (78) Net cash used in operating activities 1,166 1,509 Of which continuing operations 1,176 1,176 Acquisitions of property, plant and equipment, intangible assets and investment property 4.3 (1,206) (364) Acquisitions of financial assets (54) (369) (369) Disposals of financial assets 32 12 12 Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 (96) (69) Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 (96) (69) Effect of changes in scope of consolidation resulting activities 35.3 (19) (97) Changes in loans and advances granted 5.3 (19) (97) Net cash used in investing activities of discontinued aperations 5.5 (1,20) Of which continuing operations 4.5 (266) (124) Dividends poid to holders of deeply subordinated perpetual bands (TS	Net cash from operating activities before change in working capital and income tax		1,650	1,988
Net cash used in pertar pacification of the parent of th	Income tax paid		(244)	(108)
Net cash used in operating activities 1,66 1,509 Of which continuing operations 1,16 1,176 1,176 Acquisitions of property, plant and equipment, intangible assets and investment property 4.3 1,26 3,26 Disposals of property, plant and equipment, intangible assets and investment property 4.4 1,24 306 Acquisitions of financial assets 5.5 (54) (39) Disposals of financial assets 32 12 Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 96 669 Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 196 (69 Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 196 (69 Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 196 (70 (77 Change in Ioans and advances granted 4.6 170 (17 (17 (17 (17 (17 (17 (17 (17 (17 (17 (12 (12 (17 (12	Change in working capital	4.2	(206)	(293)
Of which continuing operations 1,116 1,127 Acquisitions of property, plant and equipment, intangible assets and investment property 4.3 1,266 1,264 Disposals of property, plant and equipment, intangible assets and investment property 4.4 1,242 306 Acquisitions of financial assets (54) (39) Disposals of financial assets 5.2 12 Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 196 (69) Effect of changes in scope of consolidation related to equity-accounted investees 4.6 170 (17 Change in loans and advances granted (24) (49) (49) Net cash used in investing activities of discontinued operations 3.5.3 (19) (97) Net cash used in investing activities of discontinued operations 65 (1,20) Dividends poid to owners of the parent 12.9 (17) (15) Dividends poid to owners of the parent 12.9 (48) (47) Capital reductions/increases for cash (10) (22) Dividends poid to holders of deeply subordinated perpetual bonds (TSSDI)	Income tax paid and change in working capital: discontinued operations	3.5.3	266	(78)
Acquisitions of property, plant and equipment, intangible assets and investment property 4.3 (1,206) (2,64) Disposals of property, plant and equipment, intangible assets and investment property 4.4 1,242 306 Acquisitions of financial assets (54) (33) Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 (96) (69) Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 (96) (69) Effect of changes in scope of consolidation related to equity-accounted investees 4.6 (170) (170) Change in loans and advances granted (64) (170) (170) Net cash used in investing activities of discontinued operations 3.5.3 (189) (97) Net cash used in investing activities of discontinued operations 5.6 (1,20) Dividends poid to owners of the parent 12.9 (177) (5) Dividends poid to owners of the parent 12.9 (177) (5) Ophidal reductions/increases for cash (16) (224) Unidad spaid to holders of deeply subordinated perpetual bonds (TSSDI) 18.9 <t< td=""><td>Net cash used in operating activities</td><td></td><td>1,466</td><td>1,509</td></t<>	Net cash used in operating activities		1,466	1,509
Disposals of property, plant and equipment, intangible assets and investment property	Of which continuing operations		1,116	1,127
Acquisitions of financial assets (\$4) (39) Disposals of financial assets 32 12 Effect of changes in scope of consolidation reulting in acquisition or loss of control 4.5 (96) (69) Effect of changes in scope of consolidation related to equity-accounted investees 4.6 170 (17) Change in loans and advances granted (24) (49) Net cash used in investing activities of discontinued operations 3.5.3 (19) (97) Net cash used in investing activities 65 (120) (17) (18) Dividends poid to owners of the parent 12.9 (17) (16) Dividends poid to non-controlling interests 47 (266) (224) Dividends poid to non-controlling interests 47 (266) (224) Dividends poid to none-controlling interests 48 195 (117) Capital reductions/increase for cash (16) (16) (17) Transactions between the Group and owners of non-controlling interests 48 195 (117) Purchases and sales of treasury shores (10) (20)	Acquisitions of property, plant and equipment, intangible assets and investment property	4.3	(1,206)	(1,264)
Disposals of financial assets 32 12 Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 696 698 Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 700 (17) Change in loans and advances granted (24) (49) Net cosh used in investing activities of discontinued operations 3.5 (119) (37) Net cash used in investing activities (54) (1,218) Of which continuing operations 129 (17) (15) Dividends poid to owners of the porent 129 (17) (15) Dividends poid to owners of the porent 129 (17) (15) Dividends poid to hono-controlling interests 47 (266) (224) Dividends poid to hono-controlling interests 48 (17) (17) Capital reductions/increases for cash (18) (17) Purchoses and soles of treasury shares (18) (17) Purchoses and soles of treasury shares (18) (18) (21) Change in financial assets related to liabilities (19) (2,510) (3,086) Increase in borrowings 49 (2,510) (3,086) Increase in borrowings 49 (2,510) (3,086) Interest poid, net (18) (19) (2,510) (3,086) Interest poid, net (18) (19) (19) (19) Effect of changes in exchange rates on cash and cash equivalents of continuing operations (590) (1,970) Effect of changes in exchange rates on cash and cash equivalents of continuing operations (19) (3,086) Changes in exchange rates on cash and cash equivalents of discontinued operations (11) (3,085) Of which net cash and cash equivalents of continuing operations (11) (3,085) Of which net cash and cash equivalents of continuing operations (11) (3,085) Of which net cash and cash equivalents of continuing operations (11) (3,085) Of which net cash and cash equivalents of continuing operations (11) (3,085) Of which net cash and cash equivalents of continuing operations (11) (12) (13) Of which net cash and cash equi	Disposals of property, plant and equipment, intangible assets and investment property	4.4	1,242	306
Effect of changes in scope of consolidation resulting in acquisition or loss of control 4.5 (96) (69) Effect of changes in scope of consolidation related to equity-accounted investees 4.6 170 (17) Change in loans and advances granted (24) 4.8 Net cash used in investing activities of discontinued operations 3.5.3 (19) (97) Net cash used in investing activities (54) (1,218) Of which continuing operations 12.9 (17) (15) Dividends poid to owners of the portent 12.9 (17) (15) Dividends poid to non-controlling interests 12.9 (48) (47) Dividends poid to non-controlling interests 4.8 195 (117) Unidends poid to non-controlling interests 4.8 195 (117) Purple poil in formacion sexistic poid point in the seximans point in the seximans point in the seximans	Acquisitions of financial assets		(54)	(39)
Effect of changes in scope of consolidation related to equity-occounted investees 4.6 170 (17) Change in loans and advances granted (24) (49) Net cash used in investing activities of discontinued operations 3.5.3 (119) (97) Net cash used in investing activities (54) (1,218) (1,210) (170) (150) (1,210) (170) (150) (1,210) (170) (150) (1,210) (170) (150) (1,210) (170) (150) (1,210) (170) (150) (1,210) (170) (150) (1,210) (170) (150) (170) (150) (170) (150) (170) (150) (170) (150) (170) (150) (170) (150) (170) (150) (170) (150) (170) (150) (170)	Disposals of financial assets		32	12
Change in loans and advances granted (24) (49) Net cash used in investing activities of discontinued operations 3.5.3 (119) (97) Net cash used in investing activities (54) (1,218) Of which continuing operations 65 (1,220) Dividends poid to owners of the parent 12.9 (17) (15) Dividends poid to non-controlling interests 4.7 (266) (224) Dividends poid to holders of deeply subordinated perpetual bonds (TSSDI) 12.9 (48) (47) Capital reductions/increases for cash (16) (16) (17) Transactions between the Group and owners of non-controlling interests 4.8 195 (117) Purchases and sales of treasury shares (8) 195 (117) Purchases and sales of treasury shares 4.9 2,866 2,128 Repayments of borrowings 4.9 2,866 2,128 Repayments of borrowings 4.9 2,866 2,128 Net cash used in investing activities of discontinued operations 3.5.3 1(67) (4,50) Net cash used in inv	Effect of changes in scope of consolidation resulting in acquisition or loss of control	4.5	(96)	(69)
Net cash used in investing activities of discontinued operations 3.5.3 (119) (97) Net cash used in investing activities (54) (1,208) Of which continuing operations 65 (1,200) Dividends poid to owners of the parent 12.9 (17) (15) Dividends poid to non-controlling interests 47 (266) (224) Dividends poid to holders of deeply subordinated perpetual bonds (TSSDI) 12.9 (48) (47) Capital reductions/increases for cash (16) (17)	Effect of changes in scope of consolidation related to equity-accounted investees	4.6	170	(17)
Net cash used in investing activities (54) (1,218) Of which continuing operations 65 (1,120) Dividends poid to owners of the parent 12.9 (17) (15) Dividends poid to owners of the parent 12.9 (17) (15) Dividends poid to non-controlling interests 4.7 (266) (224) Dividends poid to holders of deeply subordinated perpetual bonds (TSSDI) 12.9 (48) (47) Copital reductions/increases for cash (16) (17) (17) Transactions between the Group and owners of non-controlling interests 4.8 195 (117) Purchases and sales of treasury shares (114) (21) Change in financial assets related to liabilities 99 (18) Increase in borrowings 4.9 2,806 2,128 Repayments of borrowings 4.9 (2,510) (3,086) Interest paid, net 4.0 (520) (588) Net cash used in investing activities of discontinued operations 35.3 (167) (451) Net cash used in financing activities (757) <td< td=""><td>Change in loans and advances granted</td><td></td><td>(24)</td><td>(49)</td></td<>	Change in loans and advances granted		(24)	(49)
Of which continuing operations 65 (1/20) Dividends paid to owners of the parent 12.9 (17) (15) Dividends paid to owners of the parent 12.9 (17) (15) Dividends paid to holders of deeply subordinated perpetual bonds (TSSDI) 12.9 (48) (47) Capital reductions/increases for cash (16) (16) (17) Transactions between the Group and owners of non-controlling interests 4.8 195 (117) Purchases and sales of treasury shares (14) (21) Change in financial assets related to liabilities (99) (114) (21) Increase in borrowings 4.9 2,806 2,128 Repayments of borrowings 4.9 2,510 (3,086) Interest paid, net 410 (520) (588) Net cash used in investing activities of discontinued operations (59) (451) Net cash used in financing activities (59) (,970) Effect of changes in exchange rates on cash and cash equivalents of continuing operations (590) (,970) Effect of changes in exchange rates on cash and cash e	Net cash used in investing activities of discontinued operations	3.5.3	(119)	(97)
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Dividends paid to non-controlling interests 4.7 (266) (224) Dividends paid to holders of deeply subordinated perpetual bonds (TSSDI) 12.9 (48) (47) Capital reductions/increases for cash (16) (17) Transactions between the Group and owners of non-controlling interests 4.8 195 (117) Purchoses and soles of treasury shares (9) (104) (2) Change in financial assets related to liabilities (9) (2,806) 2,128 Repayments of borrowings 4.9 2,806 2,128 Repayments of borrowings 4.9 (2,510) (3,086) Interest paid, net 4.10 (520) (588) Net cash used in investing activities of discontinued operations 7,57 (2,421) Net cash used in financing activities (590) (9,970) Effect of changes in exchange rates on cash and cash equivalents of continuing operations (590) (1,970) Effect of changes in exchange rates on cash and cash equivalents of discontinued operations (9) (1,970) Effect of changes in exchange rates on cash and cash equivalents of discontinued operations 11.12<	Of which continuing operations		65	(1,120)
Dividends poid to holders of deeply subordinated perpetual bonds (TSSDI) 12.9 (48) (47) Capital reductions/increases for cash (16) (17) Transactions between the Group and owners of non-controlling interests 4.8 195 (117) Purchases and sales of treasury shares (114) (21) Change in financial assets related to liabilities (99) Increase in borrowings 4.9 2,806 2,128 Repayments of borrowings 4.9 (2,510) (3,086) Interest paid, net 4.10 (520) (588) Net cash used in investing activities of discontinued operations 35.3 (167) (451) Net cash used in financing activities (757) (2,421) Of which continuing operations (590) (1,970) Effect of changes in exchange rates on cash and cash equivalents of continuing operations (322) (333) Effect of changes in exchange rates on cash and cash equivalents of discontinued operations (96) (148) CHANGE IN CASH AND CASH EQUIVALENTS 4.9 327 (2,611) Net cash and cash equivalents of discontinued operations <td>Dividends paid to owners of the parent</td> <td>12.9</td> <td>(17)</td> <td>(15)</td>	Dividends paid to owners of the parent	12.9	(17)	(15)
Capital reductions/increases for cash (16) Transactions between the Group and owners of non-controlling interests 4.8 195 (117) Purchases and sales of treasury shares (114) (21) Change in financial assets related to liabilities (99) Increase in borrowings 4.9 2,806 2,128 Repayments of borrowings 4.9 (2,510) (3,086) Interest paid, net 4.10 (520) (588) Net cash used in investing activities of discontinued operations 3.5.3 (167) (451) Net cash used in financing activities (590) (1,970) Effect of changes in exchange rates on cash and cash equivalents of continuing operations (590) (1,970) Effect of changes in exchange rates on cash and cash equivalents of discontinued operations (96) (148) Effect of changes in exchange rates on cash and cash equivalents of discontinued operations (96) (148) CHANGE IN CASH AND CASH EQUIVALENTS 4.9 327 (2,611) Net cash and cash equivalents at beginning of year 4,251 6,863 - of which net cash and cash equivalents of discontinued opera	Dividends paid to non-controlling interests	4.7	(266)	(224)
Transactions between the Group and owners of non-controlling interests 4.8 195 (117) Purchases and sales of treasury shares (114) (21) Change in financial assets related to liabilities (99) Increase in borrowings 4.9 2,806 2,128 Repayments of borrowings 4.9 (2,510) (3,086) Interest paid, net 4.10 (520) (588) Net cash used in investing activities of discontinued operations 35.3 (167) (451) Net cash used in financing activities (757) (2,421) Of which continuing operations (590) (1,970) Effect of changes in exchange rates on cash and cash equivalents of continuing operations (96) (148) CHANGE IN CASH AND CASH EQUIVALENTS 4.9 327 (2,611) Net cash and cash equivalents at beginning of year 4.251 6,863 - of which net cash and cash equivalents of continuing operations 11.12 3,350 5,690 - of which net cash and cash equivalents of discontinued operations 11.12 3,350 5,690 - of which net cash and cash equivalents of ontin	Dividends paid to holders of deeply subordinated perpetual bonds (TSSDI)	12.9	(48)	(47)
Purchases and sales of treasury shares (114) (21) Change in financial assets related to liabilities (99) Increase in borrowings 4.9 2,806 2,128 Repayments of borrowings 4.9 (2,510) (3,086) Interest paid, net 4.10 (520) (588) Net cash used in investing activities of discontinued operations 3.5.3 (167) (451) Net cash used in financing activities (757) (2,421) Of which continuing operations (590) (1,970) Effect of changes in exchange rates on cash and cash equivalents of continuing operations (232) (333) Effect of changes in exchange rates on cash and cash equivalents of discontinued operations (96) (148) CHANGE IN CASH AND CASH EQUIVALENTS 4.9 327 (2,611) Net cash and cash equivalents at beginning of year 4,251 6,863 - of which net cash and cash equivalents of continuing operations 11.1.2 3,350 5,690 - of which net cash and cash equivalents of discontinued operations 11.1.2 3,350 5,690 - of which net cash and cash equivalents of	Capital reductions/increases for cash		(16)	
Change in financial assets related to liabilities(99)Increase in borrowings4.92,8062,128Repayments of borrowings4.9(2,510)(3,086)Interest paid, net4.10(520)(588)Net cash used in investing activities of discontinued operations3.5.3(167)(451)Net cash used in financing activities(757)(2,421)Of which continuing operations(590)(1,970)Effect of changes in exchange rates on cash and cash equivalents of continuing operations(232)(333)Effect of changes in exchange rates on cash and cash equivalents of discontinued operations(96)(148)CHANGE IN CASH AND CASH EQUIVALENTS4.9327(2,611)Net cash and cash equivalents at beginning of year4,2516,863- of which net cash and cash equivalents of continuing operations11.1.23,3505,690- of which net cash and cash equivalents of discontinued operations9011,174Net cash and cash equivalents at end of year4,5784,251- of which net cash and cash equivalents of continuing operations11.1.23,6523,350- of which net cash and cash equivalents of discontinued operations906901	Transactions between the Group and owners of non-controlling interests	4.8	195	(117)
Increase in borrowings4.92,8062,128Repayments of borrowings4.9(2,510)(3,086)Interest paid, net4.10(520)(588)Net cash used in investing activities of discontinued operations3.5.3(167)(451)Net cash used in financing activities(757)(2,421)Of which continuing operations(590)(1,970)Effect of changes in exchange rates on cash and cash equivalents of continuing operations(232)(333)Effect of changes in exchange rates on cash and cash equivalents of discontinued operations(96)(148)CHANGE IN CASH AND CASH EQUIVALENTS4.9327(2,611)Net cash and cash equivalents at beginning of year4,2516,863- of which net cash and cash equivalents of continuing operations11.1.23,3505,690- of which net cash and cash equivalents of discontinued operations9011,174Net cash and cash equivalents at end of year4,5784,251- of which net cash and cash equivalents of continuing operations11.1.23,6523,350- of which net cash and cash equivalents of continuing operations11.1.23,6523,350	Purchases and sales of treasury shares		(114)	(21)
Repayments of borrowings4.9(2,510)(3,086)Interest paid, net4.10(520)(588)Net cash used in investing activities of discontinued operations3.5.3(167)(451)Net cash used in financing activities(757)(2,421)Of which continuing operations(590)(1,970)Effect of changes in exchange rates on cash and cash equivalents of continuing operations(232)(333)Effect of changes in exchange rates on cash and cash equivalents of discontinued operations(96)(148)CHANGE IN CASH AND CASH EQUIVALENTS4.9327(2,611)Net cash and cash equivalents at beginning of year4,2516,863- of which net cash and cash equivalents of continuing operations11.1.23,3505,690- of which net cash and cash equivalents of discontinued operations9011,174Net cash and cash equivalents at end of year4,5784,251- of which net cash and cash equivalents of continuing operations11.1.23,6523,350- of which net cash and cash equivalents of continuing operations11.1.23,6523,350- of which net cash and cash equivalents of discontinued operations11.1.23,6523,350	Change in financial assets related to liabilities		(99)	
Interest paid, net Net cash used in investing activities of discontinued operations Net cash used in financing activities (757) (2,421) Of which continuing operations (590) Effect of changes in exchange rates on cash and cash equivalents of continuing operations (757) Effect of changes in exchange rates on cash and cash equivalents of discontinued operations (96) (148) CHANGE IN CASH AND CASH EQUIVALENTS Net cash and cash equivalents at beginning of year of which net cash and cash equivalents of discontinued operations 11.1.2 3,350 5,690 of which net cash and cash equivalents at end of year of which net cash and cash equivalents of continuing operations 11.1.2 3,350 5,690 of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations	Increase in borrowings	4.9	2,806	2,128
Net cash used in investing activities of discontinued operations3.5.3(167)(451)Net cash used in financing activities(757)(2,421)Of which continuing operations(590)(1,970)Effect of changes in exchange rates on cash and cash equivalents of continuing operations(232)(333)Effect of changes in exchange rates on cash and cash equivalents of discontinued operations(96)(148)CHANGE IN CASH AND CASH EQUIVALENTS4.9327(2,611)Net cash and cash equivalents at beginning of year4,2516,863- of which net cash and cash equivalents of continuing operations11.1.23,3505,690- of which net cash and cash equivalents of discontinued operations9011,174Net cash and cash equivalents at end of year4,5784,251- of which net cash and cash equivalents of continuing operations11.1.23,6523,350- of which net cash and cash equivalents of discontinued operations11.1.23,6523,350- of which net cash and cash equivalents of discontinued operations926901	Repayments of borrowings	4.9	(2,510)	(3,086)
Net cash used in financing activities(757)(2,421)Of which continuing operations(590)(1,970)Effect of changes in exchange rates on cash and cash equivalents of continuing operations(232)(333)Effect of changes in exchange rates on cash and cash equivalents of discontinued operations(96)(148)CHANGE IN CASH AND CASH EQUIVALENTS4.9327(2,611)Net cash and cash equivalents at beginning of year4,2516,863- of which net cash and cash equivalents of continuing operations11.1.23,3505,690- of which net cash and cash equivalents of discontinued operations9011,174Net cash and cash equivalents at end of year4,5784,251- of which net cash and cash equivalents of continuing operations11.1.23,6523,350- of which net cash and cash equivalents of discontinued operations11.1.23,6523,350- of which net cash and cash equivalents of discontinued operations926901	Interest paid, net	4.10	(520)	(588)
Of which continuing operations(590)(1,970)Effect of changes in exchange rates on cash and cash equivalents of continuing operations(232)(333)Effect of changes in exchange rates on cash and cash equivalents of discontinued operations(96)(148)CHANGE IN CASH AND CASH EQUIVALENTS4.9327(2,611)Net cash and cash equivalents at beginning of year4,2516,863- of which net cash and cash equivalents of continuing operations11.1.23,3505,690- of which net cash and cash equivalents of discontinued operations9011,174Net cash and cash equivalents at end of year4,5784,251- of which net cash and cash equivalents of continuing operations11.1.23,6523,350- of which net cash and cash equivalents of discontinued operations11.1.23,6523,350- of which net cash and cash equivalents of discontinued operations926901	Net cash used in investing activities of discontinued operations	3.5.3	(167)	(451)
Effect of changes in exchange rates on cash and cash equivalents of continuing operations Effect of changes in exchange rates on cash and cash equivalents of discontinued operations (96) (148) CHANGE IN CASH AND CASH EQUIVALENTS Net cash and cash equivalents at beginning of year of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of continuing operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations of which net cash and cash equivalents of discontinued operations	Net cash used in financing activities		(757)	(2,421)
Effect of changes in exchange rates on cash and cash equivalents of discontinued operations CHANGE IN CASH AND CASH EQUIVALENTS 4.9 327 (2,611) Net cash and cash equivalents at beginning of year - of which net cash and cash equivalents of continuing operations 11.1.2 3,350 5,690 - of which net cash and cash equivalents of discontinued operations 901 1,174 Net cash and cash equivalents at end of year 4,578 4,251 - of which net cash and cash equivalents of continuing operations 11.1.2 3,652 3,350 - of which net cash and cash equivalents of discontinued operations 901 901 901	Of which continuing operations		(590)	(1,970)
CHANGE IN CASH AND CASH EQUIVALENTS4.9327(2,611)Net cash and cash equivalents at beginning of year4,2516,863- of which net cash and cash equivalents of continuing operations11.1.23,3505,690- of which net cash and cash equivalents of discontinued operations9011,174Net cash and cash equivalents at end of year4,5784,251- of which net cash and cash equivalents of continuing operations11.1.23,6523,350- of which net cash and cash equivalents of discontinued operations926901	Effect of changes in exchange rates on cash and cash equivalents of continuing operations		(232)	(333)
Net cash and cash equivalents at beginning of year 4,251 6,863 - of which net cash and cash equivalents of continuing operations 11.1.2 3,350 5,690 - of which net cash and cash equivalents of discontinued operations 901 1,174 Net cash and cash equivalents at end of year 4,578 4,251 - of which net cash and cash equivalents of continuing operations 11.1.2 3,652 3,350 - of which net cash and cash equivalents of discontinued operations 926 901	Effect of changes in exchange rates on cash and cash equivalents of discontinued operations		(96)	(148)
- of which net cash and cash equivalents of continuing operations 11.1.2 3,350 5,690 - of which net cash and cash equivalents of discontinued operations 901 1,174 Net cash and cash equivalents at end of year 4,578 4,251 - of which net cash and cash equivalents of continuing operations 11.1.2 3,652 3,350 - of which net cash and cash equivalents of discontinued operations 926 901	CHANGE IN CASH AND CASH EQUIVALENTS	4.9	327	(2,611)
- of which net cash and cash equivalents of discontinued operations Net cash and cash equivalents at end of year of which net cash and cash equivalents of continuing operations 11.1.2 3,652 3,350 of which net cash and cash equivalents of discontinued operations 901 1,174 4,578 4,251 3,652 3,350 901	Net cash and cash equivalents at beginning of year		4,251	6,863
Net cash and cash equivalents at end of year 4,578 4,251 - of which net cash and cash equivalents of continuing operations 11.1.2 3,652 3,350 - of which net cash and cash equivalents of discontinued operations 926 901	- of which net cash and cash equivalents of continuing operations	11.1.2	3,350	5,690
- of which net cash and cash equivalents of continuing operations 11.1.2 3,652 3,350 - of which net cash and cash equivalents of discontinued operations 926 901	- of which net cash and cash equivalents of discontinued operations		901	1,174
- of which net cash and cash equivalents of discontinued operations 926 901	Net cash and cash equivalents at end of year		4,578	4,251
	- of which net cash and cash equivalents of continuing operations	11.1.2	3,652	3,350
CHANGE IN CASH AND CASH EQUIVALENTS 327 (2,612)	- of which net cash and cash equivalents of discontinued operations		926	901
	CHANGE IN CASH AND CASH EQUIVALENTS		327	(2,612)

^{*} The comparative information has been restated to reflect the retrospective application of IFRS 15 - Revenue from Contracts with Customers (note 1.3).

Consolidated statement of changes in equity_

		Additional		Retained earnings and net		Equity attributable	Non-	
(€ millions)	Share capital	paid-in capital	Treasury shares	income for the year	Other reserves ⁽¹⁾	to owners of the parent	controlling interests ⁽²⁾	Total equity
At 1 January 2017 (reported)	146	1,440	31.01.03	955	(739)	1,803	10,829	12,632
Effect of applying IFRS 15 (note 1.3)				(4)		(4)	(9)	(13)
At 1 January 2017 (restated*)	146	1,440		951	(739)	1,798	10,820	12,618
Other comprehensive income (loss) for the year (restated*)					(327)	(327)	(1,015)	(1,342)
Net income (loss) for the year (restated)				(102)		(102)	271	169
Consolidated comprehensive income (loss) for the year (restated*)				(102)	(327)	(429)	(744)	(1,173)
Equity transactions	10	43				53		53
Purchases and sales of treasury shares(3)			(10)	(4)		(14)	(3)	(17)
Dividends paid ⁽⁴⁾				(68)		(68)	(240)	(308)
Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries							1	1
Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries ⁽⁵⁾				17	(1)	16	68	84
Other movements				6		6	(36)	(30)
At 31 December 2017 (restated*)	156	1,483	(10)	799	(1,067)	1,362	9,867	11,229
Effect of applying IFRS 9, IAS 29 and IFRS 2 amendments (notes 1.3 and 1.4)				88	(78)	10	32	42
At 1 January 2018 (restated*)	156	1,483	(10)	887	(1,145)	1,373	9,899	11,272
Other comprehensive income (loss) for the year					(184)	(184)	(627)	(811)
Net income (loss) for the year				(223)		(223)	215	(8)
Consolidated comprehensive income (loss) for the year				(223)	(184)	(406)	(412)	(818)
Equity transactions	(4)	(12)				(16)		(16)
Purchases and sales of treasury shares ⁽³⁾			(7)	29	(20)	2	(113)	(112)
Dividends paid ⁽⁴⁾	9	24		(51)		(18)	(264)	(282)
Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries							(35)	(35)
Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries ⁽⁵⁾				16		16	190	206
Other movements					7	7	(35)	(28)
AT 31 DECEMBER 2018	161	1,496	(17)	658	(1,342)	957	9,230	10,187

^{*} The comparative information has been restated to reflect the retrospective application of IFRS 15 - Revenue from Contracts with Customers (note 1.3).

⁽²⁾ Note 12.8 Material non-controlling interests. (3) Note 12.4.

⁽⁴⁾ Dividends paid and payable to non-controlling interests during the year primarily concern Casino for €161 million, GPA for €46 million, Franprix-Leader Price for €24 million

and Éxito for €19 million (2017: Casino for €169 million, GPA for €31 million, Éxito for €15 million and subsidiaries in Uruguay for €8 million).

(5) The €206 million positive impact corresponds for the most part to (a) the acquisition by Tikehau Capital and Bpifrance of shares in GreenYellow for €142 million (note 2) and (b) the additional contribution of €85 million made by the private equity fund Fondo Inmobiliaro Colombia to the Viva Malls real estate trust created by Éxito in 2016. In 2017, the €84 million positive impact primarily concerned (a) the additional contribution of €80 million made by the private equity fund Fondo Inmobiliaro Colombia to the Viva Malls real estate trust, and (b) the results of the public tender offer for Cnova N.V. shares, in the amount of €22 million, offset by the €15 million negative fair value adjustment to the NCI put on Disco shares.

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 2018 consolidated financial statements of Rallye were approved for publication by the Board of Directors on 13 March 2019. They will be submitted for approval by the Annual Shareholders' Meeting to be held on 15 May 2019.

Note 1 SIGNIFICANT ACCOUNTING POLICIES

1.1. Accounting standards.

Pursuant to Regulation (EC) No. 1606/2002 of 19 July 2002, the consolidated financial statements of the Rallye Group are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union on the date of approval of the financial statements by the Board of Directors and applicable at 31 December 2018.

These standards are available on the European Commission's website:

https://ec.europa.eu/info/business-economy-euro/company-reportingand-auditing/company-reporting/financial-reporting_en.

The accounting policies set out below have been applied consistently in all periods presented, after taking account of the new standards, amendments to existing standards and interpretations listed below, and the application of IAS 29 to Libertad as from 1 January 2018 following the classification of Argentina as a hyperinflationary economy (note 1.4).

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 2018

The European Union has adopted the following standards, amendments to existing standards and interpretations that are applicable in the case of the Group as from the financial year beginning on 1 January 2018:

- ♦ IFRS 9 Financial instruments
- ♦ IFRS 15 Revenue from Contracts with Customers

Amendments to IFRS 2 - Classification and Measurement of Sharesettled Share-based Payment Transactions

The effects of applying IFRS 15 and IFRS 9 and the amendments to IFRS 2 are presented in note 1.3.

The following texts have no material impact on the Group's financial

- ♦ IFRIC 22 Foreign Currency Transactions and Advance Consideration
 - This interpretation is applicable either retrospectively or prospectively. IFRIC 22 provides guidance on interpreting IAS 21 - The Effects of Changes in Foreign Exchange Rates. It clarifies the exchange rate to be used for advance consideration.
- ♦ Amendments to IAS 40 Transfers of Investment Property
 - These amendments are applicable on a prospective basis. They provide guidance on transfers to or from investment properties. They also clarify that the list of evidence of a change of use is a non-exhaustive list of examples.
- ♦ IFRS Annual Improvements 2014-2016 cycle

The main standard concerned is IFRS 12 - Disclosure of Interests in Other Entities. These amendments will be applicable on a retrospective basis. They clarify that IFRS 12 also applies to interests in subsidiaries, joint arrangements and associates classified as "held for sale" in accordance with IFRS 5 (except for the requirement to disclose summary financial information which does not have to be applied).

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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 and financial assets, which are measured at fair value. The carrying amounts of assets and liabilities $% \left(1\right) =\left(1\right) \left(1\right) \left($ hedged by a fair value hedge which would otherwise be measured at cost are adjusted for changes in fair value attributable to the hedged risk.

The consolidated financial statements are presented in millions of euros. The figures in the tables have been rounded to the nearest million euros and include individually rounded data. Consequently, the totals and 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

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).

For operating subsidiaries, the judgements, estimates and assumptions used also concern:

- classification and measurement of Via Varejo's net assets, as well as other France Retail segment assets and Mercialys shares in accordance with IFRS 5 (note 3.5);
- valuation of non-current assets and goodwill (note 10.5);
- ⋄ recoverable amounts of deferred tax assets (note 9);
- recognition, presentation and measurement of the recoverable amounts of tax credits or taxes (mainly ICMS, PIS and COFINS in Brazil) (notes 5.1, 6.9 and 13);
- provisions for risks (note 13), particularly tax and employee-related risks in Brazil.

1.3. New standards adopted in 2018.

1.3.1. Impact of first-time adoption of IFRS 15 -Revenue from Contracts with Customers

IFRS 15 defines the principles for recognising revenue and replaces IAS 18 - Revenue and IAS 11 - Construction Contracts and all related interpretations. IFRS 15 defines a unique model for recognising revenue, in five steps. It introduces new concepts and principles regarding the recognition of revenue, in particular the identification of performance obligations and the allocation of the transaction price for contracts with multiple performance obligations.

The Group has decided to adopt IFRS 15 as from 1 January 2018 under the full retrospective approach, by restating comparative information. In view of the nature of the Group's businesses, the application of the standard had no material impact on the revenue and recurring operating income previously published by the Group.

Adoption of IFRS 15 has mainly led to reclassifications between net sales, other income, cost of goods sold and selling expenses. This mainly concerns certain services provided to suppliers, certain promotional offers granted directly by suppliers to end-customers, agent/principal qualifications in certain contracts and the presentation of rental revenue. Retrospective application of IFRS 15 to the 2017 financial statements led to a €332 million decrease in net sales and a €30 million decrease in recurring operating income (including €19 million in the France Retail segment and €10 million in the E-commerce segment) compared to the previously reported amounts.

The amended accounting policy applied to revenue ("Total income") is presented in note 6.

1.3.2. Impact of first-time adoption of IFRS 9 – Financial Instruments

IFRS 9 defines new principles covering the classification and measurement of financial instruments, the recognition of impairment provisions for credit risk on financial assets and hedge accounting.

The Group has adopted IFRS 9 as from 1 January 2018 by recording the cumulative impact in opening equity at the transition date. The main individually non-material changes resulting from the application of IFRS 9 are as follows:

- in line with the new impairment model for financial assets (including contract assets), incurred losses recorded under IAS 39 have been replaced by lifetime expected credit losses. The Group has applied the simplified model for all these assets, particularly receivables from franchisees and tenants. With respect to continuing operations excluding equity-accounted investees, application of the new model led to a €51 million increase in provisions for asset impairment and a €35 million reduction in equity, net of tax;
- credit card receivables (Brazil) have been classified as debt instruments at fair value through other comprehensive income, resulting in a €3 million reduction in trade receivables and a €2 million reduction
- equity instruments previously classified as "Available-for-sale financial assets" have been reclassified as equity instruments at fair value through other comprehensive income or at fair value through profit or loss;
- ♦ bond swaps have been restated, leading to a €19 million increase in debt and a €15 million reduction in equity, net of tax;



- ⋄ with respect to equity-accounted investees (Mercialys, Banque du Groupe Casino and FIC), an €11 million reduction in equity, net of tax was recognised against equity-accounted investees, mainly due to the application of the new impairment model for financial assets;
- with respect to Via Varejo's discontinued operations, a €47 million reduction in equity, net of tax was recognised against assets held for sale, as a result of the application of the new impairment model for consumer finance receivables and the classification of credit card receivables as debt instruments at fair value through other comprehensive income.

The table below shows the original measurement categories under IAS 39 and the new categories used as from 1 January 2018 under IFRS 9 for each class of financial assets. The financial liability categories are unchanged and are therefore not presented.

			Original carrying amount at	New carrying amount at
(€ millions)	Original classification (IAS 39)	New classification (IFRS 9)	31 December 2017 (IAS 39) ⁽¹⁾	1 January 2018 (IFRS 9)
Equity instruments	Available-for-sale - at cost	Fair value through profit or loss	4	4
Equity instruments	Available-for-sale - at fair value	Fair value through profit or loss	34	34
Equity instruments	Available-for-sale – at fair value	Fair value through other comprehensive income (OCI)	62	62
Cash and cash equivalents	Held-for-trading financial assets	Fair value through profit or loss	4	4
Cash and cash equivalents	Loans and receivables	Amortised cost	3,507	3,507
Current and non-current hedging derivatives – assets	Hedging instruments	Fair value - hedging instruments	112	112
Credit card receivables (Brazil) ⁽²⁾	Loans and receivables	Debt instruments at fair value through other comprehensive income	119	116
Other current and non-current financial assets	Held-for-trading financial assets	Fair value through profit or loss	12	12
Trade receivables and other current and non-current assets ⁽²⁾	Loans and receivables	Amortised cost	2,287	2,236

- (1) The original carrying amounts at 31 December 2017 are presented in note 11.4.1.
- (2) The original carrying amount and the new carrying amount under IFRS 9 of Via Varejo's debt instruments (reclassified as "Assets held for sale" and not included in the table above) represent €421 million and €405 million, respectively.

The new accounting principles applicable to financial instruments are presented in note 11.

1.3.3. Impact on the consolidated financial statements

The following tables show the impact on the previously published consolidated income statement, statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows of the following:

- the retrospective application of IFRS 15 Revenue from Contracts with Customers (note 1.3.1);
- the application of IFRS 9 Financial Instruments as from 1 January 2018 (note 1.3.2); as permitted by the standard, the Group has opted not to restate comparative information;
- ♦ the prospective application of the amendments to IFRS 2 Share-based Payments: the impact consists in the reclassification to non-controlling interests at 1 January 2018 of a €5 million debt corresponding to withholding taxes due on stock option plans in Brazil.

Moreover, certain changes have been made to the presentation of the consolidated income statement in connection with the application of IFRS 15. These changes concern (a) the addition of a new income statement indicator, "Total income", representing the sum of "Net sales" and "Other income", (b) the reclassification of the cost of property development and property trading activities and changes in related inventories from "Selling expenses" to "Cost of goods sold", and (c) reclassifications between "Net sales" and "Other income" of various items including:

- $\diamond \ \ \text{rental revenues, which are now reported under "Other income"};$
- franchising and management fees billed to franchisees, which are now reported under "Net sales".

The new presentation has been applied retrospectively, by restating 2017 comparative information on the same basis.



♦ Impact on the main consolidated income statement indicators of retrospective application of IFRS 15

		IFRS 15	
(€ millions)	2017 (reported)	adjustments	2017 (restated)
Net sales	38,634	(332)	38,302
Other income	416	141	556
Total income	39,050	(192)	38,858
Cost of goods sold	(29,189)	140	(29,048)
Selling expenses	(7,208)	41	(7,168)
General expenses	(1,417)	(19)	(1,435)
Recurring operating income	1,237	(30)	1,207
Operating income	747	(30)	717
Cost of net debt	(480)		(480)
Other financial income and expenses	(85)		(85)
Income before tax	182	(30)	152
Income tax expense	(48)	8	(41)
Share of net income of equity-accounted investees	10		10
NET INCOME FROM CONTINUING OPERATIONS	143	(23)	121
Attributable to owners of the parent	(89)	(10)	(99)
Attributable to non-controlling interests	232	(12)	220
Net income from discontinued operations	47		47
Attributable to owners of the parent	(4)		(4)
Attributable to non-controlling interests	51		51
CONSOLIDATED NET INCOME	191	(22)	169
Attributable to owners of the parent	(92)	(10)	(102)
Attributable to non-controlling interests	283	(12)	271

No impact on the consolidated statement of comprehensive income aside from the impact on the consolidated income statement referred to above.

♦ Impact on the main consolidated statement of financial position indicators

IMPACT OF FIRST-TIME APPLICATION OF IFRS 15 AT 1 JANUARY 2017

(€ millions)	1 January 2017 (reported)	IFRS 15 adjustments	1 January 2017 (restated)
Goodwill	10,609	,	10,609
Intangible assets, property, plant and equipment, and investment property	11,744		11,744
Investments in equity-accounted investees	627	(16)	611
Other non-current assets	1,214	(6)	1,208
Deferred tax assets	687	(10)	677
Total non-current assets	24,881	(31)	24,850
Inventories	4,157	(51)	4,106
Trade and other receivables	900	6	906
Other current assets	1,555	1	1,556
Other current financial assets	87		87
Current tax assets	130		130
Cash and cash equivalents	5,836		5,836
Assets held for sale	6,120		6,120
Total current assets	18,785	(43)	18,741
TOTAL ASSETS	43,666	(74)	43,591
Equity attributable to owners of the parent	1,803	(4)	1,798
Non-controlling interests	10,829	(9)	10,820
Total equity	12,631	(13)	12,618
Non-current provisions for employee benefits	317		317
Other non-current provisions	615		615
Non-current financial liabilities	10,064		10,064
Non-current put options granted to owners of non-controlling interests	41		41
Other non-current liabilities	648	9	657
Deferred tax liabilities	1,095		1,095
Total non-current liabilities	12,780	9	12,789
Current provisions for employee benefits	11		11
Other current provisions	171		171
Trade payables	7,044	(3)	7,041
Current financial liabilities	3,333		3,333
Current put options granted to owners of non-controlling interests	341		341
Current tax liabilities	54		54
Other current liabilities	2,896	(67)	2,829
Liabilities associated with assets held for sale	4,404		4,404
Total current liabilities	18,254	(70)	18,184
TOTAL EQUITY AND LIABILITIES	43,666	(74)	43,591

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IMPACT OF RETROSPECTIVE APPLICATION OF IFRS 15 AT 31 DECEMBER 2017, AND IMPACT OF APPLICATION OF IFRS 9 AND IAS 29 AND THE AMENDMENTS TO IFRS 2 AT 31 DECEMBER 2018

					IAS 29 ⁽¹⁾	
(€ millions)	31 December 2017 (reported)	IFRS 15 adjustments	31 December 2017 (restated)	IFRS 9 adjustments	and IFRS 2 adjustments	1 January 2018 (restated)
Goodwill	10,045	,	10,045	,	61	10,106
Intangible assets, property, plant and						
equipment, and investment property	10,724		10,724		104	10,828
Investments in equity-accounted investees	588	(13)	575	(11)		564
Other non-current assets	1,334	(21)	1,313			1,313
Deferred tax assets	526	(1)	524	23	(23)	524
Total non-current assets	23,217	(35)	23,182	12	142	23,336
Inventories	4,070	(56)	4,015			4,015
Trade and other receivables	964	(9)	955	(49)		906
Other current assets	1,312	14	1,327	(6)		1,320
Other current financial assets	54		54			54
Current tax assets	139		139			139
Cash and cash equivalents	3,511		3,511			3,511
Assets held for sale	6,594		6,594	(47)	4	6,551
Total current assets	16,644	(51)	16,595	(102)	4	16,496
TOTAL ASSETS	39,861	(86)	39,776	(90)	146	39,832
Equity attributable to owners of the parent	1,377	(15)	1,362	(31)	41	1,373
Non-controlling interests	9,886	(19)	9,867	(78)	111	9,899
Total equity	11,263	(34)	11,229	(109)	152	11,272
Non-current provisions for employee						
benefits	363		363			363
Other non-current provisions	514		514			514
Non-current financial liabilities	9,559		9,559	19		9,578
Non-current put options granted to owners	20		20			
of non-controlling interests	28	0	28		(7)	28
Other non-current liabilities	501	8	509		(3)	506
Deferred tax liabilities	725		725		(-)	725
Total non-current liabilities	11,690	8	11,698	19	(3)	11,714
Current provisions for employee benefits	11		11	(4)		11
Other current provisions	172		173	(4)		169
Trade payables	6,773	15	6,788			6,788
Current financial liabilities	2,352		2,352			2,352
Current put options granted to owners of non-controlling interests	143		143			143
Current tax liabilities	88		88			88
Other current liabilities	2,690	(74)	2,615	4		2,619
Liabilities associated with assets held						
for sale	4,680		4,680		(2)	4,677
Total current liabilities	16,908	(59)	16,849		(2)	16,846
TOTAL EQUITY AND LIABILITIES	39,861	(85)	39,776	(90)	146	39,832

⁽¹⁾ These impacts arise mainly from the application of IAS 29; impacts related to IFRS 2 are limited to the reclassification in non-controlling interests of a €5 million debt.



♦ Impact on the main consolidated statement of cash flows indicators

		IFRS 15	
(€ millions)	2017 (reported)	adjustments	2017 (restated)
Net cash from operating activities	1,508		1,508
Of which consolidated net income before tax	256	(30)	226
Of which other components of cash flow	1,763	(3)	1,760
Of which change in operating working capital and income tax paid	(511)	33	(479)
Net cash used in investing activities	(1,218)		(1,218)
Net cash used in financing activities	(2,421)		(2,421)
Effect of changes in exchange rates on cash and cash equivalents	(481)		(481)
CHANGE IN CASH AND CASH EQUIVALENTS	(2,612)		(2,612)
Net cash and cash equivalents at beginning of year	6,863		6,863
Net cash and cash equivalents at end of year	4,251		4,251

1.4. Impact of application of IAS 29 – Financial Reporting in Hyperinflationary Economies to operations in Argentina.

The Casino Group has applied IAS 29 – Financial Reporting in Hyperinflationary Economies to the financial statements of its operations in Argentina as from 1 January 2018. This standard requires that the statements of financial position and income statements of subsidiaries operating in hyperinflationary economies should be:

 restated by applying a general price index so that they are stated in terms of the measuring unit current at the end of the reporting period; and converted into euros at the period-end exchange rate.

In line with the principle of limited retrospective application at 1 January 2018, the 2017 financial statements were not restated and the cumulative catch-up was recorded at 1 January 2018.

Note 2 Significant events of the year

Significant events of the year included:

Planned divestment of Via Varejo

On 23 November 2016, the Casino Group announced that it had approved GPA's decision to start negotiations for the sale of its stake in its subsidiary Via Varejo, in line with its long-term strategic refocusing on the food retailing business.

Throughout 2018, GPA actively sought to sell the company to strategic investors. However, due to external factors that were beyond GPA's control, related mainly to the macro-economic environment in Brazil, no potential buyer had been found at 31 December 2018. While continuing the process of seeking out potential buyers, on 21 December 2018, GPA's Board of Directors authorised management to explore alternative solutions to enable the sale to be completed before 31 December 2019, including by selling the Via Varejo shares in a series of transactions on the stock market.

The process to transfer all Via Varejo shares to the New Market segment of the B3-Brasil Bolsa Balcão stock market was completed in November 2018.

In this context, at the end of December 2018, GPA signed an agreement for the sale of 50 million Via Varejo ordinary shares (3.86% of the capital) through a total return swap (TRS) with a leading financial institution with the purpose of subsequently selling the shares on the market over

a period ending at the latest on 30 April 2019. The sales were completed ahead of this date, with the last transaction carried out on 20 February 2019. The operation had no impact on the control or governance of Via Varejo. At 31 December 2018, because the TRS did not meet the requirements for derecognition under IFRS 9, the underlying sale was not recorded in the financial statements and a liability was recorded for the €49 million received from the counterparty (notes 11.2.2 and 11.2.4). At 31 December 2018, GPA held 39.4% of Via Varejo's voting rights and 43.23% of the shares.

Therefore, the sale of Via Varejo in 2019 is considered highly probable, and in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations:

- the assets and liabilities held for sale are reported on a separate line of the statement of financial position (note 3.5.1);
- Via Varejo's net profit and cash flows for the years ending 31 December 2018 and 2017 are reported on separate lines in the income statement and statement of cash flows;
- Via Varejo has been excluded from the tables in the notes, in particular those relative to lease commitments (note 7.2) and GPA's contingent liabilities (note 13.3). If necessary, specific information for Via Varejo is provided in a footnote.



Pursuant to the authorisation given by its Board of Directors on 20 February 2019, GPA has contracted a second total return swap (TRS) for 40 million Via Varejo shares (note 16).

Acquisition of Sarenza (note 3.1.1)

Commercial partnership between Monoprix and Amazon

On 26 March 2018, Monoprix and Amazon announced that they were forming a commercial partnership to deliver grocery items sourced from Monoprix to Amazon's Prime Now customers in Paris and its inner suburbs.

On 12 September 2018, the two partners announced the launch of a dedicated virtual store on the Amazon Prime Now app and website, giving Amazon Prime members access to over 6,000 products with delivery to the address of their choice in less than two hours.

Announcement of an asset disposal plan

On 11 June 2018, the Casino Group announced that it was launching an asset disposal plan to support ongoing transformation of the business model and accelerate the deleveraging process in France. The plan concerned non-strategic real estate and other assets identified by the Casino Group with an estimated total realisable value of ${\bf }$ 1.5 billion. The aim was for half of the plan to be completed in 2018.

At 31 December 2018, disposals under the plan totalled €1,105 million and included:

- sale of 15% of Mercialys shares through an equity swap for €213 million (see below);
- entry of Tikehau Capital and Bpifrance into the capital of GreenYellow for €150 million (see below);
- * sale of Monoprix real estate assets: following the synallagmatic agreements signed on 28 September and 17 October 2018, the Casino Group completed the sale of buildings pertaining 53 Monoprix stores to Generali Group and 14 stores to AG2R La Mondiale on 20 December 2018. After deducting registration fees, these transactions amounted to €742 million and generated a capital gain of €166 million, net of transaction costs (note 6.5). The Casino Group will continue to operate the stores under leases representing annual rent of €35 million.

Indicative offers have also been received for other assets included in the disposal plan, some of which have led to agreements being signed since the beginning of 2019 (note 16).

Cooperation in purchasing with Auchan Retail, Metro and the Schiever Group

On 29 June 2018, the Casino, Auchan Retail, Metro and Schiever groups announced the signature of several agreements covering their cooperation in purchasing, internationally and in France. Previously, the Casino Group and Auchan Retail had announced on 3 April 2018 that they had begun exclusive talks to build a global strategic partnership. This coincided with Casino and Intermarché's mutually agreed termination of their purchasing alliance. The Dia Group joined the partnership at the end of August 2018.

The new alliances, called Horizon, will focus on moving away from purely transactional negotiations towards a collaborative, balanced and innovative type of negotiations.

After being granted approval by the relevant competition authorities, Horizon International Services has been up and running since 15 February 2019 and covers the 47 countries in Europe, Asia and South America in which these companies do business.

Mercialys TRS

On 26 July 2018, in connection with the announced asset disposal plan, the Casino Group reduced its stake in Mercialys from 40.3% of the voting rights to 25.3%, through the block sale to a bank of shares representing 15% of the capital under a total return swap (TRS).

Under the terms of the transaction, the Casino Group received immediate proceeds amounting to €213 million (note 4.6).

Under IFRS 9, the block sale is only effective once the shares are actually sold on the market by the bank. Consequently, the shares have not been derecognised at 31 December 2018 and a liability was recorded for €198 million corresponding to the value of the shares not yet sold on the market (note 11.2.2). The income statement impact of the bank's sale during 2018 of 1% of the shares was not material.

At 31 December 2018, the consolidated financial statements include the Group's 39.2% equity in Mercialys, of which 14% corresponds to the shares not sold on the market at that date by the bank.

The shares concerned by the TRS have been reclassified as "Assets held for sale" in accordance with IFRS 5, for €114 million (note 3.5.1).

Entry of Tikehau Capital and Bpifrance in the capital of GreenYellow

On 12 October 2018, the Group announced the signing of an agreement under which Tikehau Capital, an asset management and investment firm, and Bpifrance would acquire a stake in GreenYellow, Casino's subsidiary dedicated to solar energy and energy efficiency solutions. The operation was completed on 18 December 2018, through a €150 million share issue underwritten by the two new shareholders, giving them a combined 24% stake. The impact (net of transaction costs) on the Group's consolidated financial statements was a €125 million increase in non-controlling interests and a €18 million increase in equity attributable to equity holders of the parent.

Partnership with the Quattrucci family

On 15 October 2018, the Group announced the signing of a partnership with the Quattrucci family whereby 12 stores specialised in fresh products would join the Casino Group.

These stores, located in the Île-de-France region and the Oise department, generated more than €300 million in sales in 2017. Since 1 January 2019, the stores have been supplied by the Casino Group; seven have been converted to the "Marché frais Géant" banner and the other five to the "Marché frais Leader Price" banner.

Creation of a joint venture with ENGIE

On 17 October 2018, GreenYellow and the ENGIE Group announced the creation of a joint venture, Reservoir Sun, to help local authorities and companies in France to generate solar power to meet their electricity needs.

The joint venture had no material impact on the consolidated financial statements at 31 December 2018.

Disposal of Courir

On 22 October 2018, Groupe GO Sport, a wholly-owned subsidiary of Rallye, received a binding offer from Equistone Partners Europe for the acquisition of Courir for an equity value of $\ensuremath{\in} 283$ million. The disposal was completed on 28 February 2019.

Rallye dividend reinvestment option

On 23 May 2018, the Annual Shareholders' Meeting approved the payment of a dividend of €1 per share for the 2017 financial year with an option for payment in shares. On 21 June 2018, following the exercise of 63.9% of the rights, 3,058,947 new shares were created representing 5.9% of the capital, enabling Rallye to increase its equity by €33.2 million.

Rating downgrades

On 3 September 2018, Standard & Poor's announced that it was downgrading Casino's rating from BB+ Stable outlook to BB Negative outlook.

On 28 September 2018, Moody's announced that it was downgrading Casino's rating from Ba1, stable outlook to Ba1, negative outlook. These changes have not had any impact on the cost of Casino's bond debt or on its liquidity position.

Casino bond issue

On 24 January 2018, Casino placed a \in 200 million tap of its bond issue due June 2022, at an effective interest rate of 1.58%. The new bond issue raised the total nominal amount of the paper from \in 550 million to \in 750 million.

Rallye bond issue

On 8 February 2018, Rallye carried out a CHF 95 million bond issue, maturing in six years and paying annual interest at 3.25%. After hedging the foreign exchange risk, interest on the bonds converted into euros is 4.23%.

Casino bond buybacks

A total of €128 million worth of bonds maturing at different dates between 2018 and 2026 were bought back in July and August 2018. The bonds were purchased as and when market opportunities arose, at prices that the Casino Group considered attractive. The transactions were in line with the strategy to pay down gross debt.

The impact on the consolidated financial statements was as follows:

- reduction in debt, including fair value hedges with a negative fair value:
 €135 million (note 11.2.2);
- ♦ reduction in hedging instruments with a positive fair value: €3 million;
- recognition in "Finance costs, net" of a €4 million gain (before taking into account future interest savings).

€500 million line of credit set up by Rallye

On 16 September 2018, Rallye signed a confirmed credit facility maturing 30 June 2020 for an amount of ϵ 500 million. This confirmed credit facility does not benefit from any pledge on Casino shares.

Exercise of puts on Rallye exchangeable bonds

On 2 October 2018, 99% of the holders of 2020 exchangeable bonds exercised their put options. The 3,738,479 bonds were redeemed for cash, representing ϵ 370 million (excluding accrued interest) out of a total issue amount of ϵ 375 million



Note 3 Scope of consolidation

Accounting principle

Basis of consolidation

The consolidated financial statements include the financial statements of all material subsidiaries, joint ventures and associates over which the parent company exercises control, joint control or significant influence, either directly or indirectly (see list of consolidated companies in note 17).

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group (i) has power over the entity, (ii) is exposed or has rights to variable returns from its involvement with the entity, and (iii) has the ability to affect those returns through its power over the

The consolidated financial statements include the financial statements of subsidiaries from the date when control is acquired to the date at which the Group no longer exercises control. All controlled companies are fully consolidated in the Group's statement of financial position regardless of the percentage interest held.

Potential voting rights

Control is assessed by taking potential voting rights into account, but only if they are substantive; that is, if the entity has the practical ability to exercise its rights with respect to the exercise price, date and terms.

The Group may own share warrants, share call options, debt or equity instruments that are convertible into ordinary shares or other similar instruments that have the potential, if exercised or converted, to give the Group voting power or reduce another party's voting power over the financial and operational policies of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control of another entity. Potential voting rights are not currently exercisable or convertible when, for example, they cannot be exercised or converted until a future date or until the occurrence of a future event.

Joint ventures

A joint venture is a joint arrangement whereby the parties exercise joint control over the entity. They both have rights to the entity's net assets. Joint control involves the contractually agreed sharing of control over an entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint ventures are accounted for in the consolidated financial statements using the equity method.

Associates

Associates are companies in which the Group exercises significant influence over financial and operational policies without having control. They are accounted for in the consolidated financial statements using the equity method.

Equity method of accounting

The equity method provides that an investment in an associate or a joint venture be recognised initially at acquisition cost and subsequently adjusted by the Group's share in the income (loss) and, where appropriate, the 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".

Income (losses) from internal acquisitions or disposals with equity-accounted associates are eliminated to the extent of the Group's percentage interest in these companies. In the absence of any guidance in IFRS concerning cases where the amount to be eliminated is greater than the carrying amount of the investment in the equity-accounted company, the Group has elected to cap the amount eliminated from the financial statements in the transaction year and to deduct the uneliminated portion from its share of the equity-accounted company's income in subsequent years. The Group follows a transparent approach to accounting for associates under the equity method and takes into account, if relevant, its final percentage interest in the associate for the purpose of determining the proportion of 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 the 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. Acquisitionrelated costs are recognised in "Other operating expenses", except for those related to the issue of equity instruments.

Any excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognised as goodwill. At the date when control is acquired and for each business combination, the Group may elect to apply either the partial goodwill method (in which case, the amount of goodwill is limited to the portion acquired by the Group) or for the full goodwill method. Under the full $\,$ goodwill method, non-controlling interests are measured at fair value and goodwill is recognised on the full amount of the identifiable assets acquired and liabilities assumed.

Business combinations completed prior to 1 January 2010 were accounted for using the partial goodwill method, which was the only method applicable prior to publication of the revised version of IFRS 3.

In the case of an acquisition achieved in stages (step acquisition), the previously-held interest is remeasured at fair value at the date control is acquired. The difference between the fair value and carrying amount of the previously-held interest is recognised directly in profit or loss (under "Other operating income" or "Other operating expenses").

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The provisional amounts recognised on the acquisition date may be adjusted retrospectively if the information needed to revalue the assets acquired and the liabilities assumed corresponds to new information obtained by the buyer and concerns facts and circumstances that existed as of the acquisition date. Goodwill may not be adjusted after the measurement period (not exceeding 12 months from the date when control is acquired). Any subsequent acquisitions of non-controlling interests do not give rise to the recognition of additional goodwill.

Any contingent consideration is included in the consideration transferred at its acquisition-date fair value, whatever the probability that it will become due. Subsequent changes in the fair value of contingent consideration due to facts and circumstances that existed as of the acquisition date are recorded by adjusting goodwill if they occur during the measurement period or directly in profit or loss for the period under "Other operating income" or "Other operating expenses" if they arise after the measurement period, unless the obligation is settled in equity instruments. In that case, the contingent consideration is not remeasured subsequently.

Intra-group transfers of shares in consolidated companies

In the absence of any guidance in IFRS on the accounting treatment of intra-group transfers of shares in consolidated companies leading to a change in percentage interest, the Group applies the following principle:

- the transferred shares are maintained at historical cost and the gain or loss on the transfer is eliminated in full from the accounts of the acquirer;
- on-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.

Costs and expenses related to intra-group transfers of shares and to internal restructuring in general are included in "Other operating expenses".

Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company. Each Group entity determines its own functional currency and all of their financial transactions are measured in that currency.

The financial statements of subsidiaries that use a different functional currency from that of the parent company are translated using the closing rate method, as follows:

- assets and liabilities, including goodwill and fair value adjustments, are translated into euros at the closing rate, corresponding to the spot exchange rate at the reporting date;
- income statement and cash flow items are translated into euros using the average rate of the period unless significant variances occur.

The resulting translation differences are recognised directly within a separate component of equity. When a foreign operation is disposed of, the cumulative differences recognised in equity on translation of the net investment in the operation concerned at successive reporting dates are reclassified to profit or loss. Because the Group applies the step-by-step method of consolidation, the cumulative translation differences are not reclassified to profit or loss if the foreign operation disposed is part of a sub-group. This reclassification will occur only at the disposal of the sub-group.

Foreign currency transactions are translated into euros using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate and the resulting translation differences are recognised in the income statement under "Foreign currency exchange gains" or "Foreign currency exchange losses". Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable on the transaction date.

Exchange differences arising on translation of the net investment in a foreign operation are recognised in the consolidated financial statements as a separate component of equity and reclassified to profit or loss on disposal of the net investment.

Exchange differences arising on the translation of (i) foreign currency borrowings hedging a net investment denominated in a foreign currency or (ii) permanent advances made to subsidiaries are also recognised in equity and reclassified to profit or loss on disposal of the net investment.

In accordance with IAS 29, the statements of financial position and income statements of subsidiaries operating in hyperinflationary economies are (a) restated to take account of changes in the general purchasing power of the local currency, using official price indices applicable on the reporting date, and (b) converted into euros at the exchange rate on the reporting date. The Group has qualified Argentina as a hyperinflationary economy since 2018 (note 1.4).



3.1. Transactions affecting the scope of consolidation in 2018_

3.1.1. Acquisition of Sarenza

On 30 April 2018, Monoprix acquired Sarenza, a leading online footwear retailer. The price paid for 100% of the shares was €22 million (note 4.5).

Sarenza has been consolidated at net book value, leading to the recognition of provisional goodwill of €24 million (corresponding to the difference between the book value of the acquired net assets and the consideration transferred), which has been allocated to the Monoprix CGU.

Sarenza's contribution to consolidated net sales for the period from 30 April 2018 to 31 December 2018 was $\ensuremath{\in} 97$ million. If control of Sarenza had been acquired on 1 January 2018, it would have increased consolidated net sales by $\ensuremath{\in} 70$ million. Its contribution to pre-tax profit for the income was not material.

3.1.2. Changes in scope relating to the Franprix-Leader Price sub-group

On 28 February 2018, Franprix-Leader Price sold control of 105 Franprix and Leader Price stores to a master franchisee. The sale proceeds amounted to $\in \! 33$ million (note 4.5). The transactions generated a loss of $\in \! 15$ million which is recognised in "Other operating expenses". If the transactions had been completed on 1 January 2018, the impact on the Group's consolidated net sales, recurring operating income and net income would not have been material.

Franprix-Leader Price has retained a 49% interest in the group of stores and has a call option exercisable between 2021 and 2023 (note 3.4.2).

The same master franchisee acquired a 40% stake in another group of Franprix-Leader Price stores. The investment was accounted for as a transaction between owners. The master franchisee has a put option on its 40% stake and Franprix-Leader Price has a call option. A debt of €17 million was recognised on the date of the transaction (note 3.4.1). This transaction had no material impact on consolidated equity.

In addition, Franprix-Leader Price acquired control of 126 stores during 2018, at a total cost of $\varepsilon 79$ million, including $\varepsilon 68$ million paid in cash during the period (note 4.5). Provisional goodwill on these transactions amounted to $\varepsilon 76$ million. Some of the stores acquired were previously accounted for by the equity method in the Casino Group's consolidated financial statements. The previously-held interest was therefore remeasured at its acquisition-date fair value, leading to the recognition of a $\varepsilon 22$ million gain in "Other operating income".

If the acquisitions had been completed on 1 January 2018, the impact on the Group's consolidated net sales, recurring operating income and net income would not have been material.

3.1.3. Sale of a group of Casino supermarkets without loss of control

During first-half 2018, Distribution Casino France sold a 40% stake in five Casino supermarkets to a master franchisee. This sale without loss of control was accounted for as a transaction between owners. The master franchisee has a put option on its 40% stake − recognised in an amount of €19 million on the date of the transaction − and Distribution Casino France has a call option.

This transaction had no material impact on consolidated equity.

3.2. Transactions affecting the scope of consolidation in 2017.

3.2.1. Loss of control of a group of Casino supermarkets

In line with its ongoing franchising development plans, in February 2017, Distribution Casino France sold to a master franchisee a 51% stake in two sub-groups representing a total of 21 Casino supermarkets that were loss-making under the integrated management system. The net loss on the sale amounted to $\in\!30$ million and was recorded in "Other operating expenses" (note 6.5). Distribution Casino France has two call options on these two groups of stores, which are exercisable between November 2018 and October 2020 (note 3.4.2).

3.2.2. Changes in scope relating to the Franprix-Leader Price sub-group

On 10 February 2017 and 8 March 2017, Franprix-Leader Price acquired an additional 40% stake in the Sarjel Group, which was previously 60%-owned. The amount disbursed for this acquisition was €19 million including transaction costs (note 4.8).

In addition, as part of the ongoing strategy to transform the store base and improve its profitability, Franprix-Leader Price began the process of selling a group of 105 Franprix and Leader Price stores to a master franchisee (note 3.1.2). At 31 December 2017, the assets and liabilities of these stores – representing net assets of €33 million – had been reclassified as "Assets held for sale" for €67 million and "Liabilities associated with assets held for sale" for €34 million.

Lastly, Franprix-Leader Price acquired control of various stores during 2017, at a total cost of $\in\!43$ million (of which $\in\!23$ million disbursed during 2017 and the balance in 2018). Provisional goodwill on these transactions amounted to $\in\!29$ million. In light of the Casino Group's equity-accounted investments in some of the entities concerned, the previously-held interests were remeasured at their acquisition-date fair value, leading to the recognition of a $\in\!9$ million gain in "Other operating income".

If the acquisitions had been completed on 1 January 2017, the impact on the Group's consolidated net sales, recurring operating income and net income would not have been material.

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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 four main investees accounted for by the equity method. These consolidated financial statements prepared in accordance with IFRS correspond to the investees' published financial statements as restated, where appropriate, for the adjustments made by the Casino Group, for example fair value on the date control is acquired or lost, adjustments to bring the investee's accounting policies into line with Group policies, or adjustments to eliminate gains and losses on intra-group acquisitions and disposals for the portion corresponding to the Group's percentage interest in the investee:

	2018			2017 (restated)				
			Banque				Banque	
(6 m; Winner)	Mausialus	Tuya ⁽²⁾	du Groupe Casino	FIC ⁽³⁾	Manaialina	Tuya ⁽²⁾	du Groupe	FIC(3)
(€ millions)	Mercialys				Mercialys		Casino	
Country	France	Colombia	France	Brazil	France	Colombia	France	Brazil
Business	Real estate	Banking	Banking	Banking	Real estate	Banking	Banking	Banking
Tupe of relationship		Joint venture	· ·	Associate		Joint venture	J	Associate
% interest and voting rights ⁽⁴⁾	39%(1)	50%	50%	50%	40%	50%	50%	50%
Total income	258	314	164	225	187	403	139	274
Net income from continuing operations	85	24	7	50	79	12	3	50
Other comprehensive income			·		, 0		Ü	
Total comprehensive income	85	24	7	50	79	12	3	50
Non-current assets	2,869		24	13	2,882		17	17
Current assets ⁽⁵⁾	468	771	1,193	1,339	274	728	978	1,163
Non-current liabilities	(1,236)		(34)	(2)	(1,401)		(19)	(3)
Current liabilities	(746)	(661)	(1,051)	(1,188)	(335)	(657)	(864)	(1,013)
of which credit-activity related liabilities		(544)	(1,051)	(453)		(516)	(844)	(994)
Net assets	1,355	109	132	162	1,420	71	112	164
Of which net assets attributable to owners								
of the parent	1,260	109	132	162	1,322	71	112	164
Share of net assets	494	55	66	81	532	35	56	82
Goodwill	20		33		20		33	
Elimination of share of intra-group								
margins	(192)				(202)			
IFRS 5 reclassifications	(114)			(22)				(22)
Other adjustments ⁽⁶⁾				(14)		(3)		(15)
Investments in equity-accounted	207	FF	99	40	750	32	89	45
investees (note 3.3.3)	207	55	99	46	350	32	89	45
Dividends received from associates and joint ventures	43	6 ⁽⁷⁾		6(8)	38			59 ⁽⁸⁾

⁽¹⁾ At 31 December 2018, the Casino Group held 25% of the capital of Mercialys (39% interest of which 14% corresponding to shares classified as held for sale in accordance with IFRS 5). The Group considers that it exercises significant influence over the financial and operating policies of the Mercialys Group. This position is based on (a) 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, (b) the governance rules stipulating that Casino's representatives on the Mercialys Board may not take part in decisions concerning transactions carried out with the Casino Group, (c) business contracts entered into between the Casino Group and Mercialys on an arm's length basis, and (d) an analysis of the votes cast at recent General Shareholders' Meetings of Mercialys (showing that Casino and its related parties do not control shareholder decisions at Shareholders' Meetings).
(2) Tuya was set up in partnership with Éxito and Bancolombia to manage the banking services offered to customers of the stores in Colombia, primarily the possibility of

- signing up for credit cards in the stores. The partnership structure changed in October 2016 when Éxito became a 50% shareholder of Tuya.
- (3) FIC was set up by GPA in partnership with Banco Itaú Unibanco SA ("Itaú Unibanco") to finance purchases by GPA's customers. It is accounted for using the equity method as GPA exercises significant influence over its operating and financial policies.
- (4) The percentage interest corresponds to that held by the Casino Group, except in the case of Tuya (interest held by the Éxito sub-group) and FIC (interest held by the GPA sub-group). GPA holds 50% of the voting rights in FIC and 41.92% of the capital (including 6.16% through Via Varejo which is classified as held-for-sale in accordance with
- (5) The current assets of Banque du Groupe Casino, Tuya and FIC primarily concern their credit business.
- (6) Concerning FIC, the adjustment concerns a statutory reserve over which Itaú Unibanco has exclusive rights. (7) Stock dividends worth COP 20 billion (€6 million) paid to the joint venture partners.
- (8) This amount only concerns GPA's direct interest and does not include €2 million in dividends received by Via Varejo (2017: €25 million).

3.3.2. Other investments in associates and joint ventures

At 31 December 2018, the carrying amounts of investments in other associates and joint ventures stood at €75 million and €19 million, respectively (note 3.3.3). The aggregate amounts of key financial statement items for these associates and joint ventures are not material. Dividends received from these associates and joint ventures amounted to €5 million in 2018 (2017: €5 million).



3.3.3. Changes in investments in equity-accounted investees

	Opening			Share of net			
(€ millions)	balance (restated)	IFRS 9 adjustments	Impairment loss	income (loss) for the year	Dividends	Other	Closing balance
Associates	(restated)	adjustificitis	1033	for the gear	Dividends	Otrici	balarice
FIC (GPA)	92			18	(53)	(12)	45
	351*			29		(12) 9 ⁽¹⁾	350
Mercialys					(38)		
Franprix-Leader Price Group associates	2			(39)		40(2)	4
Other	39			(2)	(4)	6	39
Joint ventures							
Banque du Groupe Casino	84			1		4	89
Tuya (Éxito)	28			3		1	32
Other	15			(1)	(1)	2	15
2017 (restated)	611			10	(96)	51	575
Associates							
FIC (GPA)	45	(5)		18	(6)	(6)	46
Mercialys	350	(1)		30	(43)	(129)(1)	207
Franprix-Leader Price Group associates	4			(50)		54 ⁽²⁾	8
Other	39			(3)	(5)	36	67
Joint ventures							
Banque du Groupe Casino	89	(5)		3		11	99
Tuya (Éxito)	32			15		7	55
Other	15			0		4	19
2018	575	(11)		14	(54)	(23)	500

^{*} Restatement of the investment in Mercialys following the retrospective application of IFRS 15 had a negative impact of €16 million.

3.3.4. Impairment losses on investments in equity-accounted investees

With the exception of Mercialys, associates and joint ventures are privately-held companies for which no quoted market prices are available to estimate their fair value. The impairment tests carried out at 31 December 2018 and 31 December 2017 did not result in the recognition of any impairment loss.

The fair value of the investment in Mercialys at the reporting date was €432 million for 39.2% of net assets, determined using the market price at 31 December 2018 (31 December 2017: €683 million for 40.2%). This value does not reflect any impairment. Mercialys' EPRA NNNAV at 31 December 2018 amounted to €1,940 million on a 100% basis, of which the Casino Group's share was €761 million.

3.3.5. Share of contingent liabilities of equity-accounted investees

At 31 December 2018 and 31 December 2017, none of the Group's associates and joint ventures had any material contingent liabilities.

At the end of 2017, SCI Beaugrenelle, a non-trading property company, received a tax reassessment regarding fiscal years 2014 and 2015. This reassessment was challenged by the company and was not provisioned in the company's financial statements or in Rally's consolidated financial statements. All of the proposed reassessments were withdrawn by the tax authorities in June 2018, thereby putting an end to the dispute.

3.3.6. Related-party transactions (equity-accounted investees)

The related-party transactions shown below mainly concern transactions carried out in the normal course of business on arm's length terms with companies over which the Casino Group exercises significant influence (associates) or joint control (joint ventures) that are accounted for in the consolidated financial statements using the equity method.

⁽¹⁾ The €129 million negative movement in 2018 mainly reflects the reclassification as "Assets held for sale" in accordance with IFRS 5 of the shares underlying a total return swap (TRS) and not yet sold on the market, for €114 million (note 2). It also includes the previously eliminated share of margin on transactions between Mercialys and the Casino Group, recorded in recurring operating income for €5 million following the sale on the market of Mercialys shares representing 1.1% of the capital that were included in the TRS described in note 2. The €9 million increase in 2017 corresponded mainly to the elimination of gains and losses on purchases and sales of property assets between Casino and Mercialys for the portion corresponding to Casino's percentage interest in Mercialys.

⁽²⁾ The amount of €54 million in 2018 mainly related to (i) the same type of reclassification concerning the share of these losses from associates as in 2017 for an amount of €20 million; and (ii) and an amount of €20 million subscribed by Franprix-Leader Price to the capital increase of a master franchisee in 2017. The amount of €40 million in 2017 related to the reclassification of the share of losses from associates of Franprix-Leader Price that exceeds the book value of the investments, when Franprix Leader Price has an obligation to cover its share in the losses of those associates.



Related-party balances at 31 December 2018 and 2017 were as follows:

	2018		2017 (re	stated)
(€ millions)	Associates ⁽¹⁾⁽³⁾	Joint ventures(2)	Associates ⁽¹⁾⁽³⁾	Joint ventures ⁽²⁾
Loans	28	11	15	13
of which impairment	(44)		(63)	
Receivables	152	49	147	50
of which impairment			(7)	
Payables	43	549	21	274
Transactions for the year				
Expenses ⁽¹⁾⁽²⁾	81	2,324	89	1,118
Income ⁽³⁾	1,051	39	937	19

- (1) Of which rental revenue excluding occupancy costs for the 70 leases signed with Mercialys for €53 million in 2018 (2017: 74 leases for €55 million). At 31 December 2018, future minimum lease payments due to Mercialys on property assets amounted to €111 million, including €40 million due within one year.

 (2) Including €1,164 million in fuel purchases from Distridyn and €1,127 million in goods purchases from CD Supply Innovation in 2018 (2017: €1,095 million and €0 million
- (2) Including €1,164 million in fuel purchases from Distridyn and €1,127 million in goods purchases from CD Supply Innovation in 2018 (2017: €1,095 million and €0 million respectively).
- (3) Income of €1,051 million in 2018 (2017: €937 million) also includes sales of goods by Franprix-Leader Price and Distribution Casino France to master franchisees accounted for by the equity method, for €899 million (2017: €826 million). It also includes income related to property development transactions with Mercialys reported under "Other income" for €33 million (2017: €38 million).

♦ Transactions with Mercialys

Casino has entered into various agreements with Mercialys:

- Leases: Casino leases units in certain shopping centres from Mercialys, for which the rent is included in the above table.
- Asset management agreement: the Casino Group provides rental management services for nearly all Mercialys properties. In 2018, the related management fees recorded in the Casino Group's financial statements amounted to €6 million (2017: €6 million).
- Partnership agreement: this agreement was approved by Casino's Board of Directors on 19 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 Mercialys acquires to feed its business growth, has been maintained in the new agreement. The original agreement concerned a pipeline of projects offering satisfactory visibility. The new agreement enables Mercialys 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 Mercialys once the necessary permits have been obtained and leases have been signed on units representing at least 60% of total projected rental revenues from 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 Mercialys' 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 Mercialys 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, Mercialys has undertaken not to invest in any operations that could lead to a material increase in competition in the catchment area of any of the Casino Group's food stores.

At the end of January 2017, the partnership agreement was extended by three years, until end-2020. No projects were sold under the partnership agreement in 2018.

- Support services agreement: the Casino Group provides administrative, accounting/finance, IT and real estate support services to Mercialys. In 2018, the related management fees recorded in the Casino Group's financial statements amounted to €2 million (2017: €2 million).
- Consulting services agreement: Mercialys makes available to Casino the services of its team of real estate portfolio enhancement specialists. This agreement had no material impact in 2018 or 2017.

The parties decided to terminate the agreement on 31 December 2018. A new fixed-term agreement has been signed with an initial term of six months (1 January to 30 June 2019), covering asset management services provided by Mercialys' teams on projects managed on Casino's behalf. The agreement is automatically renewable for successive six-month terms up to a maximum of 48 months in total.

- Exclusive sale mandate: Casino seeks buyers for real estate assets on behalf of Mercialys.
- ♦ Current account and cash management agreement: Casino has provided Mercialys with a €50 million confirmed line of credit expiring in December 2020 at an annual interest rate based on the Euribor plus a spread ranging from 40 bps to 95 bps depending on the amount borrowed under the facility. The Casino Group also charges a 38-bps commitment fee (40% of the maximum 95-bps spread) on undrawn amounts. This agreement had no material impact in 2018 or 2017.



In 2018, the Casino Group signed a property development contract with Sacré Cœur, a subsidiary of Mercialys. After eliminating a percentage corresponding to the Casino Group's interest in Mercialys, the contract led to the recognition of €24 million in "Other income" and a non-material contribution to EBITDA.

In addition, the Casino Group sold three property development projects of hypermarkets scheduled for transformation to third parties. After eliminating a percentage corresponding to the Casino Group's 10% interest in the associates concerned, the transactions led to the recognition of €47 million in "Other revenue" and a €24 million contribution to EBITDA in 2018.

3.3.7. Commitments to joint ventures

The Casino Group has issued guarantees to joint ventures (also presented in note 6.11.1) for an amount of €93 million at 31 December 2018 (31 December 2017: €125 million), including €68 million for CD Supply Innovation and €25 million for Distridyn.

3.4. Commitments related to the scope of consolidation

3.4.1. Put options granted to owners of non-controlling interests – "NCI puts"

Accounting principle

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. The options may be exercisable at any time or on a specified date. In accordance with IAS 32, obligations under these NCI puts are recognised as "Financial liabilities"; fixed price options are recognised at their discounted present value and variable price options at fair value. These "NCI puts" have been presented on a separate line of the consolidated statement of financial position.

IAS 27 revised, which is effective for annual periods beginning on or after 1 January 2010, and subsequently IFRS 10, effective for annual periods beginning on or after 1 January 2014, describe the accounting treatment of acquisitions of additional shares in subsidiaries. The Group has decided to apply two different accounting methods for these NCI

puts, depending on whether they were granted before or after the effective date of IAS 27 revised, as recommended by France's securities regulator (*Autorité des marchés financiers* – AMF):

- NCI puts granted before the effective date of IAS 27 revised are accounted for using the goodwill method whereby the difference between the NCI put liability and the carrying amount of the noncontrolling 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 shareholders, with the difference between the NCI put liability and the carrying amount of the noncontrolling interests recognised as a deduction from equity. In subsequent years, this liability is remeasured and any changes adjust equity.

[&]quot;NCI puts" can be analysed as follows at 31 December 2018:

			4	1
				_
60.00%	40.00%	V	20	-
62.49%	29.82%	V	-	117
50.00% to 70.00%	30.00% to 41.33%	F/V	39	7
% Group interest	interests	exercise price	liabilities ⁽⁴⁾	liabilities ⁽⁴⁾
	to non-controlling	Fixed or variable	Non-current	Current
	50.00% to 70.00% 62.49%	% Group interest interests 50.00% to 70.00% 30.00% to 41.33% 62.49% 29.82%	to non-controlling Kixed or variable exercise price 50.00% to 70.00% 30.00% to 41.33% F/V 62.49% 29.82% V	% Group interest to non-controlling interests Fixed or variable exercise price Non-current liabilities ⁽⁴⁾ 50.00% to 70.00% 30.00% to 41.33% F/V 39 62.49% 29.82% V - 60.00% 40.00% V 20

Commitment

The value of NCI puts on subsidiaries of the Franprix-Leader Price sub-group is generally based on net income or a multiple of net sales. A 10% increase or decrease in these indicators would not have a material impact. The options expire between 2019 and 2031.
 The option is exercisable until 21 June 2021. The exercise price is the lowest amount obtained using different calculation formulas.

The formula applied at 31 December 2018 is based on a multiple of 12 times average net profit for the last two years. A 10% increase or decrease in net income would lead to a €12 million increase or decrease in the financial liability at 31 December 2018.

to a €12 million increase or decrease in the financial liability at 31 December 2018.

(3) The value of the puts is based on a multiple of net sales generated by the five underlying Casino supermarkets (note 3.1.3). A 10% increase or decrease in the indicator would not have a material impact. The option is exercisable between 1 April and 30 June 2023.

⁽⁴⁾ At 31 December 2017, NCI put liabilities amounted to €171 million, including current liabilities of €143 million. The increase in 2018 mainly reflected new puts granted to master franchisees on Franprix-Leader Price and Casino stores in the transactions described in notes 3.1.2 and 3.1.3.

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3.4.2. Off-balance sheet commitments

Accounting principle

Puts and calls relating to non-controlling interests are generally accounted for as derivative instruments. The exercise price of these options generally reflects the fair value of the underlying assets.

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 written by the other party; in these cases, the value shown corresponds to that of the written put.

Written put options on shares in non-controlled companies stood at €15 million at 31 December 2018 (31 December 2017: €16 million), and concerned entities within the Monoprix and Franprix-Leader Price sub-groups.

Written call options on shares in non-controlled companies stood at €348 million at 31 December 2018 (31 December 2017: €421 million), and mainly concerned:

- the following call options granted to the Casino Group in connection with transactions carried out with Mercialys:
 - call option on 100% of the assets or 100% of the shares of Hyperthetis
 Participations, exercisable from 31 December 2020 and until
 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;
- lastly, in connection with the transactions carried out with master franchisees describe in notes 3.1.2, 3.2.1 and 3.2.2, the Casino Group has call options on stores that are exercisable between 2018 and 2023 at prices based on a percentage of the improvement in EBITDA or a multiple of net sales.

3.5. Assets held for sale and discontinued operations.

Accounting principle

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).

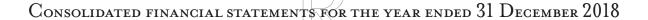
Property, plant and equipment and intangible assets classified as held for sale are no longer depreciated or amortised.

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 $\ \, \diamond \,$ 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

		31 Decemb	31 December 2018		31 December 2017	
(€ millions)	Notes	Assets	Liabilities	Assets	Liabilities	
Via Varejo sub-group	2/3.5.2	5,698	4,426	6,041	4,571	
Other France Retail ⁽¹⁾		1,342	202	545	109	
Other Latam Retail		20		7		
Courir		169	48			
Other		11	7			
TOTAL		7,241	4,684	6,593	4,680	
Net assets		2,557		1,913		
Of which attributable to owners of the parent of the selling						
subsidiary	11.2.2	1,813		1,070		

⁽¹⁾ At 31 December 2018, this line corresponds primarily to stores and property assets for approximately €874 million (Casino Group share) relating to asset disposal plans and optimisation of the store base, and Mercialys shares underlying a total return swap (TRS) for €114 million (note 2). At 31 December 2017, this item mainly included stores and property assets.

3.5.2. Discontinued operations

Income from discontinued operations, mostly composed of Via Varejo (including Cnova Brazil) (note 2), breaks down as follows:

(€ millions)	2018(1)	2017
Net sales	6,253	7,115
Expenses	(6,298)	(7,006)
Gain on disposal of discontinued operations		
Disposal price		
Disposal costs		
Carrying amount of net assets sold		
Other items of comprehensive income (loss) reclassified to profit or loss, net of tax ⁽²⁾		
Impairment loss resulting from the measurement of Via Varejo at fair value less costs to sell ⁽³⁾		(36)
Net income (loss) before tax from discontinued operations	(46)	74
Income tax (expense) gain	16	(34)
Share of net income of equity-accounted investees	9	7
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(21)	47
Attributable to owners of the parent	(5)	(4)
Attributable to non-controlling interests	(16)	51

⁽¹⁾ In 2018, Via Varejo reported EBITDA of €268 million (2017: €414 million).

Earnings per share of discontinued operations are presented in note 12.10.3.

3.5.3. Net cash from (used in) discontinued operations

Cash flows from discontinued operations in 2018 and 2017 mainly concern Via Varejo.

⁽²⁾ The reclassification of Via Varejo in "Discontinued operations" had no impact on other comprehensive income in 2018 or 2017. The sale of Via Varejo will not lead to any related foreign currency translation adjustments being reclassified to profit or loss.

⁽³⁾ No additional impairment loss was recorded in 2018. At 31 December 2018, the share price was BRL 4.39, representing a market value of €1,279 million before the control premium.

Note 4 Additional cash flow disclosures

Accounting principle

The statement of cash flows is prepared using the indirect method starting from consolidated net income (loss) and is organised in three sections:

- cash flows from operating activities, including taxes, transaction costs for acquisitions of subsidiaries, dividends received from associates and joint ventures and payments received in respect of government grants;
- cash flows from investing activities, including acquisitions of subsidiaries (excluding acquisition costs), proceeds from disposals of subsidiaries (including transaction costs), acquisitions and disposals of investments in non-consolidated companies, associates and joint
- ventures (including transaction costs), contingent consideration paid for business combinations, up to the amount of the identified liability during the measurement period, and acquisitions and disposals of non-current 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 finance costs and non-recourse factoring and associated transaction costs), treasury share transactions and dividend payments. This category also includes cash flows from trade payables requalified as debt.

4.1. Reconciliation of provision expense.

(€ millions)	Notes	2018	2017
Goodwill impairment	10.1.2	(1)	(5)
Impairment of intangible assets	10.2.2	(12)	(11)
Impairment of property, plant and equipment	10.3.2	(54)	(54)
Impairment of investment property	10.4.2	(1)	(6)
Impairment of other assets ⁽¹⁾		(142)	(14)
Net additions to provisions for risks and charges		(12)	29
Provision expense adjustment in the statement of cash flows		(221)	(61)

⁽¹⁾ Mainly concerns net assets classified as held for sale in accordance with IFRS 5.

4.2. Reconciliation of changes in operating working capital to changes in the corresponding items in the statement of financial position_

		31	Effect of .	Cash flows		Changes in			
		December 2017	applying IFRS 9 and	from operating		scope of	exchange	Reclass and	31 December
(€ millions)	Notes	(restated)	IFRS 2	activities	Other	consolidation	rates	other	2018
Goods inventories	6.6	(3,883)		(216)	18	(58)	177	165	(3,796)
Property development work in progress	6.6	(131)		(41)		(2)	4	(14)	(184)
Trade payables	B/S	6,788		341	(11)	47	(284)	(72)	6,809
Trade and other receivables	6.7	(955)	46	(124)	3	10	37	59	(924)
Other receivables/payables ⁽¹⁾		429		(166)	(150)	64	(10)	57	225
Total		2,247	47	(206)	(140)	61	(76)	195	2,130

		_	Cash flows Ch		Change	es in		
_(€ millions)	Notes	1 January 2017 (restated)	from operating activities	Other	scope of consolidation	exchange rates	Reclass and other	31 December 2017 (restated)
Goods inventories	6.6	(3,935)	(243)		(3)	252	48	(3,883)
Property development work in progress	6.6	(170)	85		38	(1)	(84)	(131)
Trade payables	B/S	7,041	191		10	(423)	(33)	6,788
Trade and other receivables	6.7	(906)	(104)		(1)	42	13	(955)
Other receivables/payables ⁽¹⁾		635	(223)	74	(53)	4	(9)	430
Totαl		2,665	(293)	74	(9)	(126)	(64)	2,248

⁽¹⁾ See notes 6.8.1, 6.9, 6.10 and 11.1.1.

4.3. Reconciliation of acquisitions of non-current assets_____

(€ millions)	Notes	2018	2017
Additions to and acquisitions of intangible assets	10.2.2	(214)	(189)
Additions to and acquisitions of property, plant and equipment	10.3.2	(902)	(942)
Additions to and acquisitions of investment property	10.4.2	(59)	(130)
Change in amounts due to suppliers of non-current assets		(44)	(31)
New finance leases		2	14
Capitalised borrowing costs (IAS 23)	10.3.3	11	14
Cash used in acquisitions of intangible assets, property, plant and equipment			
and investment property		(1,206)	(1,264)

4.4. Reconciliation of disposals of non-current assets_____

_(€ millions)	Notes	2018	2017
Derecognition of intangible assets	10.2.2	16	19
Derecognition of property, plant and equipment	10.3.2	330	252
Derecognition of investment property	10.4.2	1	1
Gains and losses on disposals of non-current assets		230	(12)
Change in receivables related to non-current assets		(26)	(54)
Reclassification of non-current assets as "Assets held for sale" (IFRS 5)		691	101
Cash from acquisitions of intangible assets, property, plant and equipment			
and investment property		1,242	306

4.5. Effect on cash and cash equivalents of changes in scope of consolidation resulting in acquisition or loss of control_____

_(€ millions)	2018	2017
Amount paid for acquisitions of subsidiaries	(112)	(48)
Cash/(bank overdrafts) acquired	(18)	2
Proceeds from disposals of subsidiaries	34	8
(Cash)/bank overdrafts sold		(31)
Effect of changes in scope of consolidation resulting in acquisition or loss of control	(96)	(69)

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In 2018, the net impact of these transactions on cash and cash equivalents mainly comprised:

- ♦ an outflow of €43 million for the acquisition of Sarenza, including the €20 million negative cash acquired and the €22 million sale price paid (note 3.1.1);
- an outflow of €78 million for acquisitions by the Franprix-Leader Price sub-group, including an outflow of €68 million for transactions during the period (note 3.1.2) and an outflow of €11 million for transactions in 2017 (note 3.2.2);
- an inflow of €27 million for transactions involving loss of control by the Franprix-Leader Price sub-group, including an inflow of €33 million for the sale of 105 stores (as described in note 3.1.2).

In 2017, the net impact of these transactions on the Group's cash and cash equivalents mainly comprised:

- an outflow of €30 million in cash sold in the transaction resulting in the loss of control of all Casino supermarkets (note 3.2.1);
- an outflow of €23 million for the acquisition of various controlling interests in the Franprix-Leader Price sub-group (note 3.2.2);
- ♦ an outflow of €15 million for the settlement of the balance of the price for the 2015 acquisition of control of the Super Inter stores.

4.6. Effect of changes in scope of consolidation related to equity-accounted investees_____

(€ millions)	2018	2017
Amount paid for the acquisition of shares in equity-accounted investees	(39)	(17)
Amount received from the sale of shares in equity-accounted investees	209	
Effect of changes in scope of consolidation related to equity-accounted investees	170	(17)

In 2018, the net impact of these transactions resulted for the most part from the block sale of Mercialys shares representing 15% of the capital (note 2).

4.7. Reconciliation of dividends paid to non-controlling interests_

_(€ millions)	Notes	2018	2017
Dividends paid and payable to non-controlling interests	12.8	(264)	(240)
Payment during the year of a debt accrued at the prior year-end		(2)	11
Currency effects		(2)	(2)
Effect of discontinued operations		2	7
Dividends paid to non-controlling interests as presented in the statement of cash flows			
(continuing operations)		(266)	(224)

4.8. Impact on cash and cash equivalents of transactions with non-controlling interests not resulting in change of control

(€ millions)	Notes	2018	2017
Distribution Casino France - Disposal without loss of control	3.1.3	20	
GreenYellow - Disposal without loss of control ⁽¹⁾	2	149	
Éxito - Additional contribution of FIC to Viva Malls ⁽¹⁾		77	80
Franprix-Leader Price sub-group - Acquisition of Sarjel shares	3.2.2		(19)
Public tender offer for Cnova N.V. shares		(3)	(171)
Other		(48)	(7)
Effect on cash and cash equivalents of transactions with non-controlling interests		195	(117)

⁽¹⁾ See footnote 5 of the consolidated statement of changes in equity

4.9. Reconciliation between change in cash and cash equivalents and change in net debt_____

(€ millions)	Notes	2018	2017
Change in cash and cash equivalents		327	(2,612)
New borrowings ⁽¹⁾	11.2.2	(2,806)	(2,128)
Repayments of borrowings ⁽¹⁾	11.2.2	2,510	3,086
Non-cash changes in debt ⁽¹⁾		679	354
Change in net assets held for sale attributable to owners of the parent		747	366
Change in other financial assets		147	(3)
Effect of changes in scope of consolidation		(224)	
Change in fair value hedges		(59)	(95)
Change in accrued interest		36	100
Other		32	(14)
Effect of applying IFRS 9 at 1 January 2018		(19)	
Effect of movements in exchange rates ⁽¹⁾		158	350
Change in debt of discontinued operations		(71)	208
Change in net debt		778	(740)
Net debt at beginning of period	11.2.1	7,168	6,428
Net debt at end of period	11.2.1	6,391	7,168

⁽¹⁾ These impacts relate exclusively to continuing operations.

4.10. Reconciliation of net interest paid

(€ millions)	Notes	2018	2017
Cost of net debt reported in the income statement	11.3.1	(454)	(480)
Neutralisation of unrealised exchange gains/losses		4	(4)
Neutralisation of amortisation of debt issuance/redemption costs and premiums		60	40
Capitalised borrowing costs	10.3.3	(11)	(14)
Change in accrued interest and fair value hedges of borrowings ⁽¹⁾		(38)	(48)
Non-recourse factoring costs	11.3.2	(81)	(83)
Interest paid, net as presented in the statement of cash flows		(520)	(588)

⁽¹⁾ In 2018, the item mainly includes the impact of unwinding interest rate swaps in France for €59 million (2017: €90 million)

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Note 5 Segment information

Accounting principle

Segment reporting reflects management's view and is prepared on the basis of the internal reporting used to assess the performance of operating segments as required by IFRS 8. Segment reporting now includes two operating segments corresponding to:

The **"Food and general retailing"** division, which includes the various activities of the Casino Group, namely:

- France Retail: for all retail activities in France (mainly the sub-groups of the Casino, Monoprix, Franprix-Leader Price and Vindémia banners);
- Latam Retail: for all food retailing operations in Latin America (mainly the GPA food banners and the Éxito, Disco, Devoto and Libertad banners);
- E-commerce: comprising Cdiscount and the Cnova N.V. holding company.

The operating segments included in France Retail and Latam Retail have similar businesses in terms of product type, assets and human resources required for operations, customer profile, distribution methods, marketing offer and long-term financial performance.

Given the dual strategy and interconnection between retail and real estate, the operating segments comprise pure retail activities, real estate asset management and property development projects and energy efficiency activities.

The "Holdings and other activities" division, which combines the activities of the holding companies, the sale of sporting goods and financial and property investments. Taken individually, these activities are not material at Group level.

Management assesses the performance of these segments on the basis of net sales and recurring operating income (which includes the allocation of Casino holding company costs to all of its Food and general retailing business units) and EBITDA. EBITDA is defined as recurring operating income (EBIT) plus net depreciation and amortisation expense.

Since assets and liabilities are not specifically reported to management, the only information presented in the notes in the context of IFRS 8 relates to non-current assets.

Segment information is determined on the same basis as the consolidated financial statements.

5.1. Key indicators by operating segment

_(€ millions)	France Retail ⁽¹⁾	d and general retaili Latam Retail ⁽²⁾	ng E-commerce	Holdings and other activities	Continuing operations in 2018
External net sales (note 6.1)	19,061	15,577	1,965	891	37,495
EBITDA	914	932	19	14	1,879
Net depreciation and amortisation expense (notes 6.3/6.4)	(335)	(288)	(33)	(14)	(670)
Recurring operating income	579	644	(14)		1,209

⁽¹⁾ Of which €61 million for property development transactions carried out in France.

⁽²⁾ Of which BRL 481 million (€111 million) in respect of tax credits recognised by GPA during the period (mainly reversal of the valuation allowance on Assal's ICMS-ST tax credit following a change in the law - see below).

	Food	d and general retailin	g		Continuing	
(€ millions)	France Retail ⁽¹⁾	Latam Retail ⁽²⁾	E-commerce	Holdings and other activities	operations in 2017 (restated)	
External net sales (note 6.1)	18,799	16,782	1,908	813	38,302	
EBITDA	882	1,029	(10)	10	1,910	
Net depreciation and amortisation expense (notes 6.3/6.4)	(345)	(316)	(27)	(15)	(703)	
Recurring operating income (loss)	536	713	(37)	(5)	1,207	
Including effect of applying IFRS 15 on net sales (note 1.3)	(104)	(141)	(87)		(332)	
Including effect of applying IFRS 15 on recurring operating income (loss) (note 1.3)	(19)		(10)		(30)	

5.2. Key indicators by geographical area_

	Food and general retailing			Holdings and		
(€ millions)	France	Latin America	Other regions	France	Other regions	Total
External net sales for 2018	21,022	15,568	13	817	74	37,495
External net sales for 2017 (restated)	20,703	16,782	5	740	72	38,302

_	Food and general retailing			Holdings and		
(€ millions)	France	Latin America	Other regions	France	Other regions	Total
Non-current assets at 31 December 2018 ⁽¹⁾	11,065	8,488	51	66	3	19,672
Non-current assets at 31 December 2017 (restated) ⁽¹⁾	12,479	8,822	49	118	4	21,472

⁽¹⁾ Non-current assets include goodwill, intangible assets, property, plant, and equipment, investment property, investments in equity accounted investees, contract assets

⁽¹⁾ Property development transactions carried out in France contributed €87 million to EBITDA and recurring operating income.

(2) Of which BRL 723 million (€201 million) for ICMS-ST tax credits dating back prior to November 2016 and recognised by GPA during the year as a deduction from "Cost of goods sold". The tax credits were recognised following the publication in April 2017 of the agreement for the enforcement of the October 2016 ruling by Brazil's supreme federal court stipulating that the ICMS-ST tax is not a final tax and should not therefore be included in the basis of assessment of PIS and COFINS taxes, allowing GPA to apply for a refund from the Brazilian state administration. Recognition of the pre November 2016 ICMS-ST tax credits of Sendas Distribution (a subsidiary of GPA), in the amount of BRL 369 million (€102 million), had no impact on the consolidated income statement because they are not expected to be recovered and were written down in full.

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NOTE 6 OPERATING DATA

6.1. Revenue

Following the first-time adoption of IFRS 15 from 1 January 2018, the Group revised its revenue accounting policy.

Accounting principle

Revenue comprises items recorded under "Net sales" and "Other income". The total of these two items is presented on the line "Total income".

Revenue

"Net sales" include sales by the Group's stores, service stations, E-commerce sites and restaurants, franchise fees, revenues from business leases and financial services revenues. Most of the amount reported under Group "Net sales" corresponds to revenue included in the scope of IFRS 15.

"Other income" consists of income from the property development and property trading businesses, rental revenues, miscellaneous service revenues, incidental revenues and revenues from secondary activities, and revenues from the energy business. The majority of amounts reported under "Other income" are included in the scope of IFRS 15, while rental revenues are included in the scope of IAS 17.

Revenue is measured at the contract price, corresponding to the consideration to which the Group expects to be entitled in exchange for the supply of goods or services. The transaction price is allocated to the performance obligations in the contract, which represent the units of account for revenue recognition purposes. Revenue is recognised when the performance obligation is satisfied, i.e., when control of the good or service passes to the customer. Revenue may therefore be recognised at a specific point in time or over time based on the stage of completion.

The Group's main sources of revenue are as follows:

Sales of goods (including through the property trading business): in this case, the Group generally has only one performance obligation, that of delivering the good to the customer. Revenue from these sales is recognised when control of the good is transferred to the customer, generally upon delivery, i.e., generally:

- at the check-out for in-store sales;
- $\diamond\,\,$ on receipt of the goods by the franchisee or affiliated store;
- on receipt of the goods by the customer for e-commerce sales.

Sales of services, for example sales of subscriptions, franchising fees, logistics services, rental revenue and property management services: in this case, for operations included in the scope of IFRS 15, the Group generally has only one performance obligation, to supply the service, and the related revenues are recognised over the period in which the services are performed.

Property development revenues: in this case, the Group generally has several performance obligations, some of which may be satisfied at a given point in time and others over time based on the project's percentage of completion. Income from property development activities is generally calculated on a percentage-of-completion basis by reference to the projected margin on completion weighted by the percentage of completion determined by the inputs method.

Revenues from the energy business, for which the Group generally identifies a performance obligation when the solar power plant is delivered (in exchange for variable consideration in some cases) or when the energy performance contracts are sold. The Group also sells energy services for which the related revenue is recognised when the service is performed.

The vast majority of revenues are recognised at a given point in time.

If settlement of the consideration is deferred for an unusually long time and no promise of financing is explicitly stated in the contract or implied by the payment terms, revenue is recognised by adjusting the consideration for the effects of the time value of money. If significant, the difference between this price and the unadjusted transaction price is recognised in "Other financial income" over the payment deferral period, determined using the effective interest method.

The Group operates loyalty programmes that enable customers to obtain discounts or award credits on their future purchases. Award credits granted to customers under loyalty programmes represent a performance obligation that is separately identifiable from the initial sales transaction. This performance obligation gives rise to the recognition of a contract liability. The corresponding revenue is deferred until the award credits are used by the customer.

Contract assets and liabilities, incremental costs to obtain a contract and costs to fulfil a contract

A contract asset corresponds to an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. Based on this definition, a receivable does not constitute a contract asset.

The Group recognises a contract asset when it has fulfilled all or part of its performance obligation but does not have an unconditional right to payment (i.e., the Group does not yet have the right to invoice the customer). In light of its business, contract assets recognised by the Group are not material.

A contract liability corresponds to an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer. The Group recognises contract liabilities mainly for award credits granted under its loyalty programmes, advances received and sales for which all or part of the performance obligation has not yet been fulfilled (e.g., sales of subscriptions and gift cards, and future performance obligations of the property development business for which the customer has already been invoiced followed by payment of consideration).

The incremental costs to obtain a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained and which it expects to recover.

The costs to fulfil a contract are costs related directly to a contract that generate or enhance the resources that will be used by the Group in satisfying its performance obligations and which it expects to recover.

For the Group, the costs of obtaining and fulfilling contracts correspond primarily to the costs incurred in connection with its franchising and affiliation business. These costs are capitalised and amortised over the life of the franchise or affiliation contract. The capitalised amounts are tested regularly for impairment.

Contract assets and the costs of obtaining and fulfilling contracts are tested for impairment under IFRS 9.

6.1.1. Breakdown of total income

	Foo	Food and general retailing Holdings and			
(€ millions)	France Retail	Latam Retail	E-commerce	other activities	
Net sales	19,061	15,577	1,965	891	37,495
Other income	381	151		3	534
Total income	19,442	15,728	1,965	894	38,029

	Food and general retailing			Holdings and	
(€ millions)	France Retail	Latam Retail	E-commerce	other activities	2017 (restated)
Net sales	18,799	16,782	1,908	813	38,302
Other income	397	158		1	556
Total income	19,196	16,940	1,908	814	38,858

6.1.2. Incremental costs of obtaining contracts, contract assets and liabilities

(€ millions)	Notes	2018	2017 (restated)
Incremental costs of obtaining contracts and costs to fulfil contracts	6.8/6.9	152	131
Contract assets	6.8/6.9	10	12
Right-of-return assets included in inventories	6.6	3	3
Contract liabilities	6.10	120	115

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6.2. Cost of goods sold

Following the first-time adoption of IFRS 15 from 1 January 2018, the Group revised its accounting policy concerning the cost of goods sold.

Accounting principle

Gross margin corresponds to the difference between "Total income" and the "Cost of goods sold".

Cost of goods sold comprises the cost of purchases net of discounts, commercial cooperation fees and any tax credits associated with the purchases, changes in retail inventories, depreciation of plant and equipment, amortisation of certain contract assets, and logistics costs. It also includes property development and property trading business costs and changes in inventories.

Commercial cooperation fees are measured based on contracts signed with suppliers. They are billed in instalments over the year. 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.

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 sites. Transport costs included in suppliers' invoices (e.g., for goods purchased on a "delivery duty paid" or "DDP" basis) are included in "Purchases and change in inventories". Outsourced transport costs are recognised under "Logistics costs".

(€ millions)	Notes	2018	2017 (restated)
Purchases and changes in inventories		(26,836)	(27,480)
Logistics costs	6.3	(1,547)	(1,568)
Cost of goods sold		(28,384)	(29,048)

6.3. Expenses by nature and function

Following the first-time adoption of IFRS 15 from 1 January 2018, the Group revised its accounting policy concerning the cost of goods sold.

Accounting principle

Selling expenses consist of point-of-sale costs.

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.

Pre-opening and post-closure costs: Pre-opening costs that do not meet the criteria for capitalisation and post-closure costs are recognised in operating expense when incurred.

General and

				General and administrative	
(€ millions)	Notes	Logistics costs ⁽¹⁾	Selling expenses	expenses	2018
Employee benefits expense		(548)	(3,241)	(858)	(4,647)
Other expenses		(965)	(3,226)	(475)	(4,667)
Depreciation/amortisation for the year	5.1/6.4	(34)	(489)	(148)	(670)
Total		(1,547)	(6,956)	(1,481)	(9,984)

Total		(1,569)	(7,167)	(1,435)	(10,171)
Depreciation/amortisation for the year	5.1/6.4	(38)	(519)	(146)	(703)
Other expenses		(974)	(3,284)	(467)	(4,726)
Employee benefits expense		(556)	(3,364)	(822)	(4,742)
(€ millions)	Notes	Logistics costs ⁽¹⁾	Selling expenses	expenses	2017 (restated)
				administrative	

⁽¹⁾ Logistics costs are reported in the consolidated income statement under "Cost of goods sold".

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A competitiveness and employment tax credit (CICE) has been introduced in France, corresponding to a tax credit (refundable if not used within three years) based on a percentage of salaries that do not exceed 2.5x the French minimum wage (SMIC). The rate was 7% in 2017 and 6% for salaries paid as from 1 January 2018 (9% for Vindémia).

In 2018, the CICE tax benefit of €83 million (2017: €109 million) was recognised as a deduction from employee benefits expense and the receivable was sold on a no-recourse basis. The CICE has been abolished with effect from 1 January 2019 and replaced by a reduction in payroll taxes

6.4. Depreciation and amortisation

(€ millions)	Notes	2018	2017
Amortisation of intangible assets	10.2.2	(128)	(125)
Depreciation of property, plant and equipment	10.3.2	(534)	(566)
Depreciation of investment property	10.4.2	(8)	(12)
Depreciation and amortisation expense of continuing operations	5.1/6.3	(670)	(704)

6.5. Other operating income and expenses

Accounting principle

This caption covers two types of items:

income and expenses which, by definition, are not included in an assessment of a business unit's recurring operating performance, such as gains and losses on disposals of non-current assets, impairment losses on non-current assets, and income/expenses related to changes in the scope of consolidation (for example, transaction costs and fees for acquisitions of control, gains and losses from disposals of subsidiaries, remeasurement at fair value of previously-held interests);

income and expenses arising from major events occurring during the period that would distort analyses of the Group's recurring profitability. They are defined as significant items of income and expense that are limited in number, unusual or abnormal, whose occurrence is rare. Examples include restructuring costs (such as reorganisation costs and the costs of converting stores to new concepts) and provisions and expenses for litigation and risks (including discounting adjustments).

(€ millions)	2018	2017
Total other operating income	424	190
Total other operating expenses	(807)	(680)
	(383)	(490)
Breakdown by type		
Gains and losses on disposal of non-current assets (1)(6)	255	2
Net asset impairment losses ⁽²⁾⁽⁶⁾	(179)	(76)
Net income/(expense) related to changes in scope of consolidation ⁽³⁾⁽⁶⁾	(147)	(90)
Gains and losses on disposal of non-current assets, net asset impair-ment losses and net income/(expense)	(70)	(164)
related to changes in scope of consolidation		
Restructuring provisions and expenses ⁽⁴⁾⁽⁶⁾	(211)	(219)
Provisions and expenses for litigation and risks ⁽⁵⁾	(84)	(94)
Other operating income and expenses	(18)	(14)
Other operating income and expenses	(313)	(326)
Total other operating income (expense), net	(383)	(490)

- (1) The net gain on disposal of non-current assets in 2018 primarily concerned the France Retail segment and especially disposals of Monoprix store properties (note 2).
- (2) The impairment loss recognised in 2018 mainly concerns the France Retail segment. Impairment losses recorded in 2017 mainly concerned individual assets in the France Retail segment for €36 million, the Latam Retail segment (primarily GPA) for €28 million, and the E-commerce segment for €7 million.
 (3) The net expense of €147 million recorded in 2018 resulted primarily from the recognition in profit, in accordance with IAS 21, of foreign currency translation adjustments
- (3) The net expense of €147 million recorded in 2018 resulted primarily from the recognition in profit, in accordance with IAS 21, of foreign currency translation adjustments accumulated in the foreign currency translation reserve for an amount of €67 million (note 12.7.2). The €90 million net expense recognised in 2017 resulted mainly from the loss of control of supermarket stores at Distribution Casino France for an amount of €30 million (note 3.2.1), a net expense related to various changes in scope at Frangrix-Leader Price for €9 million, and fees of €31 million.
- (4) Restructuring provisions and expenses in 2018 primarily concern the France Retail segment for €140 million (including employee costs and store closure costs for €102 million and store transformation costs for €24 million) and the Latam Retail segment (mainly GPA) for €58 million. Restructuring provisions and expenses in 2017 mainly concerned the France Retail segment for €169 million (including employee costs and store closure costs for €113 million and store transformation costs for €54 million) and the Latam Retail segment (mainly GPA) for €38 million.
- (5) Provisions and expenses for litigation and risks represent a net expense of €84 million in 2018, including €35 million for tax risks at GPA. The net expense of €92 million in 2017 included €60 million for the tax amnesty programmes in which GPA participated during the period.

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(6) Reconciliation of net asset impairment losses with the breakdown of changes in non-current assets:

(€ millions)	Notes	2018	2017
Goodwill impairment losses	10.1.2	(1)	(5)
Impairment (losses)/reversals on intangible assets, net	10.2.2	(12)	(11)
Impairment (losses)/reversals on property, plant and equipment, net	10.3.2	(54)	(54)
Impairment (losses)/reversals on investment property, net	10.4.2	(1)	(6)
Impairment (losses)/reversals on available-for-sale financial assets			(3)
Impairment (losses)/reversals on other assets, net (IFRS 5 and other)		(152)	(14)
Total net impairment losses of continuing operations		(220)	(93)
Of which presented under "Restructuring provisions and expenses"		(24)	(11)
Of which presented under "Net asset impairment losses"		(179)	(75)
Of which presented under "Net income/(expense) related to changes in scope of consolidation"		(19)	(8)
Of which presented under "Gains and losses on disposal of non-current assets"		4	

6.6. Inventories_

Accounting principle

Inventories are measured at the lower of cost and probable net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. An impairment loss is recognised if the probable net realisable value is lower than their cost. This analysis takes into account each business unit's operating environment and the type, age and sales pattern of the products concerned.

The cost of inventories is determined by the first-in-first-out (FIFO) method, except for inventories held by the GPA sub-group which uses the weighted average unit cost method, primarily for tax reasons. As

GPA's inventory turnover rate is very high, inventory values would not be materially different if the FIFO method was applied. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing them to their present location and condition. Accordingly, logistics costs are included in the carrying amount together with supplier discounts deducted from "Cost of goods sold". The cost of inventories also includes gains or losses on cash flow hedges of future inventory purchases initially accumulated in equity and reclassified to profit or loss for the period.

For its property development and property trading businesses, the Group recognises assets and projects in progress in inventories.

	3	31 December 2018			ember 2017 (restate	ed)
(€ millions)	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Goods inventories	3,850	(54)	3,796	3,936	(52)	3,883
Property assets	216	(31)	184	165	(33)	131
Inventories (note 4.2)	4,066	(85)	3,981	4,100	(86)	4,015

6.7. Trade receivables

Following the first-time adoption of IFRS 9 from 1 January 2018, the Group reviewed its accounting policies concerning trade receivables.

Accounting principle

The Group's trade receivables are current financial assets (note 11) that correspond to an unconditional right to receive consideration. They are 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. A loss allowance for expected credit losses is recorded upon recognition of the receivable. The Group applies the simplified approach for the measurement

of expected credit losses on all of its trade receivables, which are determined based on credit losses observed for receivables with the same profile, as adjusted to take into account forward-looking factors such as the customer's credit status or the economic environment.

Trade receivables can be sold to banks and continue to be carried as assets in the statement of financial position for as long as the contractual cash flows and substantially all the related risks and rewards are not transferred to a third party.

6.7.1. Breakdown of trade receivables

			31 December 2017
(€ millions)	Notes	31 December 2018	(restated)
Trade and other receivables	11.5.4	1,054	1,043
Accumulated impairment losses on trade and other receivables	6.7.2	(130)	(88)
Net trade and other receivables	4.2	924	955

6.7.2. Accumulated impairment losses on trade receivables

(€ millions)	2018	2017
Accumulated impairment losses on trade receivables at 1 January – reported	(88)	(80)
Effect of applying IFRS 9 and IAS 29 (note 1.3)	(49)	
Accumulated impairment losses on trade receivables at 1 January – restated	(137)	(80)
Additions	(75)	(59)
Reversals	78	53
Other (changes in scope of consolidation, reclassifications and foreign exchange differences)	4	(3)
Accumulated impairment losses on trade receivables at 31 December	(130)	(89)

The criteria for recognising impairment losses are presented in note 11.5.4 "Credit risk".

6.8. Other current assets_

6.8.1. Breakdown of other current assets

(€ millions)	Notes	31 December 2018	31 December 2017 (restated)
Other receivables		1,054	1,005
Tax and employee-related receivables in Brazil	6.9	137	128
Current accounts of non-consolidated companies		34	52
Accumulated impairment losses on other receivables and current accounts	6.8.2	(31)	(24)
Derivatives not qualifying for hedge accounting and cash flow hedges - assets	11.5.1	8	
Incremental costs of obtaining contracts and costs to fulfil contracts	6.1.2	41	33
Contract assets	6.1.2	10	12
Prepaid expenses		124	120
Other current assets		1,378	1,327

Other receivables primarily include tax and employee-related receivables (excluding Brazil) and receivables from suppliers. Prepaid expenses comprise purchases, rent, other occupancy costs, and insurance premiums.

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6.8.2. Accumulated impairment losses on other receivables and current accounts

(€ millions)	31 December 2018	31 December 2017
Accumulated impairment losses on other receivables and current accounts at 1 January – reported	(24)	(29)
Effect of applying IFRS 9 (note 1.3)	(5)	
Accumulated impairment losses on other receivables and current accounts at 1 January – restated	(29)	(29)
Additions	(42)	(8)
Reversals	38	5
Other (changes in scope of consolidation, reclassifications and foreign exchange differences)	2	8
Accumulated impairment losses on other receivables and current accounts at 31 December	(31)	(24)

6.9. Other non-current assets_

6.9.1. Breakdown of other non-current assets

(€ millions)	Notes	31 December 2018	31 December 2017 (restated)
Available-for-sale financial assets (AFS)			170
Financial assets at fair value through profit or loss		35	
Financial assets at fair value through other comprehensive income		52	
Non-current fair value hedges - assets	11.5.1	82	108
Loans		165	173
Non-hedging derivatives – assets	11.5.1	20	9
Other long-term receivables ⁽¹⁾		132	234
Other financial assets		318	416
Tax and employee-related receivables in Brazil (see below) ⁽²⁾		618	439
Legal deposits paid by GPA	13.2	175	192
Impairment of other non-current assets	6.9.2	(48)	(139)
Incremental costs of obtaining contracts and costs to fulfil contracts	6.1.2	111	98
Contract assets	6.1.2		
Prepaid expenses		37	29
Other non-current assets		1,380	1,313

⁽¹⁾ The decrease mainly concerns the extinction of a GPA receivable in respect of leases on store properties ("Paes Mendonça receivable"). This receivable was extinguished in September 2018 by offsetting it against the bonus paid when the leases on these stores were renewed for a 30-year period, which led to the recognition of an intangible asset in the amount of BRL 652 million (€151 million – note 10.2.2). Following the renewal, BRL 101 million (€23 million) of this amount represented interest and was recognised in "Other financial income" for 2018 (note 11.3.2).

GPA has a total of €755 million in tax receivables (of which €618 million in long-term receivables and €137 million in short-term receivables), corresponding primarily to ICMS (VAT) for €519 million, PIS/COFINS (VAT) and INSS (employer social security contributions). GPA expects the main tax receivable (ICMS) to be recovered as follows:

(€ millions)	31 December 2018
Within one year	78
In one to five years	313
In more than five years	128
Total GPA tax receivables (ICMS)	519

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.

⁽²⁾ The increase in 2018 corresponds primarily to the reversal of the allowance recorded against Assai's ICMS-ST tax credit (note 5.1).

6.9.2. Accumulated impairment losses on other non-current assets

(€ millions)	31 December 2018	31 December 2017 (restated)
Accumulated impairment losses on other non-current assets at 1 January - reported	(139)	(127)
Effect of applying IFRS 9 (note 1.3)	69	
Accumulated impairment losses on other non-current assets at 1 January - restated	(70)	(127)
Additions		(3)
Reversals	1	11
Other reclassifications and movements	21	(21)
Accumulated impairment losses on other non-current assets at 31 December ⁽¹⁾	(48)	(139)

⁽¹⁾ Corresponding mainly to impairment losses recognised on loans granted by Franprix-Leader Price to master franchisees following inclusion of the share of losses from associates of Casino in certain stores of these master franchisees (note 3.3.3).

6.10. Other liabilities_____

		31 December 2018			31 Decem	nber 2017 (resto	ated)
(€ millions)	Notes	Non- current portion	Current portion	Total	Non- current portion	Current portion	Total
Derivative financial instruments – liabilities ⁽¹⁾	11.5.1	305	7	311	278	20	298
Tax and employee-related liabilities		135	1,422	1,557	166	1,416	1,582
Sundry liabilities		36	835	871	38	720	758
Amounts due to suppliers of non-current assets		1	211	212		238	239
Current account advances			40	40		34	34
Contract liabilities	6.1.2	2	118	120	8	107	115
Deferred income		13	79	92	18	79	97
Other liabilities		492	2,712	3,204	509	2,615	3,124

⁽¹⁾ Primarily comprises the fair value of total return swaps (TRSs) and forward instruments (note 11.3.2).

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6.11. Off-balance sheet commitments

Accounting principles

At every year-end, management determines, to the best of its knowledge, that there are no off-balance sheet commitments likely to have a material effect on the Group's current or future financial position other than those described in this note.

The completeness of this information is checked by the Finance, Legal and Tax departments, which also participate in drawing up contracts that are binding on the Group.

Commitments entered into in the ordinary course of business mainly concern the Group's operating activities except for undrawn confirmed lines of credit, which represent a financing commitment.

Off-balance sheet commitments involving entities included in the scope of consolidation are presented in note 3.4.2 and lease commitments in note 7.2.

6.11.1. Commitments given

The amounts disclosed in the table below represent the maximum (undiscounted) potential amounts that might have to be paid under guarantees issued by the Group. They are not netted against sums that might be recovered through legal action or counter-guarantees received by the Group.

(€ millions)	31 December 2018	31 December 2017
Assets pledged as collateral ⁽¹⁾	209	236
Securities and bank guarantees given ⁽²⁾	2,286	2,096
Guarantees given in connection with disposals of non-current assets	37	28
Other commitments	112	117
Total commitments given	2,645	2,477
Due:		
within one year	210	240
in one to five years	2,424	2,212
in more than five years	10	25

⁽¹⁾ Current and non-current assets pledged, mortgaged or otherwise given as collateral. At 31 December 2018, this concerns GPA for €192 million, mainly in connection with the tax disputes described in note 13.2 (31 December 2017: €218 million).

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 2018	31 December 2017
Bank guarantees received	63	98
Secured financial assets	89	72
Undrawn confirmed lines of credit (note 11.5.6)	4,695	5,452
Other commitments	58	34
Total commitments received	4,905	5,656
Due:		
within one year	464	517
in one to five years	4,233	4,710
in more than five years	208	430

⁽²⁾ At 31 December 2018, this amount includes €2,173 million in bank guarantees given by GPA (31 December 2017: €1,937 million), mainly in connection with the mainly tax-related disputes described in note 13.2. It also comprises guarantees issued on behalf of joint ventures for €93 million (31 December 2017: €125 million), as described in note 3.3.7.

Note 7 Leases

Accounting principle

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 lease agreements: Lease agreements for property, plant and equipment that transfer nearly all the risks and benefits inherent to ownership are classified as finance leases.

Leased assets are initially recorded at the lower of the fair value of the asset and the present value of the minimum lease payments. After initial recognition, the assets are depreciated over their expected useful life in the same way as other assets in the same category, or over the lease term if shorter, unless the Group has a reasonable certainty that it will obtain ownership at the end of the lease.

Minimum finance lease payments are apportioned between the interest expense and the reduction of the outstanding liability. The finance charge is allocated to each period covered by the lease agreement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases: The other lease agreements are classified as operating leases and are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. Benefits received from the lessor are an integral part of the net total rental costs and are recorded as a deduction over the term of the lease. Operating lease commitments (note 7.2) correspond to fixed future minimum payments calculated over the non-cancellable term of operating leases.

7.1. Operating lease expenses

Rental expenses related to operating leases amounted to $\[\]$ 1,048 million in 2018 (including $\[\]$ 901 million for real estate leases, of which $\[\]$ 556 million in the France Retail segment and $\[\]$ 193 million in Brazil) and $\[\]$ 1,045 million in 2017 (including $\[\]$ 915 million for real estate leases, of which $\[\]$ 546 million in the France Retail segment and $\[\]$ 222 million in Brazil). This information only concerns continuing operations.

The amount of future lease payments under operating leases and the minimum future lease payments to be received under non-cancellable sub-leases are presented in note 7.2.

7.2. Operating lease commitments (off-balance sheet)

Operating leases on real estate where the Group is lessee

The Group leases its business premises under operating leases.

Future minimum lease payments, corresponding to the payments due over the non-cancellable term of operating leases plus any lease termination penalties, break down as follows:

Future minimum lease payments

(€ millions)	31 December 2018	31 December 2017
Due within one year	749	706
Due in one to five years	1,341	1,126
Due in more than five years	786	633
Total ⁽¹⁾	2,877	2,465
- of which France	1,814	1,258
- of which GPA food ⁽²⁾	92	99
- of which Éxito	418	652
- of which Uruguay	65	67
- of which E-commerce	147	61

⁽¹⁾ Minimum lease payments of Via Varejo discontinued operations not included in the above table amounted to €231 million at 31 December 2018 (31 December 2017: €279 million).

Future minimum lease payments receivable under non-cancellable sub-leases amount to €40 million at 31 December 2018 (31 December 2017: €39 million).

⁽²⁾ GPA has analysed the lease terms and has concluded that early termination is possible. In this case, the minimum payment would correspond to a termination penalty, generally ranging from one to twelve months' rent.

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.

Future minimum lease payments under non-cancellable operating leases break down as follows:

Future minimum lease payments

(€ millions)	31 December 2018	31 December 2017
Due within one year	162	125
Due in one to five years	477	377
Due in more than five years	75	85
Total ⁽¹⁾	714	587

⁽¹⁾ Primarily equipment leases in the France Retail segment.

Future minimum lease payments receivable under non-cancellable sub-leases amount to €14 million at 31 December 2018 (31 December 2017: €10 million).

Operating leases where the Group is lessor

The Group is also a lessor through its real estate business. Future minimum lease payments receivable under non-cancellable operating leases break down as follows:

Future minimum lease pay-ments

(€ millions)	31 December 2018	31 December 2017
Due within one year	76	67
Due in one to five years	149	109
Due in more than five years	128	121
Total	353	296

Contingent rental revenue received by the Group and recorded in the income statement in 2018 amounted to €5 million (2017: €6 million).

7.3. Finance lease expenses

Contingent rental payments related to finance leases included in the income statement amounted to €5 million in 2018 (2017: €5 million). Future minimum lease payments under finance leases are presented in note 7.5.

7.4. Finance leases

The Group's finance leases break down as follows:

	31 December 2018			31 D	ecember 2017	
	Depr. &			Depr. &		
(€ millions)	Gross	amort.	Net	Gross	amort.	Net
Intangible assets	85	(60)	25	95	(59)	36
Land	20	(2)	18	26	(2)	24
Buildings	89	(52)	37	159	(99)	60
Equipment and other property, plant and equipment	377	(363)	14	414	(395)	18
Assets acquired under finance leases	572	(478)	93	694	(556)	138

7.5. Finance lease commitments.

The Group's finance leases relate to real estate assets and investment properties on the one hand and to equipment items on the other. The table below compares future minimum lease payments under finance leases before and after discounting.

At 31 December 2018, the Group had lease liabilities of €47 million (note 11.2), of which €11 million related to real estate leases and €36 million to equipment.

Finance leases on real estate where the Group is lessee

	31 Decem	ber 2018	31 Decemb	per 2017
_(€ millions)	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
Due within one year	4	2	5	2
Due in one to five years	12	4	15	5
Due in more than five years	33	6	39	7
Total future minimum lease payments	49	11	59	14
Interest expense	(38)		(44)	
Total present value of future minimum lease payments	11		14	

Finance leases on equipment where the Group is lessee

	31 Decem	ber 2018	31 December 2017		
(€ millions)	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments	
Due within one year	12	10	17	15	
Due in one to five years	26	25	36	34	
Due in more than five years			1	1	
Total future minimum lease payments	38	36	54	50	
Interest expense	(3)		(4)		
Total present value of future minimum lease payments	36	·	50		

NOTE 8 PAYROLL EXPENSES

8.1. Employee benefits expenses by function

Employee benefits 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 2018			31 December 2017		
(€ millions)	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Pensions	322	10	332	313	10	323
Jubilees	38	1	39	41	1	41
Bonuses for services rendered	11		11	10		10
Provisions for pensions and other post employment						
benefits and for long-term employee benefits	371	11	382	363	11	374

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8.2.2. Defined contribution plan

Accounting principle

Defined contribution plans are pension contracts under which an employer agrees to make regular contributions into a fund. The company's obligation is limited to the amount it agrees to contribute to the fund and it offers no guarantee that the fund will have sufficient assets to pay all of the employees' entitlements to benefits. There is therefore no need for recognition of a provision, and the contributions are expensed in the income statement.

This type of plan mainly concerns the employees of the Group's French subsidiaries, who are covered by the general social security system, which is administered by the French government.

In 2018, defined contribution plans represented a cost of €332 million, of which 89% concerned the Group's French subsidiaries (2017: €340 million excluding discontinued operations and 87%).

8.2.3. Defined benefit plan

Accounting principle

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 (resignations only).

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 collective bargaining agreements 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

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:

	Fro	nce	International		
(€ millions)	2018	2017	2018	2017	
Discount rate	1.70%	1.50%	1.7%-7.1%	1.5%-7.7%	
Expected rate of future salary increases	1.6%-2.0%	1.5%-2.0%	1.0%-3.5%	1.0%-3.5%	
Retirement age	62-65 years	62-65 years	57-65 years	57-65 years	

For French companies, the discount rate is determined by reference to the Bloomberg 15-year AA corporate composite index.

♦ Sensitivity analysis

A 50-basis point increase (decrease) in the discount rate would have the effect of reducing the projected benefit obligation by 5.6% (increasing the projected benefit obligation by 6.2%).

A 50-basis point increase (decrease) in the expected rate of salary increases would have the effect of increasing the projected benefit obligation by 6.0% (reducing the projected benefit obligation by 5.5%).

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8.2.4. Change in projected benefit obligations and plan assets

The following tables show a reconciliation of the projected benefit obligations of all Group companies to the provisions recognised in the consolidated financial statements for the years ended 31 December 2018 and 31 December 2017.

	Fro	nce	Interno	ational	To	tal
(€ millions)	2018	2017	2018	2017	2018	2017
Projected benefit obligation at 1 January	326	288	14	14	340	302
Items included in the income statement	15	16	1	1	16	16
Service cost	19	17			19	17
Interest cost	5	5	1	1	5	6
Past service cost						
Curtailments/settlements	(9)	(6)			(9)	(6)
Items included in other comprehensive income	14	42	(1)		13	42
Actuarial (gains) and losses related to:	14	42	(1)	1	13	43
- changes in financial assumptions	(2)	5			(2)	5
- changes in demographic assumptions ⁽¹⁾	19	34	(1)	1	19	34
- experience adjustments	(4)	3		1	(4)	4
Effect of movements in exchange rates				(1)		(1)
Other	(14)	(20)	(6)	(1)	(19)	(20)
Paid benefits	(12)	(16)	(1)	(1)	(13)	(16)
Changes in scope of consolidation	1	(1)			1	(1)
Other movements	(2)	(3)	(5)		(7)	(3)
Projected benefit obligation at 31 December (A)	341	326	8	14	349	340
Weighted average duration of plans					16	16

 $^{(1) \ \ \}text{In 2017, the impact was primarily the result of excluding terminations from the calculation of staff turnover rates.}$

	France		International		Total	
(€ millions)	2018	2017	2018	2017	2018	2017
Fair value of plan assets at 1 January	23	29			23	29
Items included in the income statement						
Interest on plan assets						
Items included in other comprehensive income		1				1
Actuarial gains and (losses) (experience adjustments)		1				1
Effect of movements in exchange rates						
Other	(2)	(8)			(2)	(8)
Paid benefits	(2)	(8)			(2)	(8)
Changes in scope of consolidation						
Other movements						
Fair value of plan assets at 31 December (B)	21	23			21	23

	France		Interne	ational	То	tal
(€ millions)	2018	2017	2018	2017	2018	2017
Net post-employment benefit obligation (A) - (B)	320	303	8	14	328	317
Unfunded projected benefit obligation under funded plans	91	82			91	82
Projected benefit obligation under funded plans	112	104			112	104
Fair value of plan assets	(21)	(23)			(21)	(23)
Projected benefit obligation under un-funded plans	229	221	8	14	201	235

Plan assets consist mainly of units in fixed-rate bond funds.

Reconciliation of provisions recorded in the statement of financial position

	France		Intern	ational	То	tal
(€ millions)	2018	2017	2018	2017	2018	2017
At 1 January	309	264	14	14	323	278
Expense for the year	15	15	1	1	16	16
Actuarial gains or losses recognised in equity	14	41	(1)	1	13	42
Effect of movements in exchange rates				(1)		(1)
Paid benefits	(10)	(8)	(1)	(1)	(11)	(9)
Partial repayments of plan assets						
Changes in scope of consolidation	1	(1)			1	(1)
Other movements	(4)	(2)	(5)		(8)	(2)
At 31 December	324	309	8	14	332	323

♦ Breakdown of expense for the year

	France		France International		То	tal
(€ millions)	2018	2017	2018	2017	2018	2017
Service cost	19	17			19	17
Interest cost ⁽⁾⁾	5	5	1	1	5	5
Past service cost						
Curtailments/settlements	(9)	(6)			(9)	(6)
Expense for the year	15	15	1	1	16	16

⁽¹⁾ Reported under "Other financial income and expenses".

♦ Undiscounted future cash flows

	Statement						
	of financial						Beyond
	position	2019	2020	2021	2022	2023	2023
Post-emploument benefits	332	10	6	11	15	24	1.005

8.3. Share-based payments

Accounting principle

Management and selected employees of the Group receive stock options (options to purchase or subscribe for shares) and free shares.

The benefit represented by stock options, measured at fair value on the grant date, constitutes additional compensation. The fair value of the options at the grant date is recognised in "Employee benefits expense" over the option vesting period or in "Other operating expenses" when the benefit relates to a transaction that is also recognised in "Other operating income and expenses" (note 6.5). The fair value of options is determined using market data (current price of underlying equities,

volatility, risk-free interest rate, etc.) at the time of the allocation, but also assuming that the beneficiaries continue to be employed at the close of the vesting period.

The measurement of free shares follows the same method as the stock option plans. If a plan does not specify vesting conditions, then the full amount is expensed as soon as the plan is awarded; if not, the expense is recognised over the vesting period, depending on fulfilment of these conditions. When free shares are granted to employees in connection with a transaction affecting the scope of consolidation, the related cost is recorded in "Other operating income and expenses".

8.3.1. Impact of share-based payments on earnings and equity

The net expense recognised in operating income in respect of share-based payments awarded by Group companies amounted to €23 million in 2018 versus €19 million in 2017. The 2018 figure concerns Casino (€12 million), GPA (€9 million) and Rallye (€2 million). The net expense is balanced by a positive impact on equity for €20 million.

8.3.2. Payments in parent company shares

♦ Stock option plans

At 31 December 2018, no parent company stock options were outstanding.

♦ Free share plans

The final vesting of the shares for beneficiaries is subject to the condition of continued employment and to the achievement of the Company's annually assessed performance criteria, which results each year in the determination of the percentage of shares vested for the year in question. The total number of free shares that finally vest is equal to the average of the annual award. The performance criteria used for the 2017 and 2018 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 2018 is provided in the table below:

Grant date	3 April 2017	23 May 2018
Maturity date	3 April 2019	23 May 2020
Initial number of beneficiaries	36	38
Number of shares granted	145,621	222,943
Number of shares waived		
Number of shares outstanding at period-end	145,621	222,943
Fair value of the share (€)	13.75	9.61
Vesting period	2 years	2 years

8.3.3. Main payments in operating subsidiary shares

The tables below summarise the characteristics of share-based payments with a potentially diluting effect in the Group's financial statements.

♦ Stock option plans of Casino, Guichard-Perrachon

At 31 December 2018, no Casino, Guichard-Perrachon stock options were outstanding.

Details of free share plans awarded by Casino, Guichard-Perrachon that were still in force at 31 December 2018 are provided in the table below:

Date of plan	Vesting date	Number of free shares authorised	Of which number of performance shares ⁽¹⁾	Number of vested shares at 31 Dec. 2018	Share price (€) ⁽²⁾	Fair value of the share $(\in)^{(2)}$
13/12/2018	14/12/2021	32,218	32,218		37.10	27.70
13/12/2018	01/12/2020	13,088	13,088		37.10	31.46
13/12/2018	01/08/2020	4,144	4,144		37.10	30.81
13/12/2018	01/07/2020	2,630	2,630		37.10	30.63
15/05/2018	15/05/2023	7,326	7,326	7,326	40.75	17.01
15/05/2018	15/05/2021	1,500	1,500		40.75	31.36
15/05/2018	15/05/2021	177,117	146,398	146,398	40.75	18.35
25/04/2018	01/02/2020	11,955	7,477		41.89	35.15
25/04/2018	26/04/2019	99,587	99,587		41.89	36.28
20/04/2017	20/04/2022	5,666	5,666	5,666	51.00	27.25
20/04/2017	20/04/2020	156,307	106,098	106,098	51.00	28.49
20/04/2017	31/01/2020	245	245		51.00	43.17
20/04/2017	20/04/2019	9,555	9,555		51.00	46.31
14/10/2016	14/10/2019	20,859	20,859		41.96	32.53
14/10/2016	01/07/2019	3,477	3,477	1,159	41.96	32.52
14/10/2016	31/03/2019	870	870		41.96	35.68
14/06/2016	14/02/2019	9,780	9,780		49.98	43.70
13/05/2016	13/05/2020	7,178	4,085	4,085	53.29	34.45
13/05/2016	13/01/2019	17,610	11,313		53.29	43.89
06/05/2014	06/05/2019	3,750	960	960	90.11	69.28
Total		584,862	487,276	271,692		

⁽¹⁾ Performance conditions mainly concern organic sales growth and the level of recurring operating income or EBITDA of the company that employs the grantee.

Movements in these free share plans over the year were as follows:

Free share plans	2018	2017
Unvested shares at 1 January	542,580	598,634
Free share rights granted	349,565	269,658
Free share rights cancelled	(124,120)	(108,114)
Shares issued	(280,749)	(217,598)
Unvested shares at 31 December	487,276	542,580

⁽²⁾ Weighted average.

Number

8.3.4. GPA stock option plans

The main features of GPA stock option plans are as follows:

- "B Series" stock options are exercisable between the 37th and the 42nd months following the grant date. The exercise price is BRL 0.01 per option.
- "C Series" stock options are exercisable between the 37th and the 42nd months following the grant date. The exercise price corresponds to 80% of the average of the last 20 closing prices for GPA shares quoted on Bovespa.

Name of plan	Grant date	Exercise period start date	Expiry date	Number of options granted (in thousands)	Option exercise price (BRL)	of options outstanding at 31 Dec. 2018 (in thousands)
C5 Series	31/05/2018	31/05/2021	30/11/2021	499	62.61	493
B5 Series	31/05/2018	31/05/2021	30/11/2021	499	0.01	493
C3 Series - Tranche 2	27/04/2018	30/05/2019	30/11/2019	95	56.83	95
B3 Series - Tranche 2	27/04/2018	30/05/2019	30/11/2019	95	0.01	95
C4 Series	31/05/2017	31/05/2020	30/11/2020	537	56.78	336
B4 Series	31/05/2017	31/05/2020	30/11/2020	537	0.01	335
C3 Series	30/05/2016	30/05/2019	30/11/2019	823	37.21	441
B3 Series	30/05/2016	30/05/2019	30/11/2019	823	0.01	467
					26,03	2,755

GPA uses the following assumptions to value its plans ("Series" 3, 4 and 5 respectively):

- dividend yield: 1.37%, 2.50%, 0.57% and 0.41%;
- projected volatility: 24.34%, 30.20%, 35.19% and 36.52%;
- risk-free interest rate: 12.72%, 13.25%, 9.28%/10.07% and 9.29%.

The average fair value of outstanding stock options at 31 December 2018 was BRL 45.24.

The table below shows changes in the number of outstanding options and weighted average exercise prices in the years presented:

	2018		201	7
	Number of outstanding options (in thousands)	Weighted average exercise price (BRL)	Number of outstanding options (in thousands)	Weighted average exercise price (BRL)
Options outstanding at 1 January	2,539	29.48	2,394	29.21
Of which exercisable options			169	80.00
Options granted during the period	1,378	30.91	1,073	28.40
Options exercised during the period	(697)	31.96	(699)	22.14
Options cancelled during the period	(229)	38.64	(110)	40.56
Options that expired during the period	(236)	68.62	(119)	83.33
Options outstanding at 31 December	2,755	26.03	2,539	29.48
Of which exercisable options				·

8.4. Gross remuneration and benefits of executives and members of Rallye's Board of Directors_____

(€ millions)	2018	2017
Short-term benefits excluding social security contributions ⁽¹⁾	8	9
Social security contributions on short-term benefits	3	4
Termination benefits for key executives		
Share-based payments ⁽²⁾	1	1
Total	12	14

- (1) Gross salaries, bonuses, benefits in kind and Directors' fees paid by the Company and by the companies it controls.
- (2) Expense recognised in income statement in respect of stock option and free share plans.

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8.5. Average number of Group employees_

	2018	2017
Managers	12,382	11,822
Stoff	184,119	183,824
Supervisors	22,421	22,897
Average full-time equivalent employees	218,922	218,543

NOTE 9 INCOME TAX

Accounting principle

Income tax expense corresponds to the sum of the current taxes due by the various Group companies, adjusted for deferred taxes.

The French subsidiaries that satisfy tax consolidation criteria are generally members of a tax group and file a consolidated tax return.

Current tax expense reported in the income statement corresponds to the tax expense of the parent company of the tax group and of companies that are not members of a tax group.

Deferred tax assets correspond to future tax benefits arising from deductible temporary differences, tax loss carryforwards and certain consolidation adjustments that are expected to be recoverable.

Deferred tax liabilities are recognised in full for:

- taxable temporary differences, except where the deferred tax liability results from recognition of a non-deductible impairment loss on goodwill or from initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting income nor taxable income or the tax loss; and
- taxable temporary differences related to investments in subsidiaries, associates and joint ventures, except when the Group controls the timing of the reversal of the difference and it is probable that it will not reverse in the foreseeable future.

Deferred taxes are recognised using the balance sheet approach and in accordance with IAS 12. They are calculated by the liability method, which consists of adjusting deferred taxes recognised in prior periods for the effect of any enacted changes in the income tax rate.

The Group reviews the probability of deferred tax assets being recovered on a periodic basis for each tax entity. This review may, if necessary, lead to the derecognition of deferred tax assets recognised in prior years. The probability for recovery is assessed based on a tax plan indicating the level of projected taxable income.

The assumptions underlying the tax plan are consistent with those used in the medium-term business plans and budgets prepared by Group 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

		2018				
(€ millions)	France	International	Total	France	International	Total
Current income tax	(113)	(137)	(250)	30	(107)	(77)
Other taxes (CVAE)	(70)		(70)	(63)		(63)
Deferred taxes	106	5	111	113	(13)	100
Total income tax benefit (expense) recorded in the income statement	(77)	(132)	(209)	79	(120)	(41)
Income tax on items recognised in "Other comprehensive income" (note 12.7.2)		(1)	(1)	19	3	22
Income tax on items recognised in equity	(2)		(2)	3		3

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9.1.2. Tax proof

_(€ millions)	2018	2017 (restated)
Income before tax	207	152
Theoretical tax rate ⁽¹⁾	34.43%	34.43%
Theoretical income tax expense	(71)	(53)
Impact of differences in foreign tax rates	9	18
Recognition of previously unrecognised tax benefits on tax losses and other deductible temporary differences ⁽²⁾	87	32
Unrecognised deferred tax assets/valuation allowances on recognised deferred tax assets on tax loss carryforwards or other deductible temporary differences ⁽³⁾	(83)	(97)
Change in corporate tax rate ⁽⁴⁾	(33)	13
CVAE net of income tax	(45)	(42)
Non-deductible interest expense ⁽⁵⁾	(34)	(29)
Non-taxable CICE tax credits ⁽⁶⁾	29	38
Non-deductible asset impairment losses	(40)	(1)
Non-deductible exchange losses ⁽⁷⁾	(22)	
3% surtax on distributed earnings ⁽⁸⁾		64
Tax effect of Brazilian dividends ⁽⁹⁾	18	1
Other taxes on distributed earnings ⁽¹⁰⁾	(10)	(5)
Deductible interest on deeply-subordinated perpetual bonds (TSSDI)	17	17
Taxation of Mercialys shares ⁽¹⁾	(6)	14
Other	(22)	(12)
Actual income tax expense	(209)	(41)

- (1) The reconciliation of the Group's tax expense is based on the current French rate of 34.43% unchanged from 2017.
- (2) In 2018, this concerned the E-commerce segment for €39 million and the France Retail segment for €43 million. In 2017, following the review of earnings outlooks and tax options implemented at Segisor (French holding company for the voting shares of its Brazilian subsidiary), tax loss carryforwards in an amount of €153 million were recognised, giving rise to deferred tax assets of €44 million.

 (3) In 2018, this concerned the E-commerce segment for €28 million and the France Retail segment for €9 million. In 2017, this concerned the E-commerce segment for
- €32 million and the Latam Retail segment for €19 million.
- (4) In 2018, the main impact relates to disposals of Monoprix store properties. In 2017, deferred taxes were measured at the tax rate expected to apply when the temporary differences reverse, taking into account the adoption on 21 December 2017 of the 2018 Finance Act providing for a gradual reduction in the corporate tax rate to 25.825% in 2022 and beyond. This change had a positive impact on deferred taxes of €13 million.
- (5) Tax laws in some countries cap the deductibility of interest paid by companies. In France, since the 2012 amended Finance Act, companies are required to add back 25% of interest expense to their taxable income. The resulting income tax amounts disclosed for the periods presented mainly concern French entities.

- (7) Corresponding to the non-deductible negative foreign currency translation reserve reclassified to profit or loss (note 6.5).
 (8) Including €10 million refunded by the French State in 2018 and €60 million refunded at the end of December 2017.
- (9) This concerns dividends paid by Brazilian subsidiaries in the form of interest on equity.
- (10) Corresponding to taxation of intra-group dividends.
 (11) In 2017, a deferred tax liability of €10 million was recorded on the taxable temporary difference between the carrying amount of Mercialys shares and their tax basis, in accordance with IAS 12.

9.2. Deferred taxes

9.2.1. Change in deferred tax assets

(€ millions)	2018	2017 (restated)
At 1 January	524	678
Effect of applying IFRS 9 at 1 January 2018	23	
Effect of applying IAS 29 at 1 January 2018	(25)	
(Expense)/benefit for the year	77	(149)
Impact of changes in scope of consolidation	5	2
IFRS 5 reclassifications	(4)	
Effect of movements in exchange rates and other reclassifications	(46)	(31)
Changes in deferred tax liabilities recognised directly in equity	1	24
At 31 December	554	524

The deferred tax benefit, net of deferred tax liabilities (note 9.2.2) of discontinued operations was €6 million in 2018 (2017: €46 million).

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9.2.2. Change in deferred tax liabilities

(€ millions)	2018	2017 (restated)
At 1 January	725	1,094
Expense/(benefit) for the year	(40)	(295)
Impact of changes in scope of consolidation	1	1
IFRS 5 reclassifications	(10)	
Effect of movements in exchange rates and other reclassifications	(43)	(74)
Changes in deferred tax liabilities recognised directly in equity	3	(2)
At 31 December	637	725

9.2.3. Deferred tax assets and liabilities by source

		Net		
_(€ millions)	Notes	31 December 2018	31 December 2017 (restated)	
Intangible assets		(660)	(710)	
Property, plant and equipment		(172)	(322)	
of which finance leases		(14)	(30)	
Inventories		(9)	22	
Financial instruments		33	71	
Other assets		(75)	(76)	
Provisions		208	207	
Regulated provisions		(128)	(141)	
Other liabilities		77	64	
of which finance lease liabilities		7	2	
Tax loss carryforwards and tax credits		643	683	
Net deferred tax liability		(82)	(201)	
Deferred tax assets	9.2.1	554	524	
Deferred tax liabilities	9.2.2	637	725	
Net		(82)	(201)	

The tax savings realised by the Rallye and Casino, Guichard-Perrachon tax groups amounted to €8 million and €399 million, respectively, in 2018 (2017: €5 million and €243 million).

Recognised tax loss carryforwards and tax credits mainly concern the Casino Guichard-Perrachon, Éxito and GPA tax groups. The corresponding deferred tax assets have been recognised in the statement of financial position as their utilisation is considered probable in view of the forecast future taxable income of the companies concerned. At 31 December 2018, deferred tax assets amount to €305 million for Casino, Guichard-Perrachon, €109 million for Éxito and €45 million for GPA. These amounts are expected to be recovered by 2026 for Casino, Guichard-Perrachon, 2022 for Éxito and 2023 for GPA.

9.2.4. Unrecognised deferred taxes

At 31 December 2018, unrecognised deferred tax assets for tax loss carryforwards amount to €3,027 million, representing an unrecognised deferred tax effect of €802 million (31 December 2017: €3,014 million, representing an unrecognised deferred tax effect of €860 million). The loss carryforwards mainly concern the Rallye tax consolidation group.

Expiry dates of unrecognised tax loss carryforwards are as follows:

(€ millions)	31 December 2018	31 December 2017
Within one year		1
In one to two years		
In two to three years	2	
In more than three years	6	3
Without maturity	794	856
Total unrecognised deferred tax assets	802	860

NOTE 10

INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

Accounting principle

The cost of non-current 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.

10.1. Goodwill

Accounting principle

At the acquisition date, goodwill is measured in accordance with the accounting principle applicable to "Business combinations", described in note 3.

Goodwill is not amortised but is tested for impairment at each year-end, or whenever events or a change of circumstances indicate that it may be impaired. Impairment losses on goodwill are not reversible. The impairment testing methods used by the Group are described in "Impairment of non-current assets" (note 10.5).

Negative goodwill is recognised directly in profit or loss for the year of acquisition, after valuation of any identifiable acquired assets, liabilities and contingent liabilities.

10.1.1. Breakdown by business line and geographical area

(€ millions)	31 December 2018	31 December 2017
France Retail ⁽¹⁾	6,488	6,589
Hypermarkets, supermarkets and convenience stores	1,432	1,451
Franprix-Leader Price	2,693	2,606
Monoprix	1,331	1,301
Other	38	237
E-commerce (France)	61	59
Latam Retail	3,135	3,378
of which Argentino ⁽²⁾	66	8
of which Brazil (GPA food)	2,272	2,531
of which Colombia	501	521
of which Uruguay	296	318
Food and general retailing	9,684	10,026
Other businesses	7	19
Goodwill	9,691	10,045

⁽¹⁾ Of which €1,011 million corresponding to goodwill recognised by Rallye on the Casino Group (note 10.5.1).

10.1.2. Movements for the year

(€ millions)	2018	2017
Accumulated carrying amount at 1 January	10,045	10,609
Goodwill recognised during the year ⁽¹⁾	121	41
Impairment losses recognised during the year	(1)	(5)
Goodwill written off on disposals	(4)	(15)
Effect of movements in exchange rates	(316)	(506)
Reclassifications and other movements ⁽²⁾	(154)	(79)
Accumulated carrying amount at 31 December	9,691	10,045

⁽¹⁾ The €121 million increase in goodwill at 31 December 2018 mainly reflects (a) goodwill of €76 million recognised on the acquisition of various sub groups and individual businesses by Franprix-Leader Price (note 3.1.2) and (b) goodwill of €24 million recognised on the acquisition of Sarenza (note 3.1.1). The €41 million increase in goodwill at 31 December 2017 corresponded primarily to goodwill of €32 million recognised on the acquisition of various controlling interests by Franprix Leader Price (note 3.2.2).

(2) In 2018, this line reflects (i) reclassification of assets from the France Retail segment in assets held for sale; and (ii) the remeasurement of goodwill in Argentina for €61 million,

⁽²⁾ Including revaluations of €61 million in application of IAS 29, following the classification of Argentina as a hyperinflationary economy in 2018.

in application of IAS 29.

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10.2. Other intangible assets

Accounting principle

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 amortisation methods are reviewed at each year-end and revised prospectively if necessary.

10.2.1. Breakdown of other intangible assets

	31 December 2018			3	1 December 2017	
		Accumulated Accumulated amortisation amortisation				
(€ millions)	Gross	and impaiment	Net	Gross	and impaiment	Net
Concessions, trademarks, licences and banners	1,544	(26)	1,518	1,655	(33)	1,621
Lease premiums	813	(17)	796	771	(18)	753
Software	1,269	(863)	406	1,201	(803)	398
Other intangible assets	274	(61)	213	210	(48)	162
Intangible assets	3,901	(967)	2,933	3,836	(902)	2,934

10.2.2. Movements for the year

	Concessions,				
	trademarks, licences			Other intangible	
(€ millions)	and banners	Lease premiums	Software	assets	Total
Carrying amount at 1 January 2017	1,779	810	429	143	3,161
Changes in scope of consolidation			1	(1)	
Additions and acquisitions	2	13	79	95	189
Assets disposed of during the year		(18)		(1)	(19)
Amortisation for the year	(2)		(114)	(9)	(125)
Impairment (losses)/reversals, net		5	(16)		(11)
Effect of movements in exchange rates	(158)	(46)	(30)	(2)	(236)
IFRS 5 reclassifications		(5)			(5)
Other reclassifications and movements		(6)	50	(63)	(19)
Carrying amount at 31 December 2017	1,621(2)	753	398	162	2,934
Changes in scope of consolidation	6	4		3	13
Additions and acquisitions	1	10	68	135	214
Assets disposed of during the year		(13)		(3)	(16)
Amortisation for the year	(1)	(2)	(111)	(14)	(128)
Impairment (losses)/reversals, net	(6)	2	(6)	(2)	(12)
Effect of movements in exchange rates	(98)	(36)	(19)		(153)
IFRS 5 reclassifications	(5)	(66)	(2)	(1)	(74)
Other reclassifications and movements ⁽¹⁾		145	78	(68)	155
Carrying amount at 31 December 2018	1,518 ⁽²⁾	796	406	213	2,933

⁽¹⁾ Including BRL 633 million (€147 million) corresponding to the Paes Mendonça receivable reclassified to "Lease premiums" (note 6.9.1).

(2) Including trademarks for €1,517 million (31 December 2017: €1,614 million).

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Internally-generated intangible assets (mainly information systems developments) represented €65 million in 2018 (2017: €35 million).

Intangible assets at 31 December 2018 include trademarks and lease premiums with an indefinite life, carried in the statement of financial position for €1,517 million and €796 million respectively. These assets are allocated to the following groups of cash-generating units (CGUs):

(€ millions)	31 December 2018	31 December 2017
Latam Retail	1,352	1,330
of which Brazil (GPA food) ⁽¹⁾	1,166	1,135
of which Colombia	157	164
of which Uruguay	28	31
France Retail	931	987
of which Casino France	64	67
of which Franprix-Leader Price	59	54
of which Monoprix ⁽¹⁾	803	860
Groupe Go Sport	20	45
E-commerce	9	4
Trademarks and lease premiums with an indefinite useful life	2,312	2,366

⁽¹⁾ Trademarks and lease premiums are allocated to the following GPA food banners in Brazil and Monoprix banners in France:

	31 Decemb	er 2018	31 December 2017	
_(€ millions)	Trademarks	Lease premiums	Trademarks	Lease premiums
GPA Food	753	413*	842	293
Pão de Açucar	235	92	262	91
Extro	404	254	452	179
Assaí	115	65	128	22
Other		1		2
Monoprix	566	237	572	289
Monoprix	552	212	552	265
Naturalia	14	25	14	24
MonShowRoom			6	

^{*} Including BRL 633 million (€147 million) increase corresponding to the Paes Mendonça receivable reclassified to "Lease premiums" (note 6.9.1).

Intangible assets were tested for impairment at 31 December 2018 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

Accounting principle

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:

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.

Asset category	Depreciation period
Land	-
Buildings (structure)	50 years
Roof waterproofing	15 years
Fire protection of the building structure	25 years
Land improvements	10 to 40 years
Building fixtures and fittings	5 to 20 years
Technical installations, machinery and equipment	5 to 20 years
Computer equipment	3 to 5 years

"Roof waterproofing" and "Fire protection of the building structure" are classified as separate items of property, plant and equipment only when they are installed during major renovation projects. In all other cases, they are included in the "Building (structure)" category.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal.

The gain or loss arising from derecognition of an asset is determined as the difference between the net sale proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss ("Other operating income and expenses") when the asset is derecognised.

Residual values, useful lives and depreciation methods are reviewed at each year-end and revised prospectively if necessary.

10.3.1. Breakdown of property, plant and equipment

	31	31 December 2018 31 December 2017				
	Accumulated Accumulated depreciation and and					
(€ millions)	Gross	impairment	Net	Gross	impairment	Net
Land and land improvements	1,227	(80)	1,148	1,934	(94)	1,840
Buildings, fixtures and fittings	3,768	(1,476)	2,292	4,492	(1,696)	2,795
Other property, plant and equipment	7,153	(4,690)	2,463	7,623	(4,928)	2,695
Property, plant and equipment	12,148	(6,246)	5,902	14,049	(6,719)	7,330

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10.3.2. Movements for the year

(€ millions)	Land and land improvements	Buildings, fixtures and fittings	Other	Total
Carrying amount at 1 January 2017	2,038	3,237	2,892	8,167
Changes in scope of consolidation				
Additions and acquisitions	40	162	740	942
Assets disposed of during the year	(17)	(106)	(128)	(251)
Depreciation for the year	(5)	(148)	(412)	(566)
Impairment (losses)/reversals, net	1	(30)	(25)	(54)
Effect of movements in exchange rates	(99)	(278)	(141)	(518)
IFRS 5 reclassifications	(80)	(188)	(42)	(310)
Reclassifications and other movements ⁽¹⁾	(39)	147	(188)	(80)
Carrying amount at 31 December 2017	1,840	2,795	2,695	7,330
Changes in scope of consolidation	18	25	34	77
Additions and acquisitions	18	175	709	902
Assets disposed of during the year	(65)	(109)	(156)	(330)
Depreciation for the year	(4)	(139)	(391)	(534)
Impairment (losses)/reversals, net	(14)	26	(66)	(54)
Effect of movements in exchange rates	(56)	(169)	(88)	(313)
IFRS 5 reclassifications	(598)	(399)	(181)	(1,178)
Reclassifications and other movements	9	85	(93)	1
Carrying amount at 31 December 2018	1,148	2,291	2,463	5,902

⁽¹⁾ Including €39 million worth of property, plant and equipment in Colombia reclassified as investment property in 2017.

Property, plant and equipment were tested for impairment at 31 December 2018 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

Accounting principle

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (typically more than six months) are capitalised in the cost of that asset. All other borrowing

costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds.

Interest capitalised in 2018 amounted to €11 million, reflecting an average interest rate of 6.1% (2017: €14 million at an average rate of 7.7%).

10.4. Investment property.

Accounting principle

Investment property is property held by the Group to earn rental revenue or for capital appreciation or both. The shopping malls owned by the Group are classified as investment property.

Subsequent to initial recognition, they are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Investment property is depreciated over the same useful life and according to the same rules as owner-occupied property.

		31 December 2018		31 December 2017		
		Accumulated		Accumulated		
		depreciation and			depreciation and	
(€ millions)	Gross	impairment	Net	Gross	impairment	Net
Investment property	603	(106)	497	534	(74)	460

10.4.2. Movements for the year

_(€ millions)	2018	2017
Carrying amount at 1 January	460	416
Changes in scope of consolidation	2	2
Additions and acquisitions	59	130
Assets disposed of during the year	(1)	(1)
Depreciation for the year	(8)	(12)
Impairment (losses)/reversals, net	(1)	(6)
Effect of movements in exchange rates	(29)	(50)
IFRS 5 reclassifications	(7)	(42)
Other reclassifications and movements ⁽¹⁾	22	23
Carrying amount at 31 December	497	460

⁽¹⁾ In 2018, including revaluations of investment property held by Libertad for a total of €34 million in application of IAS 29 - Financial Reporting in Hyperinflationary Economies (2017: including reclassification of property in Colombia from property, plant and equipment to investment property for €39 million).

At 31 December 2018, investment property totalled €497 million, of which 69% (€342 million) concerned Éxito. Investment property at 31 December 2017 amounted to €460 million, of which 70% concerned Éxito.

Amounts recognised in the income statement in respect of rental revenue and operating expenses on investment properties were as follows:

(€ millions)	2018	2017
Rental revenue from investment properties	99	100
Directly attributable operating expenses on investment properties		
- that generated rental revenue during the year	(18)	(21)
- that did not generate rental revenue during the year	(31)	(27)

♦ Fair value of investment property

The main investment properties at 31 December 2018 were held by Éxito.

At 31 December 2018, the fair value of investment property was €847 million (31 December 2017: €798 million). For most investment properties, fair value is determined on the basis of valuations carried out by independent external valuers. In accordance with international

valuation standards, they are based on market value as confirmed by market indicators, representing a level 3 fair value input.

In addition, the fair value of investment property classified as "Assets held for sale" was €24 million at 31 December 2018 and concerned the France Retail segment (31 December 2017: €56 million).

10.5. Impairment of non-current assets_

Accounting principle

The procedure to be followed to ensure that the carrying amount of assets does not exceed their recoverable amount (recovered by use or sale) is defined in IAS 36.

Intangible assets and property, plant and equipment are tested for impairment whenever there is an indication that their carrying amount may not be recoverable and at least annually at the end of the year for goodwill and intangible assets with an indefinite useful life.

These tests are conducted within each cash-generating unit (CGU) or group of CGUs.

Cash-generating units (CGUs) and goodwill

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The goodwill recognised upon business combinations is allocated to cash-generating units (CGUs) or groups of CGUs. Goodwill is monitored at CGU or group of CGU level.

Impairment tests

Impairment tests consist in comparing the recoverable amount of assets or CGUs to their net carrying amount.

Recoverable amount of an asset

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In the retail industry, fair value less costs to sell is generally determined on the basis of a sales or EBITDA multiple.

- Value in use is the present value of the future cash flows expected to be derived from continuing use of an asset plus a terminal value.
 It is determined internally or by external experts on the basis of:
 - cash flow projections contained usually in business plans covering three years. Cash flows beyond this projection period are usually estimated over a period of three years by applying a growth rate as determined by management (generally constant);
 - a terminal value determined by applying a perpetual growth rate to the final year's cash flow projection.

The cash flows and terminal value are discounted at long-term after-tax market rates reflecting market estimates of the time value of money and the specific risks associated with the asset.

An impairment loss is recognised when the carrying amount of an asset or the CGU to which it belongs is greater than its recoverable amount. Impairment losses are recognised in "Other operating expenses".

Impairment losses recognised in a prior period are reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. However, the increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment losses on goodwill cannot be reversed.

10.5.1. Impairment losses on the goodwill of Rallye's operating subsidiaries

The cash-generating units (CGUs) used are the Group's operating subsidiaries. Goodwill allocated to the Casino Group CGU amounted to €1.011 million

The value in use of this CGU was calculated on the basis of a perpetual growth rate of 3% (in line with the rate used in 2017) and a discount rate of 8.15% (8.42% in 2017).

The value in use of the Group's operating subsidiaries has been assessed and did not lead 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 (CGUs) as follows:

- for hypermarkets, supermarkets and discount stores, each store is treated as a separate CGU;
- $\diamond\,$ 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.

The Casino Group also uses external sources of information (economic environment, market value of assets, etc.).

Impairment losses recognised in 2018 on goodwill, intangible assets, property, plant and equipment and investment property totalled $\[\epsilon \]$ 68 million (note 6.5), of which $\[\epsilon \]$ 24 million arose from restructuring operations (mainly in the France Retail segment) and $\[\epsilon \]$ 43 million corresponded to write-downs of individual assets (mainly in the France Retail segment for $\[\epsilon \]$ 41 million and the E-commerce segment for $\[\epsilon \]$ 41 million).

Following the tests carried out in 2017, impairment losses totalling €76 million were recognised by the Casino Group on goodwill, intangible assets and property, plant and equipment, of which €11 million arose from restructuring operations mainly in the France Retail segment and €63 million corresponded to write-downs of individual assets (primarily in the France Retail and E-commerce segments).

♦ Casino goodwill impairment

Assumptions used in 2018 for internal calculations of values in use:

Region	2018 perpetual growth rate ⁽¹⁾	2018 after-tax discount rate ⁽²⁾	2017 perpetual growth rate ⁽¹⁾	2017 after-tax discount rate ⁽²⁾
France (retailing)	1.9%	5.6%	1.8%	5.6%
France (other businesses)	1.9% and 2.4%	5.6% and 7.7%	1.8% and 2.3%	5.6% and 7.0%
Argentina	4.9%	14.4%	8.8%	15.5%
Brazil ⁽³⁾	5.5%	10.1%	5.5%	9.9%
Colombia ⁽³⁾	3.0%	9.0%	3.0%	8.8%
Uruguay	6.1%	11.2%	6.1%	11.8%

- (1) The inflation-adjusted perpetual growth rate ranges from 0% to 1.5% depending on the nature of the CGU's business/banner and country.
- (2) The discount rate corresponds to the weighted average cost of capital (WACC) for each country. WACC is calculated at least once a year during the annual impairment testing exercise by taking account of the sector's levered beta, a market risk premium and the Casino Group's cost of debt for France and the local cost of debt for subsidiaries outside France.
- (3) At 31 December 2018, the market capitalisation of the listed subsidiaries GPA, Éxito and Cnova was €4,863 million, €1,490 million and €1,243 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).

No impairment loss was recognised at 31 December 2018 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. The Casino Group considers reasonably foreseeable changes in key assumptions to be a 100-basis point increase in the discount rate or a 25-basis point decrease in the perpetual growth rate used to calculate terminal value or a 50-basis point decrease in the EBITDA margin for the cash flow projection used to calculate the terminal value.

The recoverable amount of the Franprix-Leader Price CGU was determined by reference to its value in use, calculated from cash flow projections based on three-year financial budgets approved by Senior Management, extrapolation of projections over a period of three years, a terminal value calculated from perpetual capitalisation of notional annual cash flow based on cash flows taken from the last year of forecasts, and a 5.6% discount rate (2017: 5.6%).

The cash flow projections for the budget period were based on the following assumptions:

- optimisation of the Leader Price store base;
- ongoing deployment of a banner strategy based on a balance between integrated management stores and franchisees;
- restoration of the two banners' profitability (EBITDA margins) to a rate in line with the historical average, led by larger product volumes and optimised store and upstream function cost bases.

Management believes that a change in a key assumption could result in a carrying amount greater than the recoverable amount. The table below shows the change in each of the key assumptions that would be required for the estimated recoverable amount of the Franprix-Leader Price CGU to be the same as its carrying amount (including €2,693 million in goodwill).

Change required for the Franprix-Leader Price CGU's carrying amount		
to be the same as its recoverable amount	31 December 2018 ⁽¹⁾	31 December 2017
After-tax discount rate (5.6%)	+100 bps	+90 bps
Perpetual growth rate net of inflation (0%)	-130 bps	-110 bps
EBITDA margin used for the annual cash flow projection	-130 bps	-125 bps

⁽¹⁾ 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, would result in the carrying amount of the Franprix-Leader Price CGU exceeding its recoverable amount by between €0 and €260 million.

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10.5.3. Impairment of Casino Group trademarks

The recoverable amounts of trademarks were estimated at the year-end using the discounted cash flows method. The main trademarks concern GPA. The Extra banner's trademark (representing a carrying amount of €404 million at 31 December 2018) is the most exposed to a risk of

impairment. However, the tests carried out at 31 December 2018 did not reveal any evidence that the trademark's carrying amount might not be recoverable.

The table below shows the individual 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 2018 ⁽¹⁾
After-tax discount rate (10.1%)	+100 bps
Perpetual growth rate net of inflation (1.5%)	-125 bps
EBITDA margin used for the annual cash flow projection	-70 bps

⁽¹⁾ A 100-bps increase in the discount rate, combined with a 50-bps decrease in the EBITDA margin used for the cash flow projection and a 25bps decrease in the perpetual growth rate, would result in the carrying amount of the Extra CGU (including the trademark) exceeding its recoverable amount by approximately €280 million.

NOTE 11

FINANCIAL STRUCTURE AND FINANCE COSTS

Following the first-time adoption of IFRS 9 as from 1 January 2018 (note 1.3.2), the Group revised its accounting policy for financial instruments.

Accounting principle

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.

They are classified in the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVOCI):
- ♦ financial assets at fair value through profit or loss.

The classification depends on the business model within which the financial asset is held and the characteristics of the instrument's contractual cash flows.

♦ Financial assets at amortised cost

Financial assets are measured at amortised cost when (i) they are not designated as financial assets at fair value through profit or loss, (ii) they are held within a business model whose objective is to hold assets in order to collect contractual cash flows and (iii) they give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI" criterion).

They are subsequently measured at amortised cost, determined using the effective interest method, less any expected impairment losses in relation to the credit risk. Interest income, exchange gains and losses, impairment losses and gains and losses arising on derecognition are all recorded in the income statement.

This category primarily includes trade receivables (except for GPA credit card receivables), cash and cash equivalents as well as other loans and receivables.

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.

Financial assets at fair value through other comprehensive income (OCI)

This category comprises debt instruments and equity instruments.

Debt instruments are measured at fair value through OCI when (i) they are not designated as financial assets at fair value through profit or loss, (ii) they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (iii) they give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI" criterion). Interest income, exchange gains and losses and impairment losses are recorded in the income statement. Other net gains and losses are recorded in OCI. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss.

This category mainly consists of GPA credit card receivables.

Equity instruments that are not held for trading may also be measured at fair value through OCI. This method may be chosen separately for each investment. The choice is irrevocable. Dividends received are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recorded in OCI and are never reclassified to profit or loss.

♦ Financial assets at fair value through profit or loss

All financial assets that are not classified as financial assets at amortised cost or at fair value through OCI are measured at fair value through profit or loss. Gain and losses on these assets, including interest or dividend income, are recorded in the income statement.

This category mainly comprises derivative instruments that do not qualify for hedge accounting and investments in non-consolidated companies.

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♦ Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term investments.

To be classified as cash equivalents under IAS 7, investments must be:

- short-term investments;
- highly liquid investments;
- readily convertible to known amounts of cash;
- subject to an insignificant risk of changes in value.

The Group typically uses interest bearing bank accounts or term deposits of less than three months.

♦ Impairment of financial assets

IFRS 9 requires the recognition of lifetime expected credit losses on financial assets. This impairment model applies to financial assets at amortised cost (including cash-based instruments), contract assets and debt instruments at fair value through OCI.

The main financial assets concerned are trade receivables relating to Brazilian credit activities, trade receivables from franchisees and affiliated stores and rent receivables.

For trade and rent receivables and contract assets, the Group applies the simplified approach provided for in IFRS 9. This approach consists of estimating lifetime expected credit losses on initial recognition, usually using a provision matrix that specifies provision rates depending on the number of days that a receivable is past due. For other financial assets, the Group applies the general impairment model.

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.

Financial liabilities

Financial liabilities are classified in two categories and comprise:

- financial liabilities at amortised cost; and
- $\diamond~$ financial liabilities at fair value through profit or loss.

Financial liabilities are classified as current if they are due in less than one year at the closing date and non-current if they are due in more than one year.

The accounting treatment of put options granted to owners of non-controlling interests ("NCI puts") is described in note 3.4.1.

♦ 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 included in financial liabilities under "Trade payables – structured programme".

♦ Financial liabilities at fair value through profit or loss

These are mainly derivative instruments (see below) and 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 Group does not hold any financial liabilities for trading.

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.

♦ Derivative instruments

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 IFRS 9, the Group applies hedge accounting to:

- fair value hedges of a liability (for example, swaps to convert fixed rate debt to variable rate). The hedged item is recognised at fair value 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 floating 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 or 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). The premium/discount component of forward foreign exchange contracts is treated as a hedging cost. Changes in the fair value of this component are recorded in "Other comprehensive income" and reclassified to profit or loss as part of the cost of the hedged transaction on the transaction date ("basis of adjustment" method);

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 financial 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 instruments and hedged items included in the hedging relationship are all eligible for hedge accounting;
- the hedging relationship is clearly defined and documented at inception; and
- the effectiveness of the hedge can be demonstrated at inception and throughout its life.

Derivative financial instruments that do not qualify for hedge accounting: recognition and presentation

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, successive changes in its fair value are recognised directly in profit or loss for the period under "Other financial income and expenses".

♦ Definition of net debt

Net debt corresponds to loans and other borrowings including derivatives designated as hedges (liabilities) and trade payables – structured programme, less (i) cash and cash equivalents, (ii) financial assets held for cash management purposes and as short-term investments, (iii) derivatives designated as hedges (assets), (iv) financial assets arising from a significant disposal of non-current assets and (v) net assets held for sale at the level of the sub-groups, attributable to owners of the parent.

11.1. Other current financial assets and net cash

11.1.1. Other current financial assets

(€ millions)	Notes	31 December 2018	31 December 2017
Financial assets held for cash management purposes and short-term financial investments		145	40
Financial assets arising from a significant disposal of non-current assets		41	7
Non-hedging derivatives - assets			3
Sub-total	11.2	186	50
Derivatives (fair value and hedges of borrowings) – assets		34	4
Other current financial assets	11.4.1	220	54

11.1.2. Net cash and cash equivalents

(€ millions)	Notes	31 December 2018	31 December 2017
Cash equivalents		1,184	1,531
Cash		2,617	1,980
Gross cash and cash equivalents	11.4.1	3,801	3,511
Bank overdrafts	11.2.4	(149)	(161)
Net cash and cash equivalents		3,652	3,350

At 31 December 2018, cash and cash equivalents are not subject to any material restriction. Following the settlement of the debt towards the plaintiffs in the class action against Cnova N.V. (note 13.3), the €24 million placed in escrow to guarantee the debt was released in 2018.

Bank guarantees are presented in note 6.11.1.

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11.2. Financial liabilities_

11.2.1. Breakdown of net debt

Financial liabilities amounted to €12,315 million at 31 December 2018 (31 December 2017: €11,911 million), breaking down as follows:

		31 December 2018			31 C	,	
(€ millions)	Notes	Non- current portion	Current portion	Total	Non- current portion	Current portion	Total
Bonds ⁽¹⁾	11.2.3	6,623	1,239	7,861	7,739	799	8,538
Other borrowings and financial liabilities	11.2.4	2,816	1,585	4,401	1,757	1,513	3,270
Finance lease liabilities	7.5	35	12	47	47	17	65
Fair value hedges - liabilities ⁽²⁾	11.5.1	3	3	6	16	22	38
Financial liabilities		9,477	2,839	12,315	9,559	2,352	11,911
Fair value hedges – assets ⁽³⁾	11.5.1	(82)	(34)	(116)	(108)	(4)	(112)
Net assets held for sale attributable to owners of the parent of the selling subsidiary Other financial assets	3.5 11.1.1	(8)	(1,813)	(1,813) (194)		(1,070) (50)	(1,070)
Cash and cash equivalents	11.1.2	(0)	(3,801)	(3,801)		(3,511)	(3,511)
Cash and cash equivalents, other financial assets and net assets held for sale		(90)	(5,834)	(5,924)	(108)	(4,635)	(4,743)
Net debt		9,387	(2,996)	6,391	9,451	(2,284)	7,168

⁽¹⁾ At 31 December 2018, including €6,942 million in France and €919 million in Brazil. At 31 December 2017, including €7,789 million in France and €749 million in Brazil. (2) At 31 December 2018, including €3 million in France, €2 million in Colombia and €1 million in Brazil. At 31 December 2017, including €16 million in Brazil, €12 million in France and €10 million in Colombia.

During the first half of 2018, Segisor (Latam Retail segment – GPA Food), the holding company for the GPA shares, entered into a €400 million medium-term bank loan and used the proceeds to distribute the same total amount to Éxito and Casino, Guichard-Perrachon.

$\diamond \ {\bf Breakdown \ of \ net \ debt \ by \ operating \ segment}$

		31 Decem	ber 2018	31 December 2017				
(€ millions)	Debt ⁽¹⁾	Cash and cash equivalents	Net assets classified under IFRS 5 attributable to owners of the parent	Net debt	Debt ⁽¹⁾	Cash and cash equivalents	Net assets classified under IFRS 5 attributable to owners of the parent	Net debt
Rallye Group ⁽²⁾	3,165	(72)	(124)	2,970	3,163	(121)		3,042
Casino Group	8,840	(3,730)	(1,689)	3,422	8,586	(3,391)	(1,070)	4,126
France Retail	5,933	(2,097)	(1,126)	2,710	6,022	(1,872)	(435)	3,715
Latam Retail	2,673	(1,597)	(20)	1,056	2,326	(1,475)	(7)	845
of which GPA food	1,632	(1,000)	(8)	624	1,147	(952)	(6)	189
of which Éxito ⁽³⁾	1,034	(596)	(12)	426	1,179	(522)	(1)	655
Latam Electronics			(543)	(543)			(628)	(628)
E-commerce	234	(36)		199	238	(44)		194
Total	12,005	(3,801)	(1,813)	6,391	11,749	(3,512)	(1,070)	7,168

⁽¹⁾ Financial liabilities net of fair value and cash flow hedges and other financial assets.

⁽³⁾ At 31 December 2018, including €69 million in France, €27 million in Colombia and €20 million in Brazil. At 31 December 2017, including €103 million in France, €7 million in Brazil and €2 million in Colombia.

⁽²⁾ Groupe GO Sport accounted for €73 million of net debt in 2018 and €165 million in 2017. At end-2017, the liability associated with the 840,495 Casino shares consolidated by virtue of an equity swap agreement providing an option for physical settlement of the underlying amounted to €49 million. In 2018, Rallye settled the swap by purchasing the underlying shares.

⁽³⁾ Éxito excluding GPA, including Argentina and Uruguay.

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11.2.2. Change in financial liabilities

(€ millions) Note	2018	2017
Financial liabilities at 1 January	11,911	13,397
Fair value hedges – assets	(112)	(312)
Financial liabilities at 1 January (including hedging instruments) (reported)	11,799	13,085
Effect of applying IFRS 9 (note 1.3)	19	
Financial liabilities at 1 January (including hedging instruments) (restated)	11,818	13,397
New borrowings ^{(I)(3)}	2,807	2,128
Repayments of borrowings ⁽²⁾⁽³⁾	(2,510)	(3,087)
Change in fair value of hedged debt	92	114
Change in accrued interest	(35)	(101)
Effect of movements in exchange rates	(170)	(352)
Changes in scope of consolidation ⁽⁴⁾	302	10
Reclassification of financial liabilities associated with assets held for sale	59	(17)
Other reclassifications ⁽⁵⁾	(163)	19
Financial liabilities at 31 December (including hedging and cash flow instruments)	12,199	11,799
Financial liabilities at 31 December 11.2	12,315	11,911
Fair value hedges - assets 11.2	(116)	(112)

- (1) New borrowings in 2018 mainly included the following: (a) a €200 million bond issue by Casino, Guichard-Perrachon and a CHF 95 million (€80 million) bond issue by Rallye (note 2), (b) at GPA, three bond issues for a total of BRL 2,000 million (€464 million) and new bank loans for BRL 1,168 million (€271 million), (c) a €400 million loan taken out by Segisor and (d) drawdowns on lines of credit by Rallye for €950 million and by Éxito for COP 500 billion (€143 million).

 New borrowings in 2017 mainly included the following: (a) at GPA, a bond issue in BRL for €300 million along with a promissory notes issue in BRL for €222 million and
 - New borrowings in 2017 mainly included the following: (a) at GPA, a bond issue in BRL for €300 million along with a promissory notes issue in BRL for €222 million and new borrowings for €136 million and €493 million, (b) drawdowns on lines of credit and new borrowings at Éxito for €216 million and €493 million, respectively; (c) the €147 million impact of the Casino, Guichard-Perrachon hand exchange net of expenses, and (d) a hand issue hu Rallue for €347 million net of expenses.
- the Casino, Guichard-Perrachon bond exchange, net of expenses, and (d) a bond issue by Rallye for €347 million net of expenses.

 (2) Repayments of borrowings in 2018 mainly concerned Rallye for €956 million (of which (a) bond redemptions for €670 million including an early repayment (note 2), (b) loan repayments for €62 million and (c) repayment at maturity of "NEU CP" negotiable European commercial paper for €223 million) and Casino, Guichard-Perrachon for €516 million (of which (a) the €135 million bond buyback described in note 2, and (b) redemption of a €348 million bond issue), GPA for €583 million and Éxito for €240 million.
 - Repayments of borrowings in 2017 primarily concerned Casino, Guichard-Perrachon for €883 million (including (a) redemption of a €552 million bond issue and (b) the €311 million net change in borrowings under the "NEU CP" negotiable European commercial paper programme), GPA for €974 million, Éxito for €649 million and Rallye for €367 million (including €323 million worth of credit lines).
- (3) In 2018, cash flows from financing activities represented a net outflow of €226 million, consisting of repayments of borrowings for €2,510 million and net interest paid for €522 million (note 4.9), partly offset by the proceeds from new borrowings for €2,806 million.

 In 2017, cash flows from financing activities represented a net outflow of €1,546 million, consisting of repayments of borrowings for €3,086 million and net interest paid for
 - In 2017, cash flows from financing activities represented a net outflow of €1,546 million, consisting of repayments of borrowings for €3,086 million and net interest paid for €588 million (note 4.9), partly offset by the proceeds from new borrowings for €2,128 million.
- (4) In 2018, including €198 million and €49 million related to total return swaps (TRSs) set up during the year on Mercialys and Via Varejo shares respectively (note 2).
- (5) In 2018, including a €96 million reduction in bank overdrafts.

11.2.3. Outstanding bond issues

(€ millions)	Currency	Principal ⁽¹⁾	Issue rate ⁽²⁾	Issue date	Maturity date	31 December 2018 ⁽³⁾	31 December 2017 ⁽³⁾
Rallye		1,470				1,453	2,032
2018 EMTN	EUR		5.00%	October 2012	October 2018		301
2019 EMTN	EUR	300	4.25%	March 2013	March 2019	300	300
2020 exchangeable bonds ⁽⁴⁾	EUR	4	1.00%	October 2013	October 2020	4	374
2020 bonds	CHF	67	4.00%	November 2016	October 2020	66	64
2021 EMTN	EUR	465	4.00%	April 2014	January 2021	468	469
2022 exchangeable bonds ⁽⁵⁾	EUR	200	5.25%	October 2016	February 2022	183	178
2023 EMTN	EUR	350	4.37%	May 2017	January 2023	348	347
2024 bonds	CHF	84	3.25%	February 2018	February 2024	84	
Casino, Guichard-Perrachon		5,338				5,490	5,757
2018 bonds	EUR		5.73%	May 2010	November 2018		361
2019 bonds	EUR	675	4.41%	August 2012; April 2013	August 2019	681	714
2020 bonds	EUR	497	5.24%	Mar. 2012	March 2020	507	559
2021 bonds	EUR	850	5.98%	May 2011	May 2021	884	898
2022 bonds	EUR	744	1.87%	June 2017; January 2018	June 2022	732	523
2023 bonds	EUR	720	4.56%	January 2013; May 2013	January 2023	766	811
2024 bonds	EUR	900	4.50%	March 2014	March 2024	941	912
2025 bonds	EUR	444	3.58%	December 2014	February 2025	451	449
2026 bonds	EUR	508	4.05%	August 2014	August 2026	530	530
GPA		921				919	749
2019 bonds ⁽⁶⁾	BRL		107.0% CDI	September 2014	September 2019		227
2019 bonds	BRL	228	97.5% CDI	December 2016	December 2019	227	255
2020 bonds	BRL	243	96.0% CDI	April 2017	April 2020	242	268
2021 bonds	BRL	180	104.75% CDI	Januay 2018	Januay 2021	180	
2021 bonds	BRL	158	106.0% CDI	September 2018	September 2021	158	
2022 bonds	BRL	113	107.4% CDI	September 2018	September 2022	112	
Total bonds						7,861	8,538

⁽¹⁾ Corresponds to the principal of the bonds outstanding at 31 December 2018.

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⁽²⁾ Bond issues in France are all at fixed rates of interest. GPA's bond issues in Brazil are all at variable rates indexed to the CDI (Certificado de depósito interbancário) rate.

⁽³⁾ The amounts shown above include the remeasurement component relating to fair value hedges. They are presented excluding accrued interest.

(4) Following the exercise of bondholders' exchange options, Rallye redeemed €370 million worth of bonds for cash on 2 October 2018. The yield on the bonds is 2.25%. The redemption price at maturity of bonds which have not been exchanged will include a redemption premium of 9.36%. The bonds issued are exchangeable for Casino shares at an exchange ratio of 1.0209 Casino shares for one bond.

(5) 2,000 bonds exchangeable for Casino shares as of 1 September 2021. Rallye has purchased cash-settled Casino stock options to hedge its book exposure in the event

bondholders exercise their rights to exchange their bonds. Since the bonds are redeemable solely in cash, no Casino shares will be remitted in the event of an exchange. The initial exchange price for the bonds was set at €59.9769.

(6) In 2018, GPA decided to redeem its bonds maturing in 2019. In early 2019, these borrowings were refinanced by new bonds with longer maturities and lower interest rates.

11.2.4. Other borrowings

	Nominal				31 December	31 December
(€ millions)	amount	Rate	Issue date	Maturity date	2018	2017
<u>Rallye</u>					1,832	1,151
Bank borrowings ⁽¹⁾	540	Fixed/Variable	June 2014 to May 2016	May 2019 to Jan. 2022	539	558
Syndicated loans - credit lines ⁽²⁾	1,080	Variable			1,080	115
Other borrowings	64	Variable			64	107
Negotiable European commercial paper ⁽³⁾	92	Fixed			92	315
Accrued interest ⁽⁹⁾					46	48
Bank overdrafts ⁽⁸⁾					11	7
Casino					2,568	2,120
France						
Negotiable European commercial paper (Casino Guichard-Perrachon) ⁽³⁾	221	Fixed			221	210
TRS Mercialys (Casino, Guichard-Perrachon) (note 2)	198	Variable	July 2018	Dec. 2020	198	
Other Franprix-Leader Price borrowings ⁽⁴⁾	75	Variable/Fixed	2010 to 2016	2019 to 2025	75	72
Other ⁽⁵⁾					25	24
International						
GPA ⁽⁶⁾⁽⁷⁾	227	Variable/Fixed	June 2013 to Sept. 2017	Sept. 2019 to May 2027	223	296
TRS Via Varejo (GPA) (note 2) ⁽⁶⁾	49	Variable	Dec. 2018	Apr. 2019	49	
Éxito ⁽⁶⁾	1,053	Variable	Aug. 2015 to Dec. 2017	Feb. 2019 to Aug. 2025	1,048	1,149
Segisor	400	Variable	June 2018	Dec. 2021	397	
Other					10	
Bank overdrafts ⁽⁸⁾					138	154
Accrued interest ⁽⁹⁾					183	215
Total bank borrowings					4,401	3,270
Of which variable rate					3,225	2,149

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Of which fixed-rate loans amounting to €159 million in 2018 and €209 million in 2017.
 Groupe GO Sport accounted for €130 million in 2018 and €115 million in 2017 (note 11.5.7).
 Negotiable European commercial paper (NEU CP) is short-term financing generally with a maturity of less than 12 months. This is the new umbrella name for "certificats de dépôt" and "billets de trésorerie".

⁽⁴⁾ Of which fixed-rate loans amounting to €12 million at 31 December 2018 (31 December 2017: €2 million). (5) Of which €12 million concerning Cdiscount at 31 December 2018 (31 December 2017: €15 million).

⁽⁵⁾ Ownich €12 million contenting cascount at 31 December 2018 (31 December 2018; €15 million).
(6) Variable rate loans are mostly indexed to the CDI for GPA and to the IBR for Exito.
(7) Of which fixed-rate loans amounting to €8 million at 31 December 2018 (31 December 2017: €11 million).
(8) Bank overdrafts of the Rallye scope apply to Groupe GO Sport. For the Casino Group, they are mainly located in France.
(9) Accrued interest relates to all financial liabilities including bonds. At 31 December 2018, it mainly concerns Casino, Guichard-Perrachon for €159 million, Rallye for €46 million and GPA for €19 million. At 31 December 2017, accrued interest primarily related to Casino, Guichard-Perrachon for €164 million, Rallye for €48 million and GPA for €44 million.

11.3. Cost of net debt and other financial income and expenses, net_

Accounting principle

Cost of net debt corresponds to all income and expenses generated by cash and cash equivalents and financing during the period, including gains and losses on disposals of cash equivalents, gains and losses on the effective and ineffective portions of interest rate and currency hedges, interest expense on finance leases, and costs related to the structured trade payables programme.

Other financial income and expenses include the dividends received from non-consolidated companies, the cost of non-recourse factoring and other receivables discounting programmes, changes in fair value

of financial assets other than cash and cash equivalents, changes in fair value of derivatives not documented as hedges, gains and losses on the sale of financial assets other than cash and cash equivalents, gains and losses from discounting (including discounting of pension provisions), and foreign exchange translation gains and losses on items other than components of net debt.

Cash discounts are recognised in financial income for the portion corresponding to the normal market interest rate and as a deduction from cost of goods sold for the balance.

11.3.1. Cost of net debt

(€ millions)	2018	2017
Gains (losses) on disposal of cash equivalents		
Income from cash and cash equivalents	37	81
Income from cash and cash equivalents	37	81
Interest expense on borrowings after hedging	(484)	(551)
Interest expense on finance lease liabilities	(7)	(10)
Cost of gross debt	(491)	(561)
Cost of net debt	(454)	(480)

11.3.2. Other financial income and expenses

(€ millions)	2018	2017
Investment income		1
Foreign currency exchange gains (other than on borrowings)	34	21
Discounting and accretion adjustments	2	2
Gains on remeasurement at fair value of non-hedging derivative instruments ⁽¹⁾	12	102
Gains on remeasurement at fair value of financial assets at fair value through profit or loss	2	
Impact of applying IAS 29 to operations in Argentina		
Other ⁽²⁾	79	52
Other financial income	130	179
Foreign currency exchange losses (other than on borrowings)	(43)	(27)
Discounting and accretion adjustments	(7)	(8)
Losses on remeasurement to fair value of non-hedging derivative instruments ⁽¹⁾	(59)	(45)
Losses on remeasurement at fair value of financial assets	(3)	(1)
Non-recourse factoring and associated transaction costs	(81)	(83)
Impact of applying IAS 29 to operations in Argentina	(13)	
Other	(87)	(101)
Other financial expenses	(294)	(264)
Total other financial income and expenses	(164)	(85)

⁽¹⁾ The net loss of €47 million on remeasurement at fair value of non-hedging derivative instruments reported in 2018 mainly reflects (a) fair value adjustments to the GPA TRS (positive adjustment of €5 million), the Mercialys TRSs set up by Rallye (negative adjustment of €7 million) and the GPA forward (negative adjustment of €17 million) as well as dividend income (€3 million) and the cost of carry (€14 million) associated with these instruments, and (b) negative impacts related to other derivative instruments (€3 million)

The net gain of $\[\in \]$ 57 million reported in 2017 mainly reflected (i) the positive fair value adjustments to the GPA TRS ($\[\in \]$ 32 million) and GPA forward ($\[\in \]$ 51 million), the negative fair value adjustment to the Mercialys TRSs ($\[\in \]$ 2 million) less the cost of carry associated with these instruments ($\[\in \]$ 51 million); and (ii) negative fair value adjustments to other derivative instruments ($\[\in \]$ 9 million).

⁽²⁾ Including BRL 101 million (€23 million) in interest recognised by GPA on the Paes Mendonça receivable (note 6.9.1).

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The Group has entered into total return swap (TRS) and forward contracts on GPA and Mercialys 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 the 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:

♦ GPA TRS and forward

- In December 2011, the Casino Group entered into a 2.5-year TRS with a financial institution on 7.9 million GPA American Depositary Receipts (ADRs). The contract's maturity was extended on 23 December 2016 and again on 27 October 2017. The interest rate is currently set at the 3-month Euribor plus 199 bps and the contract expires in June 2020. This TRS is classified as a derivative instrument measured at fair value through profit or loss. At 31 December 2018, 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 €172 million (31 December 2017: 7.8 million ADRs, a notional amount of €332 million and a negative fair value of €177 million).
- ♦ At the end of December 2012, the Casino Group entered into a 2-year forward contract on 5.8 million GPA shares. On 28 July 2016, the maturity was extended and the notional amount was reduced by USD 105 million (€95 million), resulting in a cash payment made by the Group on the same day. The maturity was extended again in June 2017. The

interest rate currently corresponds to the 3-month Libor plus 204 bps and the contract expires in February 2020. This forward is classified as a derivative instrument measured at fair value through profit or loss. At 31 December 2018, it related to 5.8 million shares (2.2% of GPA's capital) representing a notional amount of USD 239 million (€209 million), and had a negative fair value of €101 million (31 December 2017: 5.8 million shares, a notional amount of USD 239 million (€199 million) and a negative fair value of €83 million).

♦ Mercialys TRS

♦ In March 2013 and October 2015, Rallye contracted two TRSs with two financial institutions on 1,261,405 and 582,000 Mercialys shares, respectively (representing 2% of the company's share capital), maturing in September 2020 and October 2019. The TRSs are classified as derivative instruments measured at fair value through profit or loss. The underlying shares do not entitle Rallye to any voting rights. At 31 December 2018, it covered 1.8 million ADRs representing a notional amount of €28 million, and had a negative fair value of €4 million (31 December 2017: a notional amount of €31 million and a positive fair value of €3 million).

These instruments' fair value is determined based on the estimated settlement price on 31 December, using the share price on that date. The instruments had a negative fair value of €276 million at 31 December 2018 (31 December 2017: negative fair value of €257 million) (note 11.5.1).

A 10% increase in the share price would have reduced the loss for the period by €25 million. A 10% decline in the share price would have produced the opposite effect.

11.4. Fair value of financial instruments.

Accounting principle

Financial assets and liabilities at fair value are classified on the basis of their measurement method (note 11.4.2). This hierarchy consists of three levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of financial instruments traded in an active market is the quoted price on the reporting date. A market is considered active

if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or a regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are classified as Level 1.

The fair value of financial instruments which are not quoted in an active market (in particular investments in private equity funds as well as over-the-counter derivatives) is determined using measurement techniques. These techniques use observable market data wherever possible and make little use of the Group's own estimates. If all the inputs required to calculate fair value are observable, the instrument is classified as Level 2.

If one or more significant inputs are not based on observable market data, the instrument is classified as Level 3.

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11.4.1. Financial assets and liabilities by category of instrument

♦ Financial assets

The tables below analyse financial assets according to the new measurement categories used as from 1 January 2018 under IFRS 9 and the original categories used in 2017 under IAS 39. The corresponding reclassifications are presented in note 1.3.2.

		Breakdown by instrument category				
(€ millions)	Total financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Hedging instruments	Financial assets at amortised cost	
31 December 2018						
Other non-current assets ⁽¹⁾	462	55	52	82	274	
Trade and other receivables	924		28		896	
Other current assets ⁽¹⁾	899		7	8	884	
Other current financial assets	220	1	2	34	184	
Cash and cash equivalents	3,801	17			3,784	

		Breakdown by instrument category					
(€ millions)	Total financial assets	Held-for-trading financial assets	Hedging instruments	Loans and receivables	AFS – measured at fair value	AFS - measured at cost	
31 December 2017 (restated)							
Other non-current assets ⁽¹⁾	813	9	108	599	93	4	
Trade and other receivables ⁽²⁾	955			955			
Other current assets ⁽¹⁾⁽²⁾	828			828			
Other current financial assets	54	10	4	39	2		
Cash and cash equivalents	3,512	4		3,508			

⁽¹⁾ Excluding non-financial assets.

♦ Financial liabilities

	_	Breakdown	ory	
	Total	Liabilities at		Derivative
(€ millions)	financial liabilities	amortised cost	NCI puts	instruments
31 DECEMBER 2018				
Bonds	7,861	7,861		
Other borrowings and financial liabilities	4,407	4,401		6
Put options granted to owners of non-controlling interests	188		188	
Finance lease liabilities	47	47		
Trade payables	6,808	6,808		
Other liabilities ⁽¹⁾	2,135	1,823		311
31 December 2017				
Bonds	8,538	8,538		
Other borrowings and financial liabilities	3,308	3,270		38
Put options granted to owners of non-controlling interests	171		171	
Finance lease liabilities	65	65		
Trade payables ⁽²⁾	6,788	6,788		
Other liabilities ⁽¹⁾	2,156	1,856		300

⁽¹⁾ Excluding non-financial liabilities.

⁽²⁾ Trade receivables and other current financial assets have been restated to reflect the retrospective application of IFRS 5.

⁽²⁾ Trade payables have been restated to reflect the retrospective application of IFRS 15.

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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 3.5.1, respectively.

At 31 December 2018 (€ millions)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Financial assets at fair value through profit or loss ⁽¹⁾	36	36	2		34
Financial assets at fair value through other comprehensive income ⁽¹⁾	88	88	28	28	32
Fair value hedges – assets ⁽²⁾	116	116		116	
Cash flow hedges and net investment hedges – assets ⁽²⁾	8	8		8	
Other derivative instruments - assets	20	20	11		9
Liabilities					
Bonds ⁽³⁾	7,861	7,721	6,814	907	
Other borrowings and finance lease liabilities ⁽⁴⁾	4,448	4,259		4,259	
Fair value hedges - liabilities ⁽²⁾	6	6		6	
Cash flow hedges and net investment hedges – liabilities ⁽²⁾	15	14		14	
Other derivative instruments - liabilities	297	297		297	
Put options granted to owners of non-controlling interests ⁽⁵⁾	188	188			188

At 31 December 2017 (€ millions)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Available-for-sale financial assets ⁽¹⁾	95	95	24	2	69
Fair value hedges – assets ⁽²⁾	112	112		112	
Other derivative instruments – assets	12	12		12	
Other financial assets	7	7	7		
Liabilities					
Bonds ⁽³⁾	8,538	9,215	8,463	752	
Other borrowings and finance lease liabilities ⁽⁴⁾	3,335	3,348		3,348	
Fair value hedges - liabilities ⁽²⁾	38	38		38	
Other derivative instruments – liabilities ⁽²⁾	298	298		298	
Put options granted to owners of non-controlling interests ⁽⁵⁾	171	171			171

⁽¹⁾ The fair value of financial assets at fair value (presented in 2017 in the category "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

⁽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 a 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 cosh flow method, taking into account the Group's 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 formulas and is discounted, if necessary. These formulas are considered to be representative of fair value and notably use net income multiples (note 3.4.1).

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.

Financial risk monitoring and management is the responsibility of the Corporate Finance department, which is part of the Group Finance department. This team manages all financial exposures in coordination with the finance departments of the Group's main subsidiaries and reports to Senior Management. It has issued a Good Financial Practice Guide governing all financing, investment and hedging transactions carried out by Group entities.

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, the Group may take very small, strictly controlled speculative derivative positions as part of its hedging policy, for more dynamic and flexible management of its interest rate and currency exposures.

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	Foreign currency risk	Other market risks	31 December 2018	31 December 2017
Assets						
Derivatives at fair value through profit or loss	11.4.2	1		19	20	12
Cash flow hedges	11.4.2		8		8	
Fair value hedges	11.2/11.4.2	68	48		116	112
Total derivatives – assets		69	56	19	145	124
of which noncurrent	6.9	68	15	19	103	117
of which current	6.8/11.1	4	38		42	7
Liabilities						
Derivatives at fair value through profit or loss	11.4.2	1		295	297	279
Cash flow hedges	11.4.2	13	2		15	20
Fair value hedges	11.2/11.4.2	2	4		6	38
Total derivatives – liabilities		16	6	295	317	336
of which non-current	6.10/11.2	14	3	292	308	294
of which current	6.10/11.2	2	3	4	9	42

At 31 December 2018, derivatives held as fair value hedges (on a notional amount of €5,777 million) had a positive net fair value of €109 million. The total included (a) interest rate hedges in France on a notional amount of €5,179 million with a positive fair value of €64 million, and (b) currency and interest rate hedges in Brazil on a notional amount of €199 million with a positive fair value of €19 million, and in Colombia on a notional amount of €399 million with a positive fair value of €25 million. All the currency and interest rate derivatives are backed by bank borrowings or bonds denominated either in the same currency or 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 2018, the cash flow hedge reserve included in equity had a debit balance of €9 million (31 December 2017: debit balance of €15 million). These derivatives concern operations in France and Colombia. In France, they hedge goods purchases billed in currencies other than the euro (mainly the US dollar). Their notional amount at 31 December 2018 was USD 206 million (€195 million - note 11.5.3). In Colombia, the notional amount hedged by the derivatives is €73 million. In the Casino Group, both France and Colombia apply cash flow hedge accounting regarding the hedging of interest rates on variable rate borrowings for notional amounts of €2,849 million and €513 million, respectively, at 31 December 2018. The ineffective portion of these cash flow hedges is not material.

Derivative instruments that do not qualify for hedge accounting under IFRS 9 had a negative fair value of €271 million at 31 December 2018 (31 December 2017: negative fair value of €267 million), including TRSs and forward contracts with a negative fair value of €276 million (31 December 2017: negative fair value of €257 million) (note 11.3.2).

The fair value calculation at 31 December 2018 takes into account the credit valuation adjustment (CVA) and the debit valuation adjustment (DVA) in accordance with IFRS 13. The impact of these adjustments was not material.

11.5.2. Sensitivity to changes in interest rates

The Group's gross debt in France mainly comprises fixed-rate bonds (principal amount of €6,808 million at 31 December 2018 – note 11.2.3). This bond debt may be hedged through fixed-to-variable rate swaps generally contracted at the issue date; all of these hedges qualify for hedge accounting.

At 31 December 2018, the Group had a portfolio of 71 interest rate swaps and options with a dozen bank counterparties. The instruments expire at various dates between 2019 and 2026.

At 31 December 2018, after hedging, 41% of bond debt was at fixed rates (€2,782 million), 27% was at capped variable rates (€1,847 million) and 32% was at variable rates (€2,179 million).

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(€ millions)	Notes	31 December 2018	31 December 2017
Casino, Guichard-Perrachon variable-rate bonds ⁽¹⁾		1,814	2,672
Casino, Guichard-Perrachon capped variable-rate bonds ⁽¹⁾		1,847	900
Rallye variable-rate bonds ⁽¹⁾		365	365
Brazil variable-rate bonds ⁽²⁾	11.2.3	921	753
Other variable-rate borrowings and financial liabilities(3)(4)(5)	11.2.4	3,225	2,148
Finance lease liabilities	11.2/7.5	47	65
Total variable-rate borrowings		8,219	6,903
Cash and cash equivalents	11.1.2	(3,802)	(3,511)
Net variable-rate position		4,417	3,392
1-point change in interest rates		32	28
Cost of net debt	11.3.1	454	480
Impact of change on cost of net financial debt		7.03%	5.88%

⁽¹⁾ Corresponding to fixed-rate bonds representing a principal amount of €6,808 million (31 December 2017: €7,673 million) (note 11.2.3), including a principal amount of €4,026 million (31 December 2017: €3,673 million) swapped for variable rate debt, of which €1,847 million is hedged by interest rate options.

Assuming the net debt structure and management policy are constant, a 100-bps annual increase (decrease) in rates across the yield curve would lead to a 7.04% or €32 million increase (5.18% or €24 million decrease) in cost of debt. For the purposes of the analysis, all other variables, particularly exchange rates, are assumed to be constant.

11.5.3. Foreign currency risk

Due to its geographically diversified business base, the Group is exposed to both currency translation risk and to transaction risk on transactions denominated in currencies other than the euro.

Translation risk (or balance sheet currency risk) is the risk of an unfavourable change in the exchange rates used to translate the financial statements of subsidiaries located outside the euro zone into euros for inclusion in the consolidated financial statements adversely affecting the amounts reported in the consolidated statement of financial position and income statement, leading to a deterioration of the Group's gearing ratios.

Transaction risk is the risk of an unfavourable change in exchange rates that adversely affects a cash flow denominated in foreign currency.

The Group's policy in this respect is to hedge highly probable budget exposures, which mainly involve purchases made in a currency other than its functional currency, such as goods purchased in US dollars hedged by forward contracts. Substantially all budgeted purchases are hedged using instruments with the same maturities as the underlying transactions.

Concerning the exposure of debt to currency risk, all borrowings denominated in a currency other than the borrower's functional currency are fully hedged.

	2018		31 Decemb	per 2017
Exchange rates against the euro	Closing balance	Average rate	Closing rate	Average rate
Brazilian real (BRL)	4.4440	4.3096	3.9729	3.6054
Colombian peso (COP)	3,726.09	3,487.48	3,580.94	3,336.0600
Argentine peso (ARS) ⁽¹⁾	43.0451	43.0451	22.3333	18.7530
Romanian leu (RON)	4.6635	4.6541	4.6585	4.5687
Uruguayan peso (UYP)	37.1753	36.2481	34.4626	32.3625
US dollar (USD)	1.1450	1.1806	1.1993	1.1297
Polish zloty (PLN)	4.3014	4.2617	4.1770	4.2570

⁽¹⁾ In accordance with IAS 29, the financial statements of Libertad have been translated at the year-end exchange rate.

⁽²⁾ Nominal amount.

⁽³⁾ Excluding accrued interest.

⁽⁴⁾ Including borrowings in Brazil originally denominated in BRL, USD or euros for a nominal amount of BRL 974 million (€219 million), swapped for variable rate debt in BRL

by means of cross-currency swaps where applicable (2017: BRL 1,137 million, representing €286 million).

(5) Including borrowings in Colombia originally denominated in COP or USD for COP 1,860 billion (€499 million), swapped for variable rate debt in COP by means of cross currency swaps where applicable (31 December 2017: COP 2,581 billion, representing €721 million, swapped for variable rate debt).

The Group's net exposure based on notional amounts after hedging mainly concerns the US dollar (excluding the functional currencies of entities), as

(€ millions)	USD	Other	2018	2017
Exposed trade receivables	(15)	(18)	(33)	(36)
Exposed other financial assets	(111)	(35)	(146)	(170)
Exposes derivatives at fair value through profit or loss	272		272	260
Exposed trade payables	202	29	231	191
Exposed financial liabilities	616	151	767	691
Exposed other financial liabilities				25
Gross exposure payable	965	127	1,091	961
Hedged other financial assets				(3)
Hedged trade payables	111	5	116	94
Hedged financial liabilities	614	151	765	690
Net exposure payable/(receivable)	241	(30)	211	181
Hedges of future purchases	187	19	206	307
Put options granted to owners of non-controlling interests ⁽¹⁾	117	<u> </u>	117	119

⁽¹⁾ Changes in fair value of put options granted to owners of non-controlling interests (including the effect of movements in exchange rates) have no impact on profit or loss, because the puts are treated as transactions between owners and changes in their fair value are therefore recorded directly in equity (note 3.4.1).

At 31 December 2018, the net statement of financial position exposure of €211 million mainly concerned the US dollar.

Sensitivity of net exposure after currency hedging

A 10% appreciation of the euro at 31 December 2018 and 2017 against the currencies included in the Group's exposure would lead to an increase in income for the amounts indicated in the table below. For the purposes of the analysis, all other variables, particularly interest rates, are assumed to be constant.

(€ millions)	2018	2017
US dollar	24	23
Other currencies	(3)	(4)
TOTAL	2	19

A~10%~depreciation~of~the~euro~against~those~currencies~at~31~December~2018~and~2017~would~have~produced~the~opposite~effect.

♦ Sensitivity to translation risk

A 10% appreciation of the euro compared to the Group's other main currencies would have the following impact on the translation into euros of the sales, income and equity of subsidiaries whose functional currency is not the euro:

	2018		2018 2017 (resto		stated)
(€ millions)	Brazilian real	Colombian peso	Brazilian real	Colombian peso	
Net sales	(1,042)	(292)	(1,125)	(302)	
Recurring operating income	(45)	(11)	(50)	(11)	
Net income	(21)	(2)	(21)	(1)	
Equity	(590)	(75)	(650)	(51)	

A 10% depreciation of the euro against those currencies at 31 December 2018 and 2017 would have produced the opposite effect.

For the purposes of the analysis, all other variables, particularly interest rates, are assumed to be constant.

11.5.4. 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 in not material.

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Trade receivables break down as follows by maturity:

	Receivables not yet due,	Up to one month	Between one and six months	More than six months		Impaired	
(€ millions)	not impaired	past due	past due	past due	Total	receivables	Total
31 DECEMBER 2018	701	92	48	51	192	161	1,054
31 December 2017 (restated)	742	71	37	36	144	157	1,043

Credit risk related to other assets

Credit risk on other financial assets – i.e., comprising cash and cash equivalents, equity instruments, loans, legal deposits paid by GPA and certain derivative financial instruments – corresponds to the risk of failure by the counterparty to fulfil its obligations. The maximum risk is limited and equal to the instruments' carrying amount. The Group's cash management policy consists of investing cash and cash equivalent with firstclass counterparties and in first-class rated instruments.

11.5.5. Risk of early repayment of financial liabilities

The Group's bank loans and bonds contain the standard commitment and default clauses found in such contracts, in particular, maintaining the loan at the same level (pari passu), limiting the securities allocated to other lenders (negative pledge) and cross-default.

In addition, the Group disposes of non-recourse receivables without continuing involvement, within the meaning of IFRS 7, and uses reverse factoring.

At 31 December 2018, trade payables totalling €1,892 million had been reverse factored, including €704 million in France Retail payables, €971 million in Latam Retail payables and €157 million in E-commerce payables.

♦ Rallye financing

Rallye's bond issues do not contain any undertaking regarding financial ratios. Certain bank financing agreements and private placements are subject to the following covenants:

		the covenants at
Type of covenant	Main types of debt subject to covenant	31 December 2018
Consolidated EBITDA ⁽¹⁾ /Cost of consolidated net debt > 2.75	Line of credit and other bank loans totalling	4.14
Rallye SA shareholders' equity > €1.2 billion	€2,381 million ⁽²⁾	€1.8 billion

⁽¹⁾ EBITDA corresponds to recurring operating income plus recurring net depreciation and amortisation expense.

Rallye has a €4 billion Euro Medium Term Notes (EMTN) programme. Notes issued under the programme totalled €1,265 million at 31 December 2018.

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. Loans and credit lines may give rise to a pledge of Casino shares. At 31 December 2018, 38,227,536 Casino shares were pledged to financial institutions to guarantee loans and lines of credit.

Rallye also has:

- a €750 million negotiable European commercial paper (NEU CP) programme, with issuance under this programme at 31 December 2018 amounting to €92 million;
- ♦ a €250 million negotiable European medium-term notes (NEU MTN) programme, which had not been utilised at 31 December 2018.

♦ 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 granted by BNDES totalling €8 million at 31 December 2018 that are secured by assets).

All subsidiaries submit weekly cash reports to the Casino Group and all new financing facilities require prior approval from the Corporate Finance department.

At the same date, issuance under Casino, Guichard-Perrachon's €2,000 million negotiable European commercial paper (NEU CP) programme amounted to €221 million.

Casino, Guichard-Perrachon's bonds (other than deeply-subordinated perpetual bonds) have been rated BB with a negative outlook by Standard & Poor's since 3 September 2018 (BB+ with a positive outlook previously) and Ba1 with a negative outlook by Moody's since 28 September 2018 (Ba1 with a stable outlook previously). In line with the policy of rotating rating agencies, as recommended by the European regulator, Moody's Investors Service ("Moody's") was appointed as the Casino Group's new rating agency in 2017. Simultaneously with Moody's appointment, the Casino Group terminated its contract with Fitch Ratings; since 12 January 2018, Casino, Guichard-Perrachon and its bond issues are no longer rated by Fitch. The changes in Standard & Poor's rating and outlook and Moody's rating outlook in 2018 had no impact on Casino's borrowing costs or liquidity position.

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

⁽²⁾ Of which \leqslant 40 million subject only to the equity covenant.

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

At the reporting date, Casino, Guichard-Perrachon's debt was subject to the following hard covenants to be met at each year-end:

Type of covenant	Main types of debt subject to covenant	Frequency of tests	Covenants at 31 December 2018
Consolidated net debt ⁽¹⁾ /consolidated EBITDA ⁽³⁾ < 3.5	€1.2 billion syndicated line of creditBilateral credit lines totalling €350 million	Annually	2.74
Consolidated net debt ⁽¹⁾ /consolidated EBITDA ⁽³⁾ < 3.7	- €50 million bilateral credit line	Annually	2.74
Consolidated net debt ⁽²⁾ /	- USD 750 million syndicated credit line	Annually	1.84
consolidated EBITDA ⁽³⁾ < 3.5	- €40 million bilateral credit line	Annually	1.04

⁽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-

The Casino Group considers that it will comfortably respect its covenants over the next 12 months.

Casino, Guichard-Perrachon's bonds and negotiable European commercial paper (NEU CP) issues are not subject to any financial covenants.

Subsidiaries' debt subject to covenants

Most of the Casino Group's other loan agreements - primarily concerning Monoprix, GPA, Éxito and Segisor - contain hard covenants:

Subsidiaries	Type of covenant	Frequency of tests	Main types of debt subject to covenant	
			- €370 million syndicated credit line	
Monoprix	Net debt/EBITDA < 2.5	Annually	- Other confirmed credit lines totalling €200 million	
GPA ⁽¹⁾	Net debt ⁽²⁾ must not be less than equity ⁽³⁾	Quarterly/half-yearly/	All be and the control of the best for all the	
GPA"	Consolidated net debt/EBITDA < 3.5	annually	All bond issues and certain bank facilities	
Éxito	Consolidated net debt/consolidated EBITDA < 3.5	Annually	Bank borrowings (note 11.2.4)	
Ségisor	Net debt/value of GPA shares < 50%	Quarterly	Bank loans totalling €400 million (note 11.2.4)	

⁽¹⁾ All of GPA's covenants are based on consolidated indicators for the GPA sub-group.

These covenants were respected at 31 December 2018.

⁽²⁾ For these facilities, the definition of net debt includes the net assets held for sale attributable to owners of the parent.

⁽³⁾ EBITDA corresponds to recurring operating income plus recurring net depreciation and amortisation expense

⁽²⁾ Debt less cash, cash equivalents and receivables.
(3) Consolidated equity (attributable to owners of the parent and non-controlling interests).

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11.5.6. Group liquidity position

At 31 December 2018, the Group had a strong liquidity position supported by the following undrawn lines of credit:

		Amounts	
(€ millions)	Interest rate	Casino Group	Rallye
Syndicated lines < 1 year	Variable		
Syndicated lines > 1 year	Variable	1,855	1,355
Total lines authorised		1,855	1,355
Of which utilised ⁽¹⁾			855
Bilateral lines < 1 year	Variable	175	45
Bilateral lines > 1 year	Variable	265	971
Total lines authorised		440	1,016
Of which utilised			225
Other confirmed lines < 1 year	Variable	225	
Other confirmed lines > 1 year	Variable	911	
Total authorised lines ⁽²⁾		1,136	
Of which utilised		27	
Total confirmed bank credit lines		3,431	2,371
Of which < 1 year		400	45
Of which > 1 year		3,031	2,326
Of which used lines		27	1,080

⁽¹⁾ Rallye's syndicated credit lines include €130 million at the level of Groupe GO Sport.

The table below presents a schedule of financial liabilities by maturity at 31 December 2018, 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 2018

_(€ millions)	Carrying amount	Contractual cash flows	Due within one year	Due in one to five years	Due in more than five years
Financial liabilities					
Bonds and other borrowings excluding derivatives	12,262	13,624	3,149	8,228	2,247
Finance lease liabilities	47	87	16	38	33
Put options granted to owners of non-controlling interests	188	199	126	73	
Trade payables and other financial liabilities	8,534	8,526	8,473	27	26
Total	21,031	22,435	11,763	8,366	2,306
Derivative financial instruments	(172)				
Cash inflows		528	437	91	
Cash outflows		(795)	(424)	(371)	
Derivative contracts - net settled		50	32	17	1
Total	(172)	(218)	45	(263)	1

11.5.7. 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 calls) on equities to build a synthetic exposure to the shares of its listed subsidiaries (note 11.4.2) or a synthetic hedge of a financial exposure to a fall in stock prices. 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.

⁽²⁾ The other confirmed bank credit lines concern Monoprix (€570 million), GPA (€405 million) and Éxito (€161 million).

Note **12**

EQUITY AND EARNINGS PER SHARE

Accounting principle

Equity is attributable to two categories of owner: the owners of the parent (Rallye shareholders) and the owners of the non-controlling interests in its subsidiaries. A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Purchase or sale transactions with non-controlling interests, which do not lead to the acquisition or loss of control by the parent company, only affect shareholders' equity because there is no change of control within the economic unit. Cash flows from these transactions are classified as cash flows from financing activities.

In the case of an acquisition of an additional interest in a fully consolidated subsidiary, the Group recognises the difference between the acquisition cost and the carrying amount of the non-controlling interests as a change in shareholders' equity attributable to the shareholders of the parent company. Transaction costs are also recognised in equity. The same treatment applies to transaction costs relating to disposals without loss of control.

Where a disposal of a majority interest results in a loss of control, the Group records the disposal of all of the securities held. The gain or loss from disposal is recognised in "Other operating income and expenses". If it is a partial disposal, the retained portion is therefore remeasured. Cash flows arising from the acquisition or loss of control of a subsidiary are classified as cash flows from investing activities.

Equity instruments and hybrid instruments

The classification of instruments issued by the Group in equity or debt depends on each instrument's specific characteristics. An instrument is deemed to be an equity instrument when the following two conditions are met:

the instrument does not contain a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and in the case of a contract that will or may be settled in the entity's own equity instruments, it is either a non-derivative that does not include a contractual obligation to deliver a variable number of the entity's own equity instruments, or it is a derivative that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

The Group also examines the special provisions of contracts to ensure the absence of an indirect obligation to buy back the equity instruments in cash or by delivering another financial asset or by delivering shares with a value substantially higher than the amount of cash or the other financial asset to be delivered.

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 Annual 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 53,738,266 shares representing a par value of €161 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 8.3.2.

12.4. Treasury shares_

Treasury shares result from shareholder-approved buybacks of Rallye shares. At 31 December 2018, a total of 309,572 shares were held in treasury, representing €3 million. The shares were purchased for the purpose of being cancelled.

Rallye also holds own shares purchased under the liquidity contract with Rothschild & Cie Banque. A total of 1,335,546 shares with a carrying amount of \in 14 million were held at 31 December 2018 (513,000 shares with a carrying amount of \in 8 million at 31 December 2017).

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 10-year constant maturity swap rate plus 100 bps, capped at 9%. In 2018, the average coupon was 1.93%.

On 18 October 2013, the Casino Group issued €750 million worth of perpetual hybrid 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 (not exercised) and the second on 31 January 2024. The bonds paid interest at 4.87% until 31 January 2019. Since then, as specified in the prospectus, the interest rate has been reset at 3.992%. This rate will be reset 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. Breakdown of other reserves

(€ millions)			Cash flow hedges	Net investment hedges	Foreigr currencų translatior reserves	y Actuarial n gains and	financial	Total other Group reserves
At 1 January 2017			7	(4)	(734) (35)	26	(740)
Movements for the year			(17)	1	(291) (16)	(6)	(328)
At 31 December 2017			(9)	(3)	(1,024) (51)	19	(1,068)
(€ millions)	Cash flow hedges	Net investment hedges	Foreign currency translation reserves	Actuarial gains and	Available- for-sale financial assets	Equity instruments ⁽¹⁾	Debt instruments ⁽¹⁾	Total other Group reserves
At 31 December 2017								
(reported)	(9)	(3)	(1,024)	(51)	19			(1,068)
Effect of applying IFRS 9 (note 1.3)	(2)				(19)	(55)	(3)	(78)
At 1 January 2018 (restated)	(11)	(3)	(1,024)	(51)	1	(55)	(3)	(1,146)
Movements for the year	8	(1)	(194)	(6)	(1)	(2)		(197)
At 31 December 2018	(3)	(4)	(1,219)	(56)		(57)	(3)	(1,343)

⁽¹⁾ Financial instruments at fair value through other comprehensive income.

12.7. Other information on additional paid-in capital, retained earnings and reserves_

12.7.1. Foreign currency translation reserves

	Attributabl	Attributable to owners of the parent		Attributable to non-controlling interests			
		Movements			Movements		
	1 January	for the year	31 December	1 January	for the year	31 December	
(€ millions)	2018	2018	2018	2018	2018	2018	2018 total
Brazil	(802)	(162)	(966)	(3,259)	(536)	(3,795)	(4,761)
Argentina	(80)	(12)	(91)	(89)	(9)	(99)	(190)
Colombia	(144)	(10)	(154)	(458)	(39)	(496)	(651)
Uruguay	(9)	(9)	(18)	(39)	(23)	(62)	(80)
United States	7	1	8	10		10	18
Poland	9	(2)	7	8	(2)	7	14
Indian Ocean	(4)	(1)	(5)	(7)		(7)	(12)
Total foreign currency							
translation reserves	(1,024)	(194)	(1,218)	(3,833)	(609)	(4,443)	(5,663)

	Attributab	Attributable to owners of the parent				Attributable to non-controlling interests			
(€ millions)	1 January 2017	Movements for the year	31 December 2017	1 January 2017	Movements for the year	31 December 2017	2017 total		
Brazil	(541)	(261)	(802)	(2,392)	(866)	(3,259)	(4,063)		
Argentina	(74)	(6)	(80)	(80)	(9)	(89)	(169)		
Colombia	(130)	(14)	(144)	(379)	(78)	(458)	(602)		
Uruguay	4	(12)	(9)	(6)	(34)	(39)	(48)		
United States	6	1	7	10		10	18		
Poland	5	4	9	5	3	8	17		
Indian Ocean	(4)		(4)	(6)	(1)	(7)	(11)		
Total foreign currency translation reserves	(734)	(290)	(1,024)	(2,849)	(984)	(3,833)	(4,859)		

12.7.2. Note to the consolidated statement of comprehensive income

_(€ millions)	31 December 2018	31 December 2017
Available-for-sale financial assets		(6)
Change in fair value during the year		(7)
Reclassifications to profit or loss		
Income tax (expense)/benefit		1
Cash flow hedges and cash flow hedge reserve ⁽¹⁾	15	(31)
Change in fair value during the year	15	(13)
Reclassifications to profit or loss	7	(32)
Income tax (expense)/benefit	(7)	13
Net investment hedges	(1)	1
Change in fair value during the year	(1)	1
Reclassifications to profit or loss		
Income tax (expense)/benefit		
Foreign currency translation reserves	(795)	(1,259)
Adjustments for the year	(862)	(1,259)
Reclassifications to profit or loss	67	
Income tax (expense)/benefit		
Debt instruments and other instruments at fair value	(1)	
Adjustments for the year	(1)	
Reclassifications to profit or loss		
Income tax (expense)/benefit		
Actuarial gains and losses	(9)	(31)
Adjustments for the year	(14)	(40)
Income tax (expense)/benefit	5	9
Equity instruments at fair value	(9)	
Adjustments for the year	(9)	
Income tax (expense)/benefit		
Share of other comprehensive income (loss) of equity-accounted investees	(11)	(15)
Available-for-sale financial assets - change in fair value		1
Cash flow hedges - net change in fair value	(2)	1
Cash flow hedges – reclassifications to profit or loss	(1)	
Foreign currency translation reserve – adjustments for the year	(8)	(16)
Foreign currency translation reserve – reclassification to profit or loss		
Equity instruments at fair value through other comprehensive income – change in fair value	(2)	
Actuarial gains and losses – net gain or loss for the year		
Income tax (expense)/benefit	1	(1)
Total	(811)	(1,342)

⁽¹⁾ The change in the cash flow hedge reserve in 2018 was not material.

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12.8. Material non-controlling interests.

	G	РД				
		o/w				
(€ millions)	Total GPA	Via Varejo	Éxito ⁽¹⁾	Casino ⁽⁴⁾	Other	Total
Country	Brazil	Brazil	Colombia	France		
At 1 January 2017 (restated)	4,816	1,434	1,092	4,831	80	10,820
% ownership interests held by non-controlling interests ⁽²⁾	66.8%	85.6%	44.7%	48.9%		
% voting rights held by non-controlling interests ⁽²⁾	0.06%	37.40%	44.7%	36.7%		
Net income (loss)	172	66	50	73	(25)	271
Other comprehensive income (loss) ⁽³⁾	(644)	(230)	(62)	(305)	(4)	(1,015)
Sub-total	(472)	(164)	(12)	(232)	(29)	(744)
Dividends paid/payable	(31)	(11)	(23)	(169)	(17)	(240)
Other movements	11	1	43	(32)	8	30
At 31 December 2017 (restated)	4,325	1,260	1,101	4,398	42	9,866
% ownership interests held by non-controlling interests ⁽²⁾	66.9%	85.7%	44.7%	48.9%		
% voting rights held by non-controlling interests ⁽²⁾	0.06%	37.50%	44.7%	36.8%		
Average % ownership interests held by the Casino Group in 2017	33.2%	14.4%	55.3%			
% ownership interests held by the Casino Group at 31 December 2017	33.10%	14.30%	55.3%			
Effect of applying IFRS 9 (note 1.3.3)	(46)	(40)		(32)		(78)
Effect of applying IAS 29 and IFRS 2 (notes 1.4 and 1.3.3)	5	2	65	40		111
At 1 January 2018	4,285	1,222	1,166	4,406	42	9,899
Net income (loss)	183	(9)	37	(1)	(4)	215
Other comprehensive income (loss) ⁽³⁾	(433)	60	(29)	(160)	(4)	(627)
Sub-total	(250)	51	8	(161)	(8)	(412)
Dividends paid/payable	(46)	(2)	(24)	(161)	(33)	(264)
Other movements	6	1	93	(142)	50	7
At 31 December 2018	3,995	1,272	1,243	3,942	51	9,230
% ownership interests held by non-controlling interests ⁽²⁾	66.9%	85.7%	44.7%	47.9%		
% voting rights held by non-controlling interests ⁽²⁾	0.06%	60.6%	44.7%	36.5%		
Average % ownership interests held by the Casino Group in 2018	33.1%	14.3%	55.3%			
% ownership interests held by the Casino Group at 31 December 2018	33.1%	14.3%	55.3%			

(1) Excluding GPA but including Uruguay and Argentina.

(2) The percentages of non-controlling interests set out in this table do not include the Group's own non-controlling interests in sub-groups.

(3) Other comprehensive income (loss) consists mainly of exchange differences arising on translation of foreign subsidiaries' financial statements.

(4) Including holders of deeply-subordinated perpetual bonds (TSSDI) for €1,350 million (note 12.5).

GPA's capital consists of:

- ♦ 99,680 thousand ordinary shares with voting rights;
- ♦ 167,165 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 10% 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 92 et seq. of GPA's annual report for 2017 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		o/w GPA		o/w Éxito ⁽¹⁾	
(€ millions)	2018	2017	2018	2017	2018	2017
Country	France		Bro	Brazil		mbia
Net sales	36,604	37,490	11,416	12,333	4,153	4,449
Net income from continuing operations	182	251	292	173	46	35
Net income (loss) from discontinued operations	(21)	47	(17)	63		
Net income (loss)	161	298	275	235	46	35
Attributable to non-controlling interests in continuing operations ⁽²⁾	230	220	195	116	37	50
Attributable to non-controlling interests in discontinued operations ⁽²⁾	(16)	51	(12)	56		
Other comprehensive income (loss)	(804)	(1,335)	(618)	(911)		(155)
Total comprehensive income (loss) for the year	(643)	(1,036)	(344)	(676)	46	(119)
Attributable to non-controlling interests ⁽²⁾	(412)	(742)	(250)	(472)	8	(77)
Non-current assets	20,266	21,955	6,676	6,995	3,648	3,729
Current assets	17,174	16,161	8,428	8,680	1,328	1,217
Non-current liabilities	(8,837)	(9,343)	(1,695)	(1,825)	(1,214)	(1,018)
Current liabilities	(16,584)	(15,750)	(7,443)	(7,352)	(1,708)	(1,745)
Net assets	12,019	13,023	5,966	6,499	2,054	2,183
Attributable to non-controlling interests ⁽²⁾	9,226	9,863	3,994	4,324	1,243	1,101
Net cash from operating activities	1,492	1,506	810	952	193	324
Net cash used in investing activities	(30)	(1,202)	(423)	(438)	(158)	(170)
Net cash used in financing activities	(756)	(2,473)	(219)	(1,015)	281	(37)
Effect of changes in exchange rates on cash						
and cash equivalents	(328)	(482)	(202)	(313)	(218)	(52)
Change in cash and cash equivalents	377	(2,651)	(34)	(814)	98	66
Dividends paid to the Group ⁽³⁾	177	177	33	8	14	16
Dividends paid to owners of non-controlling interests during the period ⁽³⁾	312	285	51	18	24	33

⁽¹⁾ Including Uruguay and Argentina. Excluding Brazil.

⁽²⁾ GPA and Éxito non-controlling interests are calculated at the level of Casino, Guichard-Perrachon.

(3) GPA and Éxito have an obligation to pay out 25% and 50% respectively of annual net income in dividends.

12.9. Dividend

On 23 May 2018, the Annual Shareholders' Meeting approved the payment of a dividend of \in 1 per share for the 2017 financial year with an option for payment in shares. 63.9% of rights to payment in shares were exercised. Cash dividends totalled \in 17 million.

The dividend reinvestment option led to a \leq 33.2 million increase in Rallye's equity (including a \leq 9 million increase in share capital) through the creation of 3,058,947 new shares.

The Board of Directors will recommend setting the total 2018 dividend at €1 per ordinary share.

In 2018, Rallye received €177 million in dividends from Casino, Guichard-Perrachon.

The coupons payable on Casino deeply-subordinated perpetual bonds (TSSDI) are as follows:

(€ millions)	31 December 2018	31 December 2017
Coupons payable on deeply-subordinated perpetual bonds (TSSDI)	48	50
Of which amount paid during the year	36	38
Of which amount payable in the following year	12	12
Impact on the cash flow statement	48	47
Of which coupons awarded and paid during the year	36	38
Of which coupons awarded in the prior year and paid during the reporting year	12	9

12.10. Earnings per share.

Accounting principle

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

	2018	2017
Weighted average number of shares	53,820,968	52,156,072
Weighted average number of treasury shares	(906,750)	(454,438)
Weighted average number of shares before dilution	52,914,218	51,701,634
Free share plans	281,830	386,848
Total potential dilutive shares	281,830	386,848
Weighted average number of shares after dilution	53,196,048	52,088,482

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12.10.2. Income attributable to ordinary shares

(€ millions)	2018	2017 (restated)
Net income (loss) attributable to owners of the parent	(223)	(102)
Impact of change in percentage interest held		
Diluted net income (loss) attributable to owners of the parent	(223)	(102)
Net income (loss) from discontinued operations (note 3.5.2)	(5)	(4)
Diluted net income (loss) from continuing operations	(218)	(99)

12.10.3. Earnings per share

Consolidated earnings per share attributable to owners of the parent:

	2018	2017 (restated)
Net income (loss) attributable to owners of the parent (€ millions)	(223)	(102)
Weighted average number of shares for the year	52,883,232	51,670,649
Per share (\in)	(4.21)	(1.98)
Diluted net income (loss) attributable to owners of the parent (€ millions)	(223)	(102)
Weighted average number of shares for the year after dilution	53,165,062	52,057,496
Per share - diluted (€)	(4.21)	(1.98)

Net income from continuing operations attributable to owners of the parent:

	2018	2017 (restated)
Net income (loss) attributable to owners of the parent (€ millions)	(218)	(99)
Weighted average number of shares for the year	52,883,232	51,670,649
Per share (\in)	(4.12)	(1.91)
Diluted net income (loss) attributable to owners of the parent (€ millions)	(218)	(99)
Weighted average number of shares for the year after dilution	53,165,062	52,057,496
Per share – diluted (\in)	(4.12)	(1.91)

Net income from discontinued operations attributable to owners of the parent:

	2018	2017 (restated)
Net income (loss) attributable to owners of the parent (€ millions)	(5)	(4)
Weighted average number of shares for the year	52,883,232	51,670,649
Per share (\in)	(0.09)	(0.07)
Diluted net income (loss) attributable to owners of the parent (€ millions)	(5)	(O)
Weighted average number of shares for the year after dilution	53,165,062	52,057,496
Per share – diluted (ϵ)	(0.09)	(0.07)

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NOTE 13 OTHER PROVISIONS

Accounting principle

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 2018	Additions	Reversals used	Reversals not used	Changes in scope of consolidation and transfers		Other	31 December 2018
Claims and litigation	535	143	(42)	(103)		(51)	4	486
Other risks and expenses	123	44	(22)	(36)	1	(1)		110
Restructuring	29	57	(38)	(2)				44
Total other provisions	687	243	(102)	(141)	1	(52)	4	640
of which noncurrent	514	135	(32)	(88)		(51)	5	483
of which current	173	108	(70)	(53)	1		(1)	157

Provisions for claims and litigation and for other risks and expenses are composed of a wide variety of provisions for employee-related disputes (before a labour court), property disputes (concerning construction or refurbishment work, rents, tenant evictions, etc.), tax disputes and business claims (trademark infringement, etc.).

Provisions for claims and litigation amount to €486 million and include €439 million for GPA (note 13.2). Of this amount, additions to provisions, reversals of used provisions and reversals of surplus provisions, respectively, amounted to €125 million, a negative €28 million and a negative €81 million.

13.2. Breakdown of GPA provisions for claims and litigation (excluding Via Varejo)

(€ millions)	Claims and litigation ⁽¹⁾ PIS/Cofins/CPMF disputes	Other tax disputes	Employee disputes	Civil litigation	Total
31 December 2018	31	316	65	26	439
31 December 2017	32	324	83	35	475

(1) VAT and similar taxes.

In the dispute presented 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 bonds (note 6.11).

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		2018		2017			
(€ millions)	Legal deposits paid ⁽¹⁾	Assets pledged as collateral ⁽²⁾	Bank guarantees ⁽²⁾	Legal deposits paid ⁽¹⁾	Assets pledged as collateral ⁽²⁾	Bank guarantees ⁽²⁾	
Tax disputes	53	189	2,033	51	216	1,843	
Employee disputes	104	1	43	119	1	23	
Civil and other litigation	17	3	97	21	2	70	
Total	175	102	2 177	192	218	1 9 3 7	

⁽¹⁾ Note 6.9.

13.3. Contingent assets and liabilities.

In the normal course of its business, the Casino Group is involved in a number of legal or arbitration proceedings with third parties or with the tax authorities in certain countries (mainly involving GPA – see below).

As stated in note 3.3.5, no associates or joint ventures have any significant contingent liabilities.

13.3.1. Class action against Cnova N.V. and the Group

Some of the officers and directors of Cnova N.V. and the underwriters of its IPO were 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 claimed that misleading information was issued at the time of the IPO concerning the macro-economic situation in Brazil and the irregularities uncovered at Cnova Brazil. On 19 March 2018, the United States District Court for the Southern District of New York announced its final approval of the proposed settlement of this class action for an amount of USD 28.5 million. The USD 28.5 million was paid in first-half 2018 (note 11.1) and most of the amount was covered by an insurance settlement received from Cnova's insurers. The balance, including estimated related costs, was covered by the provision recorded in 2016. Consequently, the settlement had no material impact on the Group's net profit.

On 14 December 2018, Cnova was informed by the American Securities and Exchange Commission (SEC) that it had completed the investigation into stock management issues and the audit of Cnova's former subsidiary in Brazil launched in December 2015 and that it was not planning to take any action against Cnova. No penalties were levied on Cnova concerning this matter

13.3.2. Arbitration between GPA and Peninsula

On 12 September 2017, GPA received a request for arbitration from Fundo de Investimento Inmobiliáro Peninsula ("Peninsula") in order to discuss the calculation of rental charges and other operational matters related to leasing agreements concerning stores owned by Peninsula and operated by GPA. The lease contracts have a duration of 20 years as from 2005 and are automatically renewable for another 20-year period.

Despite the discussions concerning application of the lease terms, the request for arbitration has no impact on the operation of the leased stores, which is contractually guaranteed. At this stage of the arbitration process, it is not possible to make a reasonable estimate of the related risk. Based on the opinion of its legal advisors, the Company considers as possible the risk of an unfavourable ruling by the arbitration board.

13.3.3. Proceedings brought by the DGCCRF (French competition authority) against AMC and INCAA and investigations by the French and European competition authorities

On 28 February 2017, the French Ministry of the Economy, represented by the Department of Competition Policy, Consumer Affairs and Fraud Control (DGCCRF), brought an action against Casino in the Paris Commercial Court. The case involves a series of credit notes totalling €22.2 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.

Also, on 11 April 2017, the common purchasing entity INCA Achats, and its parent companies Intermarché and Casino, were prosecuted for economic imbalance and abusive commercial practices that allegedly took place in 2015 against 13 multinational companies in the hygiene and fragrance industry, with a fine of €2 million.

The proceedings in both cases are still in progress.

The Casino Group considers that it complied with the applicable regulations during negotiations with the suppliers concerned by both sets of proceedings. Consequently, no provision has been set aside for these matters.

The Casino Group is also the subject of investigations conducted by the French and European competition authorities.

In early February 2017, representatives of France's Competition Authority raided the premises of Vindémia Logistique and Vindémia Group and seized certain documents concerning their consumer goods supply and distribution activities on Reunion Island. At this stage, the Competition Authority has not issued any complaint. The Casino Group has contested the legitimacy of the raids before the Court of Cassation. The Group is not currently able to predict the outcome of the investigation.

At the end of February 2017, representatives of the European Commission raided the premises of Achats Marchandises Casino – A.M.C. (formerly E.M.C. Distribution) and Intermarché-Casino Achats (INCA-A), in connection with an investigation into fast-moving consumer goods supply contracts, contracts for the sale of services to manufacturers of branded products and contracts for the sale of fast-moving consumer goods to consumers. INCA-A has ceased operations since the raids took place. At this stage, the European Commission has not issued any complaint. The Casino Group has contested the legitimacy of the raids before the General Court of the European Union. The Group is not currently able to predict the outcome of this matter.

⁽²⁾ Note 6.11.1.

The preliminary investigations are still in progress and there were no significant developments in 2018.

In June 2018, after giving notice in accordance with French law No. 2015-990 of 6 August 2015, the French Competition Authority

launched an informal investigation into the creation of joint purchasing organisations in the food retailing sector. The investigation concerns in particular the Horizon central purchasing organisation set up between Auchan, Casino, Metro and Schiever. It is still in progress.

13.3.4. GPA tax, social and civil contingent liabilities

(€ millions)	31 December 2018	31 December 2017
INSS (employer's social security contributions)	95	103
IRPJ - IRRF and CSLL (corporate income taxes)	224	201
PIS, COFINS and CPMF (VAT and similar taxes)	447	429
ISS, IPTU and ITBI (service tax, urban property tax and tax on property transactions)	34	38
ICMS (state VAT)	1,329	1,460
Civil litigation	115	136
Total ⁽¹⁾	2,244	2,367

⁽¹⁾ Contingent liabilities of Via Varejo classified in discontinued operations and not included in the above table amount to €365 million at 31 December 2018 (31 December 2017: €407 million).

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 2018, the estimated amount totalled €38 million (31 December 2017: €40 million).

Moreover, Casino has given a specific guarantee to its Brazilian subsidiary concerning notifications of tax adjustments received from the tax administration, for a total amount of BRL 1,317 million at 31 December 2018 (31 December 2017: BRL 1,223 million), including penalties and interest. Under the terms of the guarantee, Casino has undertaken to indemnify GPA for 50% of any damages incurred, provided those damages are definitive. Based on the commitment given by Casino to its subsidiary, the risk exposure amounts to BRL 658 million (€148 million) (31 December 2017: BRL 611 million, representing €154 million). As the risks of liability are only considered possible, Casino has not recognised a provision in its financial statements for this amount.

13.3.5. GPA contingent assets

♦ Exclusion of ICMS from the PIS/COFINS tax base:

Since the introduction of non-cumulative PIS and COFINS tax credits, GPA has asserted the right to deduct ICMS tax from the base used to calculate PIS and COFINS taxes. GPA's position was supported by a Brazilian federal

supreme court (STF) ruling on 15 March 2017 that the ICMS tax should be excluded from the PIS and COFINS tax base. Based on the STF's ruling and the opinion of its internal and external advisors, GPA considered that the probability of having to settle the amounts deducted in prior periods is low. During fist half, it therefore released the corresponding provisions set up in prior periods for an amount of BRL 117 million (€32 million).

Since the supreme court's ruling on 15 March 2017, the procedure has continued in line with the expectations of GPA and its advisors, without GPA's judgement being called into question concerning the release of the provisions, although the court has not yet handed down its final decision. GPA and its external legal advisors believe that this decision concerning the application method will not limit its rights under the legal proceedings brought since 2003, which are still in progress. However, an asset cannot be recognised for the tax credits until all the stages in the procedure have been completed. Based on the information available at 31 December 2018, GPA estimates that these tax credits represent a potential asset of BRL 1,400 million (€315 million) for its Retail business.

In the case of Via Varejo, which is classified as a discontinued operation, the estimated potential tax asset amounts to around BRL 1,106 million (€249 million), including an additional amount of BRL 453 million (€102 million) that will be owed exclusively to GPA.

NOTE 14 RELATED-PARTY TRANSACTIONS

Related parties are:

- parent companies (mainly Foncière Euris, Finatis and Euris);
- entities that exercise joint control or significant influence over the Company;
- ⋄ subsidiaries (note 17);
- ♦ associates (primarily Mercialys) (note 3.3.6);
- ♦ joint ventures (note 3.3.6);
- members of the Board of Directors and Management Committee (note 8.4)

The Company has relations with all of its subsidiaries in its day-to-day management of the Group. The Company and its subsidiaries receive

strategic advice from Euris, the ultimate holding company, with which agreements have been signed. The Group also receives other routine services from Euris and Foncière Euris (technical assistance, provision of staff and premises).

The expenses recorded during the year in respect of these agreements totalled €6.2 million, of which €5.6 million for administrative and strategic advisory services and €0.6 million for the provision of staff and premises.

In connection with the deployment of its dual model combining retail and commercial real estate activities, Casino and its subsidiaries are involved in a number of property development operations with Mercialys (note 3.3.6).

Related-party transactions with individuals (Directors, corporate officers and members of their families) are not material.

Note 15 Statutory Auditors' fees

In 2018, the fees paid to Rallye's Statutory Auditors, who also audit the financial statements of consolidated subsidiaries, were as follows:

(€ thousands)	Ernst & Young	KPMG
Audit of statutory and consolidated financial statements and limited review	6,089	498
Non-audit services	766	953
Total	6,855	1,501

Services other than the statutory audit of the financial statements ("non-audit services") provided by the Statutory Auditors to Rallye, the consolidating entity, and its subsidiaries correspond mostly to procedures related to the issuance of statements and reports on agreed-upon procedures regarding data issued from the accounting records, or regarding internal control.

Note 16 Subsequent events

Signing of purchase pledges for the sale of six Géant hypermarkets_

On 19 January 2019, the Casino Group announced that it had signed agreements to sell six hypermarkets in France to members of the E. Leclerc Group for a combined consideration of €101 million.

The hypermarket disposals do not form part of the non-strategic asset disposal plan announced on 11 June 2018 (note 2); they result from the Group's stated intention to dispose of a certain number of structurally loss-making stores. The disposals are expected to close in the first half of 2019

Sale of hypermarket and supermarket properties.

On 21 January 2019, the Casino Group announced that it had signed an agreement with investment fund Fortress Investment Group for the sale of 26 store properties (13 Géant Casino hypermarkets, 3 Casino hypermarkets and 10 Casino supermarkets) based on a total valuation of €501 million.

The transaction was completed on 8 March 2019 and the Casino Group received payment of 80% of the value of the assets, i.e., €392 million, net of transfer costs. The Casino Group will now be associated with the value

creation of the operation *via* an interest held in the new entity created by the buyer to enhance the value of the portfolio and sell the portfolio on the market under the best possible conditions. As such, depending on the entity's performance, the Casino Group could receive up to an additional €150 million in the next few years.

The Group will continue to operate the stores under leases representing annual rent of €32 million.

Agreement for the sale of R2C.

On 14 February 2019, the Casino Group announced the signature of an agreement with Compass Group providing for the sale of Casino's contract catering services, R2C.

The transaction is expected to be completed by the end of the first half of 2019, subject to consultation with the employee representative bodies and the approval of the French Competition Authority.

Signing of purchase pledges for the sale of loss-making stores.

On 15 February 2019, Casino announced the signature of agreements to sell a selection of structurally loss-making stores, both integrated stores and master franchisees' stores, for a total of €42 million.

In the case of the integrated stores, these commitments represent a value of €25 million in sale proceeds and relate to the following:

- 17 stores (eight Leader Price, eight Casino supermarkets and one Casino hypermarket) to be sold to Lidl; and
- the sale of the Géant hypermarket in Roubaix to a Leclerc member with a simultaneous sale of its real estate to the owner of the shopping centre.

These 18 stores represented sales of €88 million in 2018 for a trading loss of €12 million.

At the same time, master franchisees, with which the Casino Group has a 49% stake, have signed an agreement to sell 16 stores (nine Leader Price and seven Casino supermarkets) to Lidl for a total of \in 17 million.

These 16 stores represented sales of 60 million in 2018 for a trading loss of 9 million.

The disposals are expected to be completed in the first half of 2019, subject to prior consultation with the employee representative bodies and the fulfilment of the usual conditions precedent.

Block sale of Via Varejo shares under a total return swap (TRS) contract_

Pursuant to the authorisation given by its Board of Directors on 20 February 2019, GPA has sold to a leading financial institution under a total return swap (TRS) contract 40 million Via Varejo shares, representing

3.09% of the capital, for BRL 200 million (€45 million). The transaction will have the effect of reducing GPA's interest in Via Varejo to 36.27%.

Disposal of Courir.

On 28 February 2019, Groupe GO Sport completed the sale of Courir to Equistone Partners Europe for an equity value of €283 million.

Signing of purchase pledges for the sale of two Géant hypermarkets_

On 28 February 2019, the Casino Group announced the signature of unilateral purchase agreements with a view to the sale of two Géant hypermarkets located in the towns of Nevers and Montauban to Groupement Les Mousquetaires for a total value of €23.4 million covering the real estate and business assets.

These stores represented net sales of €36 million in 2018 for a trading loss of €3.5 million.

The disposals are expected to be completed in the first half of 2019, subject to prior consultation with the employee representative bodies, with whom a meeting was held on 27 February and the fulfilment of the usual conditions precedent.

NOTE 17 MAIN CONSOLIDATED COMPANIES

Company Rallye SA (listed company) HOLDINGS AND OTHER ACTIVITIES Alpetrol Cobivia Habitation Moderne de Boulogne Miramont Finance & Distribution Parande	% control 100 100 100 100	% interest	Consolidation method Parent company FC FC	% control	% interest	Consolidation method Parent company
Rallye SA (listed company) HOLDINGS AND OTHER ACTIVITIES Alpetrol Cobivia Habitation Moderne de Boulogne Miramont Finance & Distribution	100 100 100	100 100 100	Parent company FC		% interest	
HOLDINGS AND OTHER ACTIVITIES Alpetrol Cobivia Habitation Moderne de Boulogne Miramont Finance & Distribution	100 100	100	FC	100		Parent company
Alpetrol Cobivia Habitation Moderne de Boulogne Miramont Finance & Distribution	100 100	100		100		
Cobivia Habitation Moderne de Boulogne Miramont Finance & Distribution	100 100	100		100		
Habitation Moderne de Boulogne Miramont Finance & Distribution	100	100	FC		100	FC
Miramont Finance & Distribution				100	100	FC
	100	100	FC	100	100	FC
Parande		100	FC	100	100	FC
Parande	100	100	FC	100	100	FC
Euristates Inc.	100	100	FC	100	100	FC
Parinvest	100	100	FC	100	100	FC
Groupe GO Sport						
Groupe Go Sport	100	100	FC	100	100	FC
Courir	100	100	FC	100	100	FC
GO Sport France	100	100	FC	100	100	FC
CASINO, GUICHARD-PERRACHON (LISTED COMPANY)(1)	63.46%	52.14%	FC	63.21%	51.14%	FC
France - Retailing						
Achats Marchandises Casino (AMC)	100	100	FC	100	100	FC
Casino Carburants	100	100	FC	100	100	FC
Casino Services	100	100	FC	100	100	FC
Casino International	100	100	FC	100	100	FC
CD Supply Innovation	50	50	EM	50	50	EM
Distribution Casino France (DCF)	100	100	FC	100	100	FC
Distridyn	50	50	EM	50	50	EM
Easydis	100	100	FC	100	100	FC
Floréal	100	100	FC	100	100	FC
Geimex	100	100	FC	100	100	FC
Horizon Achats	44	44	EM	-	-	-
Horizon Appels d'Offres	44	44	EM	-	-	-
Intermarché Casino Achats (INCAA)	50	50	EM	50	50	EM
Monoprix Group						
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
Monoprix On Line (formerly Sarenza)	100	100	FC	-	-	-
Monop'	100	100	FC	100	100	FC
Naturalia France	100	100	FC	100	100	FC
Simonop'1	-	-	-	100	51	FC
Société Auxiliaire de Manutention Accélérée de Denrées						
Alimentaires "S.A.M.A.D.A."	100	100	FC	100	100	FC
Société L.R.M.D.	100	100	FC	100	100	FC
Franprix-Leader Price Group						
Cofilead	100	100	FC	100	100	FC
DBMH	100	100	FC	100	100	FC
Distribution Franprix	100	100	FC	100	100	FC
Distribution Leader Price	100	100	FC	100	100	FC
Distri Sud-Ouest (DSO)	100	100	FC	100	100	FC

	2018			2017		
			Consolidation			Consolidation
Company		% interest	method	% control	% interest	method
Franprix Holding	100	100	FC	100	100	FC
Franprix-Leader Price	100	100	FC	100	100	FC
Franprix-Leader Price Finance	100	100	FC	100	100	FC
HLP Ouest	70	70	FC	70	70	FC
Holding Mag 2	49	49	EM	49	49	EM
Holdi Mag	49	49	EM	49	49	EM
Holdev Mag	49	49	EM	49	49	EM
Gesdis	40	40	EM	40	40	EM
Leader Price Exploitation	100	100	FC	100	100	FC
NFL Distribution	100	100	FC	100	100	FC
Parfidis	100	100	FC	100	100	FC
Pro Distribution	70	70	FC	70	70	FC
R.L.P. Invest	100	100	FC	100	100	FC
Sarjel	100	100	FC	100	100	FC
Sédifrais	100	100	FC	100	100	FC
Codim Group						
Codim 2	100	100	FC	100	100	FC
Hyper Rocade 2	100	100	FC	100	100	FC
Pacam 2	100	100	FC	100	100	FC
Poretta 2	100	100	FC	100	100	FC
Prodis 2	100	100	FC	100	100	FC
Property and Energy						
GreenYellow	73.44	73.44	FC	97.52	97.52	FC
L'immobilière Groupe Casino	100	100	FC	100	100	FC
Sudéco	100	100	FC	100	100	FC
Uranie	100	100	FC	100	100	FC
Mercialys Group						
Mercialys (listed company)(1)	25.27	39.22	EM	40.24	40.24	EM
Property development						
Plouescadis	100	100	FC	100	100	FC
Other businesses						
Banque du Groupe Casino	50	50	EM	50	50	EM
Casino Finance	100	100	FC	100	100	FC
Casino Finance International	100	100	FC	100	100	FC
Casino Restauration	100	100	FC	100	100	FC
Restauration Collective Casino	100	100	FC	100	100	FC
E-commerce						
Cnova N.V. Group (listed company)	99.44	76.15	FC	99.46	76.11	FC
Cdiscount Group	-	-	-	100	76.11	FC
Cdiscount	100	76.22	FC	100	76.19	FC
International - Poland						
Mayland Real Estate	100	100	FC	100	100	FC
International - Brazil						
Wilkes	100	77.65	FC	100	77.65	FC
GPA Group (listed company)	99.94	33.09	FC	99.94	33.12	FC
Financeira Itaú CBD S.A Crédito, Financiamento e Investimento (FIC) ⁽²⁾⁽³⁾	50	41.92	EM	50	41.93	EM
GPA Malls & Properties Gestão de Ativos e Serviços. Imobiliários Ltda. (GPA M&P) ⁽²⁾	100	100	FC	100	100	FC
Novasoc Comercial Ltda. (Novasoc) ⁽²⁾	100	100		100	100	FC
			FC			
Sendas Distribuidora S.A. (Sendas) ⁽²⁾	100	100	FC	100	100	FC_

Consolidated financial statements for the year ended $31\ \mathrm{December}\ 2018$

		2018		2017		
			Consolidation			Consolidation
Company	% control	% interest	method	% control	% interest	method
Via Varejo (listed company) ⁽²⁾	39.37	43.23	FC	62.53	43.31	FC
Banco Investcred Unibanco S.A. (BINV) ⁽²⁾⁽³⁾⁽⁶⁾	50	21.62	EM	50	21.65	EM
Indústria de Móveis Bartira Ltda. (Bartira) ⁽⁴⁾⁽⁶⁾	100	100	FC	100	100	FC
C'nova Comercio Electronico ⁽⁴⁾⁽⁶⁾	100	100	FC	100	100	FC
International – Colombia, Uruguay and Argentina						
Éxito Group (listed company)	55.30	55.30	FC	55.30	55.30	FC
Éxito Industrias S.A.S. (formerly Distribuidora de Textiles						
y Confecciones SA DIDETEXCO) ⁽⁵⁾	97.95	97.95	FC	97.75	97.75	FC
Viva Malls Trust ⁽⁵⁾⁽⁷⁾	51	51	FC	51	51	FC
Viva Villavincencio Trust ⁽⁵⁾	51	26.01	FC	51	51	FC
Barranquilla Trust ⁽⁵⁾	90	45.9	FC	90	90	FC
Logistica y transporte de Servicios S.A.S. ⁽⁵⁾	100	100	FC	100	100	FC
Tuya SA ⁽⁵⁾	50	50	EM	50	50	EM
Grupo Disco (Uruguay) ⁽⁵⁾	75.1	62.49	FC	75.1	62.49	FC
Devoto (Uruguay) ⁽⁵⁾	100	100	FC	100	100	FC
Libertad (Argentina) ⁽⁵⁾	100	100	FC	100	100	FC
International - Indian Ocean						
Vindémia Distribution	100	99.98	FC	100	99.98	FC
Vindémia Logistique	100	100	FC	100	100	FC
BDM (Mayotte)	71.44	71.44	FC	71.44	71.44	FC
SOMAGS (Mauritius)	100	100	FC	100	100	FC
French and international holding companies						
Bergsaar BV	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	55.3	FC
Helicco	100	100	FC	100	100	FC
Intexa (listed company)	98.91	97.91	FC	98.91	97.91	FC
Marushka Holding BV	100	100	FC	100	100	FC
Ségisor SA	100	77.65	FC	100	77.65	FC
Tevir SA	100	100	FC	100	100	FC
Tonquin BV	100	100	FC	100	100	FC
Tevir SA	100	100	FC	100	100	FC
Tonguin BV	100	100	FC	100	100	FC

⁽¹⁾ At 31 December 2018, the Casino Group held 25.27% of the voting rights and 39.22% of the shares, including 13.95% classified as held for sale in accordance with IFRS 5 (note 2). (2) The percentage interests correspond to the percentages held by the GPA sub-group. As regards Via Varejo, GPA held 39.37% of the voting rights and 43.23% of the shares,

(4) The percentage interests correspond to the percentages held by the Via Varejo sub-group.

including 3.86% through a total return swap (TRS) at 31 December 2018 (note 2). On 20 February 2019, the holding increased to 36.27% following the signature of a second total return swap (TRS) (note 16).

⁽³⁾ FIC and BINV finance purchases made by GPA's customers. These entities were created through a partnership between Banco Itaú Unibanco S.A ("Itaú Unibanco"), GPA, and Via Varejo. They are accounted for by the equity method as GPA exercises significant influence over their operating and financial policies. Via Varejo's 14.24% share of FIC's net assets has been classified as held for sale in accordance with IFRS 5. BINV is a Via Varejo joint venture and has been classified in full as held for sale.

⁽⁵⁾ The percentage interests correspond to the percentages held by the Éxito sub-group. On 27 April 2015, Éxito signed a contractual agreement, initially with a two-year term, granting it more than 75% of the Disco voting rights and exclusive control over the sub-group's strategic decisions. On 29 December 2016, the agreement was extended until 30 June 2019. It will then be rolled over automatically until 30 June 2021.

⁽⁶⁾ Via Varejo's main subsidiaries and joint ventures are Cnova Comercio Electronico, BINV and Bartira. The entire sub-group has been classified as held for sale in accordance with IFRS 5.

⁽⁷⁾ The trust's governance is specified in the agreement between the parties. Éxito is the majority partner and FIC has rights with respect to certain Viva Malls business decisions concerning such matters as acquisitions and disposals in excess of a certain amount or the method of setting budgets and business plan targets. The agreement also states that Exito is the sole provider of property management, administrative and marketing services for Viva Malls and that it is paid an arm's length fee for these services. A review of the substance of FIC's rights under the agreement confirms that their effect is solely to protect FIC's investment and that, consequently, Viva Malls is controlled by Éxito.

Note 18

STANDARDS, AMENDMENTS TO EXISTING STANDARDS 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 2018:

IFRS 16 - Leases

IFRS 16, which replaces IAS 17 and the related interpretations as from 1 January 2019, removes the distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability representative of discounted future rentals for virtually all lease contracts. Operating lease expense is replaced by depreciation of the right-of-use asset and interest expense on the financial liability. Up to now, the Group has classified most of its leases as operating leases and recognised rental expense on a straight-line basis over the lease term. No asset or liability is recognised except to reflect any timing difference between the rental payment period and the period in which the related expense is recognised. Consequently, adoption of IFRS 16 will have a positive impact on performance indicators such as EBITDA and, to a lesser extent, recurring operating income, and a negative impact on net financial income and expense. Consolidated net income may also be reduced because total rental expense is generally higher at the beginning of the lease and decreases over time, unlike the straight-line charge recognised under the current standard. Additionally, net cash from operating activities will be higher as cash outflows corresponding to repayment of the principal amount of the financial liability and to interest payments will be classified as cash flows from financing activities.

The Group mostly has property leases; annual rent on the roughly 6,700 property leases amounted to €901 million in 2018, out of total rental expense for the year of €1,048 million. The adoption of IFRS 16 will affect primarily the accounting for the operating leases on the Group's stores and warehouses, operated for the most part by the Retail business.

In 2018, the Group continued to identify and analyse the data required for the application of IFRS 16 at 1 January 2019. During the year, the Group started to deploy an IT application to manage leases from an operational and financial standpoint on a fully integrated basis. The deployment process will be completed during the first half of 2019.

The Group has decided to apply the full retrospective approach on transition to IFRS 16 at 1 January 2019, by restating the comparative information for 2018.

The Group has chosen to apply the recognition exemptions in IFRS 16 concerning:

- ⋄ short-term leases: and
- leases for which the underlying asset is of low value.

Lease payments not included in the initial measurement of the financial liability (for example, variable lease payments) will be recorded in operating expense, together with payments for short-term leases and leases for which the underlying asset is of low value.

The lease term will correspond to the non-cancellable period, together with the period covered by any option to extend the lease, if the Group is reasonably certain to exercise that option, and the period covered by any option to terminate the lease, if the Group is reasonably certain not to exercise that option. The Group will apply the position of the French accounting standards authority (Autorité des normes comptables – ANC) concerning the lease term to be applied to commercial leases in France.

The discount rate used to calculate the value of the right-of-use asset and the financial liability will be determined on a country-by-country basis.

At this stage, the estimated effect of applying IFRS 16 has been determined based on property leases, which account for substantially all of the impact. It does not include the effect on equipment leases, which is in the process of being estimated.

The estimated effect on the opening statement of financial position at 1 January 2018 would be as follows (excluding equipment leases):

- ♦ an increase in assets (mainly arising from the recognition of right-of-use assets) of between €4 billion and €4.7 billion;
- an increase in liabilities (arising from the recognition of a financial liability) of between €4.3 billion and €4.9 billion;
- ♦ a reduction in equity, before tax, of between €0.3 billion and €0.5 billion.

Most of the impact on the Group's financial statements would concern the Casino Group and would break down as follows by segment:

(€ billions)	France Retail	Latam Retail	E-commerce	Group total
Right-of-use	2.4 to 2.8	1.2 to 1.5	0.1 to 0.2	3.7 to 4.2
Lease liabilities	2.5 to 2.9	1.4 to 1.6	0.1 to 0.2	4.0 to 4.5
Equity, before tax	0.1 to 0.2	0.2 to 0.3	n.m.	0.2 to 0.4

Consolidated financial statements for the year ended 31 December 2018



The impact on income attributable to owners of the parent will not be material.

The Group has chosen to present right-of-use assets and the related financial liabilities on separate lines of the consolidated statement of financial position. "Net debt" as defined by the Group (note 11) will not be impacted by the application of IFRS 16.

The actual effect of applying IFRS 16 at 1 January 2019 may be different from the above estimates for the following reasons:

- the Group has not yet completed its tests and assessments of controls over the new lease accounting system; and
- the Group may change the chosen methods of applying new accounting standards in the period up to the date when its first financial statements presented in accordance with IFRS 16 are published (i.e., the 2019 interim financial statements).

At 31 December 2018, off-balance sheet non-cancellable operating lease commitments (property and equipment) amounted to €3,591 million based on IAS 17 (note 7.2).

The difference between this off-balance sheet commitment and the estimated financial liability for property leases under IFRS 16 can be explained primarily as follows:

- the financial liability is greater because the estimate is based on the period during with the Group is reasonably certain of using the asset, which is longer than the non-cancellable period;
- the effect of this is offset by the effect of discounting the future lease payments, unlike under IAS 17.

In the absence of any generally accepted position concerning the application of impairment tests, the Group has not performed new impairment tests taking into account the effects of applying IFRS 16.

The accounting treatment of leases by the lessor is similar to that under IAS 17; leases continue to be classified as finance leases or operating leases as applicable. Based on the above, the Group does not expect the application of IFRS 16 to have a material impact on the financial statements, with regards to leases where the Group is lessor. However, certain additional disclosures will be made as from 2019.

IFRIC 23 – Uncertainty over Income Tax Treatments

This interpretation is applicable at 1 January 2019, using the full or partial retrospective approach.

IFRIC 23 explains how to reflect the effects of uncertainty in accounting for current and deferred tax assets and liabilities under IAS 12 – Income taxes. It clarifies the following main points:

- judgement should be used to determine whether uncertain tax treatments should be considered separately or together;
- an entity should assume that the taxation authority will examine all amounts reported to it and will have full knowledge of all relevant information when doing so;
- the decision whether to recognise current and deferred tax assets and liabilities should be made based on the probability (i.e., is it more probable than not) that the asset will be recovered or the liability will be paid:
- if it is not probable that the taxation authority will accept an uncertain tax treatment, the provision should be based on the estimated amount that the entity expects to pay or recover, as determined by (a) the most likely amount method or (b) a method based on the weighted average of the various possible scenarios.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

These amendments are applicable at 1 January 2019 on a retrospective basis.

The amendments expand the classification of financial assets at amortised cost or at fair value through other comprehensive income and clarify the application of the "solely a payment of principal and interest" test to certain debt instruments with a prepayment feature where the effect of exercising this clause would reasonably lead to repayments that are lower than the amount of principal and interest due.

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Standards and interpretations not adopted by the European Union at the reporting date.

The IASB has published the following standards, amendments to existing standards and interpretations applicable to the Group which have not yet been adopted by the European Union:

Standard (application date for the Group subject to adoption by the EU)	Description of the standard
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (1 January 2019)	These amendments will be applicable on a retrospective basis. These amendments clarify that IFRS 9 (including the impairment rules) applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
IFRS Annual Improvements Cycles 2015-2017 cycle (1 January 2019)	The main standards concerned are: - IAS 12 - Income Taxes: These amendments clarify that the tax consequences of dividend payments (i.e., distributions of income) should be recognised in profit or loss, equity or other comprehensive income according to where the transactions that generated the distributed income were presented. They will be applicable on a retrospective basis as from the first comparative period presented. - IAS 23 - Borrowing Costs: These amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally. These amendments are applicable on a prospective basis,
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (1 January 2019)	These amendments are applicable on a prospective basis, to plan amendments, curtailments and settlements of defined benefit plans. They require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement.
Amendments to IFRS 3 Definition of a Business (1 January 2020)	These amendments, which will be applicable on a prospective basis, narrow and clarify the definition of a business and the application guidance for the assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Under the amended definition, to be considered a business, the integrated set of activities and assets must create output in the form of goods and services delivered to customers, rather than being conducted and managed for the purpose of providing a return to investors or other owners, members or participants. In addition, an optional concentration test has been introduced to simplify the assessment of whether an integrated set of activities and assets is a group of assets and not a business.
Amendments to IAS 1 and IAS 8 Definition of Materiality (1 January 2020)	These amendments, which will be applicable on a prospective basis, amend and expand the definition of materiality in IAS 1 and IAS 8. They also align the definition of materiality with the wording of the IFRS Conceptual Framework.

These interpretations and amendments are not expected to have any material impact on the Group's consolidated financial statements.

Chapter 4

PARENT COMPANY FINANCIAL STATEMENTS



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Statutory auditors' report on the financial statements



This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2018

To the Shareholders of Rallye,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Rallye for the year ended December 31, 2018.

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, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion ____

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters_

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

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Valuation of investments in subsidiaries

See Notes I.1.2 and III.6 « Financial assets » to the financial statements

At 31 December 2018, the net carrying amount of investments in subsidiaries recorded in the Companu's statement of financial position amounted to M€ 3.317. i.e. 64% of total assets.

Investments in subsidiaries and the related technical losses are recognized at their cost or transfer value. Impairment losses are recognized where the carrying amount of investments, including the allocated portion of technical losses, exceeds value in use.

Your Company measures the value in use of its investments in subsidiaries 🔞 the methods and parameters used to determine the discount rates applied 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.

We deemed the valuation of investments in subsidiaries, including those relating to Casino, Guichard Perrachon, to be a key audit matter given * the comparable multiples (sales and profitability indicators), for which we their materiality in your Company's statement of financial position and Management's use of material judgements, estimates and assumptions to which the assessment may be sensitive.

We examined the compliance of the methodology used by Management with current accounting standards.

We also assessed the main estimates used and analyzed in particular:

- the correspondence of projected cash flows to the medium-term plans established by Management using internal and external data and their consistency with the historical performance of the relevant companies and the economic environment;
- to estimated cash flows. With the assistance of our valuation experts, we recalculated the discount rates and compared them with those used by major financial analysts, as well as with observed rates for several companies operating in the same business segment as the Group;
- assessed the calculation method and compared values with observed seament performances:
- the sensitivity scenarios used by Management. Lastly, we examined the appropriateness of the disclosures provided in the Notes to the financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-4 of the French Commercial Code (Code de commerce).

Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (Code de commerce).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (Code de commerce), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Rallye by your Annual General Meeting held on June 29, 1993 for KPMG S.A. and on June 1, 1999 for ERNST & YOUNG et Autres.

As at December 31, 2018, KPMG and ERNST & YOUNG et Autres were in the twentieth year and twenty-sixth year of total uninterrupted engagement respectively.

Previously, Barbier Finault et Associés had been statutory auditor since 1995.

Responsibilities of Management and Those Charged with Governance for the Financial Statements_____

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements _____

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and
 events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 22 March 2019 The Statutory Auditors French original signed by

KPMG Audit
Catherine Chassaing

Ernst & Young et Autres Henri-Pierre Navas

Parent company financial statements



Income statement____

(€ millions)	Notes	2018	2017
Net revenue		3.6	1.3
Other purchases and external expenses		(21.9)	(15.3)
Taxes and duties		(0.3)	(0.4)
Payroll expenses		(6.0)	(6.2)
Net additions to depreciation, amortisation and provisions		(7.8)	(5.0)
Other net operating expenses		(0.2)	(0.2)
Operating income (loss)	1	(32.7)	(25.8)
Financial income		237.8	204.9
Financial expenses		(155.6)	(128.5)
Net financial income	2	82.2	76.3
Recurring income before tax		49.6	50.6
Non-recurring income			0.3
Non-recurring expenses		(2.5)	(2.3)
Non-recurring income (expense)	3	(2.5)	(2.1)
Income tax	4		9.5
NET INCOME		47.1	58.0

Statement of financial position_____

Assets

		a	Depreciation, mortisation and		
(€ millions)	Notes	Gross	impairment	31 December 2018	31 December 2017
Intangible assets	5	0.1	0.1		
Property, plant and equipment	5	0.6	0.4	0.2	0.2
Long-term investments	6	4,001.4	669.1	3,332.3	3,280.6
Total non-current assets		4,002.1	669.6	3,332.5	3,280.8
Receivables	7	1,384.4		1,384.3	1,399.7
Derivative financial instruments	8	3.8		3.8	4.1
Marketable securities	9	242.8		242.8	
Cash and cash equivalents	9	160.6		160.6	105.2
Prepaid expenses	7	0.3		0.3	0.6
Total current assets		1,791.9		1,791.8	1,509.6
Accruals and other assets	10	37.5		37.5	24.1
TOTAL ASSETS		5,831.5	669.6	5,161.9	4,814.5

Total shareholders' equity and liabilities

(€ millions) Notes	31 December 2018	31 December 2017
Share capital	161.2	156.2
Share issue premiums	1,495.7	1,483.3
Reserves	40.8	39.8
Retained earnings	43.0	37.2
Net income for the year	47.1	58.0
Shareholders' equity 11	1,787.7	1,774.5
Provisions 12	5.3	21.9
Borrowings and financial liabilities 13	3,101.8	2,993.2
Accounts payable 14	7.7	6.1
Other liabilities 14	246.7	3.0
Derivative financial instruments 8	7.3	6.4
Deferred income 14	2.9	5.5
Total liabilities	3,366.5	3,014.2
Accruals and other liabilities 10	2.3	3.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,161.9	4,814.5

Cash flow statement_____

(€ millions)	2018	2017
Cash flow from operating activities		
Net income	47.1	58.0
Elimination of non-cash and non-operating expenses and income:		
Amortisation, depreciation and provisions	27.4	32.6
Capital gains on disposals, net of tax	2.5	0.8
Cash from operating activities before change in working capital	77.0	91.4
Change in working capital related to operating activities:		
Net operating receivables	8.7	(11.7)
Accounts payable	1.8	0.2
Net cash flow from operating activities (A)	87.5	79.9
Cash flow from investing activities:		
Acquisition of property, plant and equipment and intangible assets		(O.1)
Disposal of property, plant and equipment and intangible assets		
Acquisition of long-term investments	(63.8)	(10.1)
Disposal of long-term investments		
Net cash flow used in investing activities (B)	(63.8)	(10.2)
Cash flow from financing activities:		
Dividends paid to shareholders of the Company	(18.0)	(15.3)
Increase in financial liabilities	1,043.0	661.6
Decrease in financial liabilities	(980.3)	(682.4)
Change in financial instruments	0.5	(1.1)
Change in accrued interest	(2.8)	7.5
Current account advances to subsidiaries of the Company	(10.6)	(3.7)
Net cash flow used in financing activities (C)	31.8	(33.5)
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	55.4	36.3
Cash and cash equivalents at beginning of year (D)	105.2	68.9
Cash and cash equivalents at end of year (E)	160.6	105.2
CHANGE IN CASH AND CASH EQUIVALENTS (E-D)	55.4	36.3



Notes to the parent company financial statements



ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the French generally accepted accounting principles approved by ministerial decree dated 26 December 2017 and all additional regulations issued by the French accounting standards authority (Autorité des normes comptables – ANC).

The accounting policies applied are consistent with those used for the previous year.

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 to 3 years
Furniture, office equipment	2 to 10 years
Transportation equipment	4 years
Fittings and improvements	10 years

1.2. Long-term investments

Investments in subsidiaries and associates

Investments in subsidiaries and associates and any related technical losses are recognised in the statement of financial position at their cost or transfer value. Impairment losses are recognised where the carrying amount of investments, including the allocated portion of technical losses, exceed value in use.

Rallye measures the value in use of its investments in subsidiaries and associates on the basis of several criteria, including net asset value, adjusted net asset value, present value of future cash flows net of debt, comparable multiples and independent valuations. An impairment of any current account or a provision for risks may be recognised when the subsidiary has negative shareholders' equity. The methods used to measure the value in use of shares are consistent from one year to the next.

Other long-term investments

Other long-term investments mainly include loans and other long-term investments recorded at cost in the statement of financial position. 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. With regard to Rallye shares held for cancellation, no impairment losses were recognised.

1.3. Receivables

Receivables are recorded under assets at their nominal value. A provision for impairment is recorded when their fair value, taking account of recoverability, is lower than their carrying amount.

1.4. Marketable securities

Marketable securities are recognised at their acquisition value. An impairment loss is recorded when the acquisition value is lower than the year-end net asset value.

Securities borrowed for a period of less than one year are recorded at fair value on the transaction date. At year-end, securities are measured at the closing price on the last trading day.

1.5. Bond redemption premiums and deferred charges_____

Bond issue and redemption premiums and arranging fees for bank loans and lines of credit are deferred and recognised over the term of the loans and lines of credit based on their terms and conditions.

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. A provision for risks is recorded for unrealised foreign currency exchange 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.

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. No liability is recognised for plans settled in new shares.

Other provisions correspond to specifically identified risks and expenses, and are detailed in note 12 to the financial statements.

1.8. Liabilities_

Accounts payable and other liabilities are recorded at their nominal value.

Liabilities representing debt securities are recorded under "Other liabilities" at fair value on the transaction date. The liability is measured based on the market value of the securities at year-end. Income relating to this transaction is recorded in the income statement on a pro rata basis.

1.9. Financial instruments

The Company uses various financial instruments to hedge its exposure to interest rate and currency risk. The instruments used are swaps, floors, put and call options.

The income and expenses resulting from financial instruments are recognised in the income statement for the period on a pro rata basis.

When hedge accounting is not applied, financial instruments are measured at fair value in the statement of financial position. A provision is booked for net unrealised losses resulting from changes in the estimated market value of the financial instruments.

Financial instruments that qualify for hedge accounting are recorded at their nominal value in off-balance sheet commitments. Changes in fair value are not recognised in the statement of financial position except when this accounting treatment is symmetrical with that applied to the hedged items.

1.10. Recurring income_

Recurring income includes all the income and expenses relating to the Company's ordinary activities, and items that are part of the continuation of such activities.

1.11. Non-recurring income (expense)_____

Non-recurring income (expense) includes the income and expenses that do not correspond to the Company's ordinary activities or that are material in view of their amounts.

1.12. Income tax_

Rallye is the head of a tax group that includes its subsidiaries that meet the eligibility criteria. At 31 December 2018, the tax group consisted of 15 companies.

The tax consolidation agreement signed between Rallye and the members of the tax group, which took effect as from 1 January 2015, sets out the terms and conditions for the allocation of tax within the tax group:

- Groupe GO Sport and its subsidiaries recognise the tax expense that they would have paid had they been taxed on a stand-alone basis. Any tax savings generated by Groupe GO Sport and its subsidiaries continue to be allocated to Groupe GO Sport;
- the other members of the tax group do not recognise a tax expense, since this is directly and definitively paid by Rallye.

In the event that a subsidiary leaves the tax group, Rallye is solely liable for the payment of tax and any other charges that may be due. Rallye may compensate the subsidiary leaving the scope for additional taxes that might be due as a result of belonging to the Group.

II.

SIGNIFICANT EVENTS OF THE YEAR

Successful issue of a CHF 95 million bond maturing in February 2024

On 8 February 2018, Rallye issued a CHF 95 million bond maturing in six years and paying annual interest at 3.25%. After hedging the foreign exchange risk, interest on the bonds converted into euros is 4.23%.

Physical settlement of the Casino equity swap

On 9 March 2018, Rallye settled the equity swap by exercising its option to take delivery of 840,495 Casino shares.

Scrip dividend option

On 23 May 2018, the Annual Shareholders' Meeting approved the payment of a dividend of \in 1.00 per share for the 2017 financial year with an option for payment in shares. On 21 June 2018, following the exercise of 63.9% of the rights, 3,058,947 new shares were created representing 5.9% of the capital, enabling Rallye to increase its equity by \in 33.2 million.

Signature of a €500 million credit facility maturing in June 2020

On 16 September 2018, Rallye increased its liquidity position by signing a credit facility maturing 30 June 2020 for an amount of €500 million. This confirmed credit facility does not benefit from any pledge on Casino shares

Exchangeable bonds maturing in October 2020 redeemed for €370 million

On 2 October 2018, 99% of the holders of 2020 exchangeable bonds exercised their put options. The 3,738,479 bonds were redeemed for cash, representing €370 million (excluding accrued interest) out of a total issue amount of €375 million.

Loan of securities

On 3 October 2018, Rallye signed a securities lending agreement for 6,681,492 Casino shares maturing June 2019 with its subsidiary, Alpétrol.

III. Notes on items in the financial statements

Note 1 OPERATING INCOME (LOSS)

1.1. Breakdown

(€ millions)	2018	2017
Net revenue		
- Services	3.1	0.9
- Financial services	0.5	0.4
Operating income	3.6	1.3
Other purchases and external expenses	21.9	15.3
Taxes and duties	0.3	0.4
Payroll expenses	6.0	6.2
Net additions to depreciation, amortisation and provisions	7.8	5.0
Other operating expenses	0.2	0.2
Operating expenses	36.3	27.1
Operating income (loss)	(32.7)	(25.8)

Revenue is chiefly generated in France and mainly comprises services to subsidiaries.

Other purchases and external expenses mainly include bank commissions and fees. Other operating expenses mainly concern directors' fees paid to the Company's Directors.

Expense transfers are recorded by type within "Other purchases and external expenses" and concern debt issuance costs of €17.9 million in 2018 and €3.8 million in 2017.

1.2. Number of employees and compensation paid to Directors and management_____

	31 December 2018	31 December 2017
Managers	22	22
Employees	1	1
Total average number of employees	23	23
Compensation awarded to Directors (€ millions)	1.3	1.0

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Note 2 Net financial income

2.1. Breakdown

(€ millions)	2018	2017
Income from investments in subsidiaries and associates	113.1	110.4
Reversals of provisions and expense transfers	24.3	1.7
Interest and similar income	100.5	92.6
Foreign exchange gains		0.2
Financial income	237.8	204.9
Interest and similar expenses	139.4	102.0
Additions to financial provisions	16.2	26.5
Financial expenses	155.6	128.5
Net financial income	82.2	76.3

In 2018, income from investments in subsidiaries and associates, in the amount of \in 113.1 million, consisted of dividends received from Casino, including the \in 56.5 million final dividend for 2017 and a \in 56.5 million interim dividend for 2018.

In 2017, income from investments in subsidiaries and associates, in the amount of \in 110.4 million, consisted of dividends received from Casino, including the \in 55.2 million final dividend for 2016 and a \in 55.2 million interim dividend for 2017.

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 €4.5 million (of which €3.6 million for Parande shares, €0.7 million for Miramont Finance & Distribution shares and €0.2 million for Magasins Jean shares);
- Rallye shares held under the liquidity agreement at the end of the previous year for €1.8 million;
- ♦ the 2020 exchangeable bond redemption premium for €3.2 million;
- ♦ the amortisation of early redemption premiums on bonds for €2.2 million and redemption premiums on bonds redeemed at maturity for €0.1 million;
- ♦ the unrealised loss on the two total return swaps (TRSs) on Mercialys shares for €4.3 million.

Reversals of provisions in 2018 concerned a swaption for 0.1 million and the redemption premium on the 2020 exchangeable bond, virtually all of which (0.124.2 million) was redeemed.

Movements in provisions and impairment in 2017 were primarily attributable to:

- ♦ the impairment of the shares of Parande for €18.4 million and Magasins Jean for €0.2 million;
- ♦ the 2020 exchangeable bond redemption premium for €5 million;
- the amortisation of early redemption premiums on bonds for €2.2 million and redemption premiums on bonds redeemed at maturity for €0.1 million;
- ♦ the provisions on Rallye shares held under the liquidity agreement at the end of the previous year for €0.5 million;
- ♦ the reversal of provisions on the shares in Miramont Finance
 & Distribution for €1.2 million; and
- ♦ the reversal of provisions on an interest rate instrument for €0.5 million.

2.3. Breakdown of interest and similar income_

(€ millions)	2018	2017
Interest on current accounts ⁽¹⁾	79.5	77.2
Financial income on interest rate hedging instruments	8.0	8.3
Miscellaneous financial income	13.0	7.1
Interest and similar income	100.5	92.6

⁽¹⁾ Interest on current accounts primarily concerns interest on advances under the centralised cash management system.

In 2018, miscellaneous financial income primarily comprised:

- the income from Casino securities borrowed by Rallye from Alpétrol for €10.4 million;
- ♦ the dividends received in respect of two TRSs on Mercialys shares for €2.2 million

In 2017, miscellaneous financial income included a technical premium of $\in \! 1.2$ million recognised following the dissolution of Matignon Sablons, late interest for $\in \! 1.3$ million and dividends received for $\in \! 4.5$ million in respect of an equity swap agreement on Casino shares and two total return swaps on Mercialys shares.

2.4. Breakdown of interest and similar expenses

(€ millions)	2018	2017
Interest on financial liabilities	93.3	91.5
Interest on current accounts	0.2	0.4
Financial expenses on interest rate hedging instruments	2.8	4.3
Miscellaneous financial expenses	43.2	5.9
Interest and similar expenses	139.4	102.0

In 2018, miscellaneous financial expenses mainly comprised:

- the transfer to Alpétrol of income from borrowed Casino securities for €10.4 million;
- ♦ the 2020 exchangeable bond redemption premium for €24.2 million;
- ♦ the deferral of an option premium for €4.7 million.

In 2017, miscellaneous financial expenses mainly comprised the deferral of an option premium for \in 4.7 million and interest expenses on an equity swap agreement and two TRSs for \in 1.1 million.

Note 3 Non-recurring income (expense)

(€ millions)	2018	2017
Gains (losses) on disposals of financial assets ⁽¹⁾	(2.5)	(2.0)
Other non-recurring income (expenses)		(O.1)
Non-recurring income (expense)	(2.5)	(2.1)

⁽¹⁾ Gains (losses) on disposals of financial assets concern the sale of Rallye shares held under the liquidity agreement (see note 6.4).

NOTE 4 INCOME TAX

(€ millions)	2018	2017
Recurring income	49.6	50.6
Non-recurring income (expense)	(2.5)	(2.1)
Income before tax	47.1	48.5
3% tax on dividends		9.5
Income after tax	47.1	58.0

Rallye is the head of the tax consolidation group. In 2018, the tax group recorded a loss. Accordingly, no tax expense was recorded. Rallye would not have been taxable had it not elected for group relief.

The €9.5 million income tax benefit recorded in the 2017 financial statements corresponds to the 3% tax on distributed earnings for the years 2013 to 2016 that is due to be refunded to the Company.

At 31 December 2018, the tax group had tax loss carryforwards amounting to $\[\le \]$ 2,627 million, which may be carried forward indefinitely. Long-term capital loss carry-forwards amounting to $\[\le \]$ 0.2 million were recorded within the tax consolidation group and may be offset against the same type of long-term gains until 31 December 2027.

${\color{red}N}$ ote ${\color{red}5}$ Intangible assets and property, plant and equipment

5.1. Breakdown____

(€ millions)	31 December 2018	31 December 2017
Intangible assets, gross	0.1	0.1
Amortisation	(0.1)	(O.1)
Intangible assets, net		
Land	0.1	0.1
Buildings	0.3	0.3
Other property, plant and equipment	0.2	0.2
Property, plant and equipment, gross	0.6	0.6
Depreciation	(0.4)	(0.4)
Property, plant and equipment, net	0.2	0.2
Intangible assets and property, plant and equipment, net	0.2	0.2

5.2. Movements____

		Depreciation	
(€ millions)	Gross	and amortisation	Net
At 1 January 2017	0.8	(0.6)	0.2
Increases	O.1		0.1
Decreases	(O.1)	0.1	
At 31 December 2017	0.8	(O.5)	0.2
Increases	(O.1)	(0.1)	(0.1)
Decreases			
At 31 December 2018	0.7	(0.6)	0.2

Note 6 Long-term investments

6.1. Breakdown

_(€ millions)	31 December 2018	31 December 2017
Investments in subsidiaries and associates	3,929.0	3,880.0
Technical losses from merger transactions allocated to investments in subsidiaries and associates ⁽¹⁾	54.6	54.6
Impairment	(666.8)	(662.3)
Investments in subsidiaries and associates, net	3,316.8	3,272.3
Other long term investments	0.6	0.6
Treasury shares	17.2	8.1
Impairment of treasury shares	(2.2)	(0.5)
Other long-term investments, net	15.5	8.2
Long-term investments, net	3,332.3	3,280.6

⁽¹⁾ Technical losses from merger transactions are allocated to Casino shares.

6.2. Movements____

(€ millions)	Gross	Provisions	Net
At 1 January 2017	3,945.5	(644.7)	3,300.8
Increases	0.1	(18.8)	(18.6)
Decreases	(11.0)	1.2	(9.8)
At 31 December 2017	3,934.6	(662.3)	3,272.3
Increases	49.0	(4.5)	44.4
Decreases			
At 31 December 2018	3,983.6	(666.8)	3,316.8

In 2018, the increase in investments in subsidiaries and associates of $\mbox{\ensuremath{\mbox{\ensuremath{}}}} 49$ million was attributable to the physical settlement of an equity swap concerning 840,495 Casino shares.

In 2017, increases and decreases in long-term investments were mainly attributable to Groupe GO Sport shares transferred to Rallye in connection with the dissolution of its wholly-owned subsidiary Matignon Sablons for $\epsilon0.1$ million and the cancellation of Matignon Sablons shares for $\epsilon11$ million.

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. Impairment losses are recorded when their carrying amount exceeds value in use. Value in use is determined on the basis of several criteria depending on the activities of the companies concerned.

At 31 December 2018, 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 impairment losses of $\ensuremath{\in} 4.5$ million, including $\ensuremath{\in} 3.6$ million for Parande and $\ensuremath{\in} 0.7$ million for Miramont Finance & Distribution (see note 2.2).

At 31 December 2018, during the annual asset impairment test, the historical value of Rallye's stake in the share capital of Casino was compared to its value in use and did not give rise to the recognition of an impairment loss.

The value in use of Casino shares is estimated using a multicriteria method using:

- the present value of future cash flows net of debt;
- comparable multiples (sales and profitability indicators), to which a control premium of 25% is applied.

This multicriteria method is based on market inputs which are by definition, subject to fluctuations.

In 2018, the value in use of Casino shares was calculated on the basis of a perpetual growth rate of 3% (as in 2017) and a discount rate of 8.2% (8.4% in 2017). A 50-basis point increase or decrease in the perpetual growth rate used to calculate terminal value would not have led to the recognition of an impairment loss.

A list of the Company's subsidiaries and associates is provided at the end of the notes to the financial statements.

6.4. Treasury shares

Rallye signed a liquidity agreement with Rothschild & Cie Banque. The agreement authorised Rothschild & Cie Banque to trade in the Company's shares on Euronext Paris on its behalf, in order to ensure a liquid market for the shares and ensure share price stability.

In 2018, Rallye bought back a portion of its own shares for cancellation. Changes in the value and number of shares were as follows:

		2018		2017		
(€ millions)	Rallye shares under the liquidity agreement	Rallye shares held for cancellation	Total	Rallye shares under the liquidity agreement	Rallye shares held for cancellation	Total
Gross value at 1 January	8.1		8.1			
Purchases	16.1	18.6	34.7	34.7		34.7
Sales	(9.8)		(9.8)	(26.6)		(26.6)
Cancellations		(15.8)	(15.8)			
Gross value at 31 December	14.4	2.8	17.2	8.1		8.1
Provision at 1 January	(0.5)		(0.5)			
Additions	(1.8)		(1.8)	(0.5)		(0.5)
Reversals						
Provision at 31 December	(2.2)		(2.2)	(0.5)		(0.5)
Net value of Rallye shares	12.1	2.8	14.9	7.6		7.6

		2018			2017	
	Rallye shares under the liquidity agreement	Rallye shares held for cancellation	Total	Rallye shares under the liquidity agreement	Rallye shares held for cancellation	Total
Number of shares held at 1 January	513,000		513,000			
Purchases	1,452,349	1,973,407	3,425,756	1,910,322		1,910,322
Sales	(629,803)		(629,803)	(1,397,322)		(1,397,322)
Cancellations		(1,663,835)	(1,663,835)			
At 31 December	1,335,546	309,572	1,645,118	513,000		513,000

PARENT COMPANY 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 2018	31 December 2017
Non-current receivables		
Trade receivables	80.1	74.4
Current account advances	1,280.1	1,272.2
Tax and employee-related receivables	1.4	12.6
Other operating receivables	22.8	40.5
Current receivables	1,384.3	1,399.7
Prepaid expenses	0.3	0.6
of which:		
due in 1 year or less	89.9	112.6
due in more than 1 year	1,294.8	1,287.8

Current account advances are granted by Rallye to its subsidiaries as part of the centralised cash management system and are due in more

In 2017, tax and employee-related receivables included €11.2 million corresponding to the 3% tax on distributed earnings for the years 2013 to 2017 that is due to be refunded to the Company, together with related late interest.

Other operating receivables include:

- ♦ security deposits paid in connection with the Mercialys TRS for €5.2 million;
- ♦ the €14.5 million premium on the Casino call option;
- ♦ €3.1 million in accrued interest on hedging instruments.

Note 8

FINANCIAL INSTRUMENTS

In application of the accounting policies set out in note 1.9, financial instruments are measured at fair value in the statement of financial position by debiting or crediting a suspense account included in accruals and other assets or liabilities.

8.1. Financial instruments - assets_

(€ millions)	31 December 2018	31 December 2017
Swaption	0.4	0.2
TRS on Mercialys shares		3.9
Cross currency swap (CHF)	3.4	
Derivative financial instruments – assets	3.8	4.1

8.2. Financial instruments - liabilities

(€ millions)	31 December 2018	31 December 2017
TRS on Mercialys shares	4.3	1.0
Cross currency swap (CHF)	3.0	5.4
Derivative financial instruments - liabilities	7.3	6.4

Note 9 Marketable securities and cash and cash equivalents

Marketable securities and cash and cash equivalents break down as follows:

(€ millions)	31 December 2018	31 December 2017
Marketable securities ⁽¹⁾	242.8	
Cash	160.6	105.2
Gross cash and cash equivalents	403.5	105.2

⁽¹⁾ At 31 December 2018, "Marketable securities" comprise Casino securities subject to a securities lending agreement maturing in June 2019. These securities are recognised in the statement of financial position at their year-end market value.

NOTE 10

ACCRUALS AND OTHER ASSETS AND LIABILITIES

10.1. Accruals and other assets_____

(€ millions)	31 December 2018	31 December 2017
Unrealised losses on derivative financial instruments	6.6	1.0
Deferred loan arranging fees and bond early redemption premiums	30.7	22.6
Bond redemption premiums	0.3	0.4
Accruals and other assets	37.5	24.1
Of which:		
due in 1 year or less	21.9	8.2
due in more than 1 year	15.6	15.9

10.2. Accruals and other liabilities_____

At 31 December 2018 and 2017, accruals and other liabilities consist of unrealised gains on derivative financial instruments for €2.3 million and €3.9 million, respectively.

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NOTE 11 SHAREHOLDERS' EQUITY

11.1. Breakdown_

At 31 December 2018, share capital amounted to €161,214,798, made up of 53,738,266 shares with a par value of €3.

(€ millions)	31 December 2018	31 December 2017
Share capital	161.2	156.2
Share issue, merger and contribution premiums	1,495.7	1,483.3
Legal reserve	15.6	14.6
Tax-driven reserves	1.4	1.4
Other reserves	23.7	23.7
Retained earnings	43.0	37.2
Net income for the year	47.1	58.0
Shareholders' equity	1,787.7	1,774.5

11.2. Changes in shareholders' equity_____

(€ millions)	2018	2017
At 1 January	1,774.5	1,731.8
Increase in capital ⁽¹⁾	10.0	9.7
Reduction in capital ⁽²⁾	(5.0)	
Share issue premium ⁽³⁾	12.4	43.4
Dividend paid	(51.2)	(68.4)
Net income for the year	47.1	58.0
At 31 December	1,787.7	1,774.5

⁽¹⁾ At 31 December 2018, the increase in capital reflects the 2017 scrip dividend option (€9.2 million) and the issuance of shares under the two free share plans that matured in 2018 (€0.8 million).

11.3. Movements in share capital and number of shares_

	2018	2017
Number of shares at 1 January	52,064,824	48,831,113
Issuance of shares	278,330	50,714
Cancellation of shares	(1,663,835)	
Scrip dividends	3,058,947	3,182,997
Number of shares at 31 December	53,738,266	52,064,824

11.4. Potential dilution

	31 December 2018	31 December 2017
Number of shares	53,738,266	52,064,824
Free shares to be issued	368,564	423,951
Total number of potential shares	54,106,830	52,488,775

⁽²⁾ The decrease in capital was due to the cancellation of treasury shares.
(3) Changes in the 2018 share issue premium were attributable to €24 million increase following the payment of scrip dividends, a €0.8 million decrease as a result of the issuance of shares and a €10.8 million decrease following the cancellation of treasury shares.

11.5. Securities carrying rights to shares of the Company_____

A breakdown of free share plans at 31 December 2018 is provided in the following table:

Grant date	3 April 2017	23 May 2018
End of vesting period	3 April 2019	23 May 2020
End of lock-up period	3 April 2021	23 May 2022
Number of shares initially awarded	145,621	222,943
Number of shares that may be issued or purchased	145,621	222,943
Number of shares cancelled		
Value of shares at time of award (in €)	13.75	9.61
Service condition	Yes	Yes
Performance conditions	Yes	Yes

NOTE 12 PROVISIONS

12.1. Breakdown

(€ millions)	31 December 2018	31 December 2017
Provision for financial instruments	4.3	0.1
Provision for redemption premiums	0.3	21.3
Provision for pension commitments	0.6	0.5
Provisions	5.3	21.9

12.2. Movements

(€ millions)	2018	2017
At 1 January	21.9	17.2
Additions	7.7	5.1
Reversals	(24.3)	(0.5)
At 31 December	5.3	21.9
Of which:		
- operating		0.4
- financial	16.6	(5.1)

Additions for the year concerned the 2020 exchangeable bond redemption premium for \in 3.3 million, the fair value adjustment to two TRSs for \in 4.3 million and pension commitments for \in 0.1 million.

Reversals for the year primarily concern the 2020 exchangeable bond redemption premium.

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NOTE 13 FINANCIAL LIABILITIES

13.1. Breakdown of financial liabilities.

(€ millions)	31 December 2018	31 December 2017
Bonds exchangeable for Casino shares	206.6	577.9
Other bonds	1,310.3	1,519.2
Bank borrowings	1,492.7	568.1
Commercial paper and other financial liabilities	92.3	315.5
Bank overdrafts		12.5
Borrowings and financial liabilities ⁽¹⁾	3,101.8	2,993.2

⁽¹⁾ Of which €49.6 million in accrued interest at 31 December 2018 and €51.6 million at 31 December 2017.

13.2. Maturity of financial liabilities_

(€ millions)	31 December 2018	31 December 2017
Due within one year	511.8	729.5
Due in one to five years	2,505.8	1,913.7
Due in more than five years	84.3	350.0
Total	3,101.8	2,993.2

At 31 December 2018, financial liabilities due within one year correspond to:

- the short-term portion of bond debt for €300 million and bank debt for €50 million;
- ♦ a €20 million line of credit and negotiable European commercial paper (NEU CP) for €92.2 million;
- ♦ accrued interest at 31 December 2018 for €49.6 million.

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13.3. Breakdown of borrowings_

				Nominal amou	nt (€ millions)
	Fixed rate	Issue date	Maturity date	31 December 2018	31 December 2017
2018 bond	5.00%	October 2012	October 2018		300.0
2019 bond	4.25%	March 2013	March 2019	300.0	300.0
2020 exchangeable bond ⁽¹⁾	1.00%	October 2013	October 2020	4.6	375.0
2021 bond	4.00%	April 2014	April 2021	464.6	464.6
2020 CHF bond ⁽²⁾	4.00%	November 2016	November 2020	66.6	64.1
2022 exchangeable bond ⁽³⁾	5.25%	October 2016	February 2022	200.0	200.0
2023 bond	4.37%	May 2017	January 2023	350.0	350.0
2024 CHF bond ⁽⁴⁾	3.25%	February 2018	February 2024	84.3	
Accrued interest				46.8	43.4
Total bonds				1,516.9	2,097.1
Other bank borrowings				540.0	560.0
Drawn credit lines				950.0	
NEU-CP				92.2	315.4
Bank overdrafts					12.5
Accrued interest				2.8	8.2
Total other borrowings and financial liabil	lities			1,585.0	896.1
Total financial liabilities				3,101.8	2,993.2

PARENT COMPANY FINANCIAL STATEMENTS

13.4. Liquidity risk of financial liabilities_

Rallye has substantial confirmed credit lines. At 31 December 2018, these undrawn, confirmed credit lines amounted to €1,291 million.

(€ millions)		Authorised	Drawn	Maturity
Confirmed credit lines	Variable rate	45	20	2019
Confirmed credit lines	Variable rate	815	180	2020
Confirmed credit lines	Variable rate	221	80	2021
Confirmed credit lines	Variable rate	710	595	2022
Confirmed credit lines	Variable rate	300		2023
Confirmed credit lines	Variable rate	150	75	2024
Total		2,241	950	

Loans and credit lines may give rise to a pledge of Casino shares. At 31 December 2018, 38,227,536 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 2018
Consolidated EBITDA ⁽¹⁾ /Cost of consolidated net debt	> 2.75	4.14
Rallye SA shareholders' equity	> €1.2 billion	€1.8 billion

⁽¹⁾ EBITDA corresponds to recurring operating income plus recurring net depreciation and amortisation expense.

These covenants were respected at 31 December 2018.

⁽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%. Bonds which have not been exchanged at maturity will be redeemed with a premium of 9.36%. The bonds issued are exchangeable for Casino shares at an exchange ratio of 1.0209 Casino shares for one bond. Bondholders representing 3,738,479 bonds exercised an early redemption option on 2 October 2018; 46,723 bonds remained outstanding at 31 December 2018.

⁽²⁾ The nominal amount corresponds to the CHF 75 million bond issue converted at the year-end rate. The debt is hedged by a cross-currency swap that was also remeasured at the year-end rate in line with the symmetry principle.

^{(3) 2,000} bonds exchangeable for Casino shares as of 1 September 2021. Rallye has purchased cash-settled Casino stock options to cover its 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.

⁽⁴⁾ The nominal amount corresponds to the CHF 95 million bond issue converted at the year-end rate. The debt is hedged by a cross-currency swap that was also remeasured at the year-end rate in line with the symmetry principle.

13.5. Interest rate risk and hedges_

Of the total gross financial liabilities of €3,052.3 million outstanding at 31 December 2018, €1,265.5 million was at fixed rates and €1,786.8 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 2018, hedges in the form of variable to fixed interest swaps relating to the sale of a floor concerned a notional amount of ${\in}364.6$ million. The Company also held a cross-currency swap that hedges the nominal amount of two bond issues totalling CHF 170 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 total economic exposure in the event bondholders exercise their exchange rights. The option premium of €24.8 million is being deferred on a pro rata basis over the term of the options until February 2022. The expense recognised in net financial income for the year amounted to €4.7 million.

NOTE 14 ACCOUNTS PAYABLE AND OTHER LIABILITIES

(€ millions)	31 December 2018	31 December 2017
Accounts payable ⁽¹⁾	7.7	6.1
Current accounts	2.0	1.9
Securities lending ⁽²⁾	243.	
Sundry liabilities ⁽³⁾	1.7	1.1
Other liabilities	246.7	3.0
Financial instruments	7.3	6.4
Deferred income	2.9	5.5
of which:		
due in 1 year or less	262.	17.1
due in more than 1 year	2.6	3.9

- (1) Of which €6 million in accrued expenses at 31 December 2018 and €5.5 million at 31 December 2017.
- (2) Liability relating to Casino securities borrowed under a lending agreement maturing in June 2019 (see note 6.1).
 (3) Of which €1.2 million in accrued expenses at 31 December 2018 and €0.6 million at 31 December 2017.

Advances received from Rallye subsidiaries are paid into the current account as part of the centralised cash management system.

The amount reported under "Financial instruments" at 31 December 2018 corresponds to the fair value of the Mercialys TRSs for €4.3 million and a cross-currency swap for €3 million.

NOTE 15 EQUITY RISK

At 31 December 2018, the Company held 1,335,546 Rallye shares under the liquidity agreement for a purchase price of €14.4 million. Based on the average share price for the last twenty days of the financial year, these shares have been written down by €2.2 million. At December 31, 2018, a 10% fall in the price of Rallye shares would have led to an additional write-down of €1.2 million.

Rallye also has an economic exposure on 1,843,405 Mercialys shares (2% of capital), in connection with the risks of fluctuations in the price of the underlying share. At 31 December 2018, this exposure led to an unrealised loss of €4.3 million.

The main features of the two TRSs on Mercialys shares are as follows:

	Maturity	Number of shares	Reference price	Fair value (€ millions)
Mercialys TRS	September 2020	1,261,405	€15.30	(2.8)
Mercialys TRS	October 2019	582,000	€15.02	(1.5)

Note 16 OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments entered into in the ordinary course of business break down as follows:

(€ millions)		2017
Interest rate hedging instruments (nominal amount)	729.2	729.2
Currency hedging instruments (nominal amount)	150.4	69.5
Total reciprocal commitments		798.7
Bonds and guarantees given to banks	130.0	126.5
Debt redemption premiums		13.8
Other commitments given		10.4
Total commitments given	140.6	150.7
Other commitments received	3.6	3.6
Total commitments received	3.6	3.6

Rallye is also required to guarantee its investment subsidiaries' forward transactions for the purchase and sale of foreign currency entered into with leading financial institutions.

NOTE 17 RELATED COMPANIES AND RELATED PARTIES

Related companies are fully consolidated Rallye Group companies.

The items in the statement of financial position and income statement that concern related companies are as follows:

(€ millions)	2018
Assets	
Long-term investments, net	3,316.8
Receivables, net	1,360.2
Marketable securities	242.8
Liabilities	
Other liabilities	245.0
Income statement	
Investment income	113.1
Other financial income	89.8
Financial expenses	10.9

Related parties include entities likely to be fully consolidated, parent companies, members of the Board of Directors and members of the Management Committee, and all jointly controlled entities or entities over which Rallye exercises joint control or significant influence.

As part of the day-to-day management of the Group, Rallye has arm's length business relationships with its related parties.

NOTE 18 CONSOLIDATION

Rallye prepares consolidated financial statements. The parent company financial statements are in turn included in the consolidated financial statements of Foncière Euris, whose registered office is located at 83, rue du Faubourg Saint-Honoré – 75008 Paris – France (Siren no. 702 023 508).

IV. SUBSEQUENT EVENTS

No significant events occurred between the reporting date and 13 March 2019, the date at which the financial statements were approved by the Board of Directors.



Table of subsidiaries and associates



				Carrying of shares		Outstanding loans and	Sureties and			Dividends received
		Shareholders'					guarantees			by the
		equity				granted	granted		2018 net	Company
	Share	excluding	Ownership			by the	by the	2018 net	income	during the
(€ millions)	capital	share capital	(as a %)	Gross	Net	Company	Company	revenue	(loss)	year
A - Subsidiaries ⁽¹⁾ (at least 50%	-owned)									
Cobivia	31.8	(6.7)	100%	124.1	124.1	584.3	75.0		(8.5)	
Groupe GO Sport	45.0	30.1	69.83%	181.8	71.5		143.0	93.4	(4.7)	
L'Habitation Moderne										
de Boulogne	99.7	(99.4)	100%	187.6	187.6	463.6	66.0		(27.9)	
Magasins Jean	0.3	0.1	100%	2.2	0.4			5.4	(0.2)	
Miramont Finance										
et Distribution	35.7	(14.9)	100%	307.5	20.8	9.5			(O.7)	
Parande	12.1	(10.4)	100%	303.8	46.2	59.6			(6.9)	
B - Associates ⁽¹⁾ (10% to 50%-owned)										
Casino, Guichard-Perrachon	167.9	8,852.0	33.02%	2,811.0	2,811.0			168.0	1,538.0	113.1
C - Other subsidiaries and asso	ociates									
Subsidiaries other than in A				0.6	0.6	0.4				
Associates other than in B										

⁽¹⁾ The carrying amount of which is more than 1% of Rallye's share capital.

Five-year financial summary



_(in €)	31 December 2018 ⁽¹⁾	31 December 2017	31 December 2016	31 December 2015	31 December 2014
1 - Financial position at end of the year					
Share capital	161,214,798	156,194,472	146,493,339	146,335,578	146,165,844
Number of existing ordinary shares	53,738,266	52,064,824	48,831,113	48,778,526	48,721,948
Maximum number of shares to be issued:					
- on the exercise of stock options					87,795
- on the allotment of free shares	368,564	423,951	337,985	260,109	
2 - Operations and profit/(loss) for the year					
Net revenue	3,600,314	1,287,943	2,710,879	1,323,730	1,276,070
Profit before tax, employee profit-sharing and depreciation,					
amortisation and provisions	46,831,565	78,285,076	120,102,986	70,011,354	4,435,851
Income tax benefit (expense)		9,505,967	(2,677,941)	(2,676,569)	(2,658,164)
Earnings per share after tax, employee profit-sharing and depreciation,					
amortisation and provisions	46,831,565	57,987,609	105,577,813	54,975,090	(49,260,763)
Distributed earnings	53,738,266	52,064,824	68,363,558	89,264,703	89,161,165
3 - Per share data					
Earnings per share after tax, employee profit-sharing, but before depreciation, amortisation and provisions	0.87	1.50	2.46	1.44	0.09
Earnings per share after tax, employee profit-sharing and depreciation, amortisation and provisions	0.87	1.11	2.16	1.13	(1.01)
Dividend per share	1.00	1.00	1.40	1.83	1.83
4 - Employee data	1.00	1.00	1.40	1.03	1.03
Average number of employees during					
the year	23	23	23	23	23
Total payroll	4,030,170	4,427,015	4,442,149	4,024,248	3,368,733
Total benefits	2,006,102	1,794,486	2,086,616	1,799,231	2,444,129

⁽¹⁾ Subject to the approval of the financial statements by the Shareholders' Meeting.

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Statutory Auditors' report on related-party agreements and commitments



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

Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2018

To the Shareholders' Meeting of Rallye S.A.,

In our capacity as Statutory Auditors of your Company, we hereby report to you on relatedparty agreements and commitments.

It is our responsibility to report to the shareholders, based on the information provided to us, on the main terms and conditions of, and the reasons justifying the Company's interest in, the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are in the Company's interest, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R. 225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide the shareholders with the information required by Article R. 225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments submitted to the Shareholders' Meeting for approval

Agreements and commitments authorised and entered into in 2018

We were not informed of any agreement or commitment authorised and entered into during the year to be submitted for approval at the Shareholders' Meeting pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by the Shareholders' Meeting_____

Agreements and commitments approved in prior years

a) which were implemented during the year

In accordance with Article R. 225-30 of the French Commercial Code, we were informed of the following agreements and commitments approved by the Shareholders' Meeting in prior years which remained in force and were implemented during the year.

♦ 1) With Mr Franck Hattab, General Manager of Rallye

Nature and purpose

Enrolment of the General Manager in the death and disability plan and supplementary retirement plan

At its meeting of 3 April 2017, the Board of Directors approved the enrolment of Mr Franck Hattab, the Company's General Manager, in the Group's death and disability, and supplementary retirement plan.

Terms and conditions

In respect of this plan, employer contributions relating to death and disability cover and supplementary retirement cover for 2018 amounted to €11,379 and €9,536 respectively.

♦ 2) Consulting agreement with Euris, parent of your Company

Person concerned

Mr Jean-Charles Naouri, Chairman of your Company and of Euris. Euris indirectly holds more than 10% of your Company's voting rights, and hence is a controlling shareholder within the meaning of Article L. 233-3 of the French Commercial Code.

Nature and purpose

At its meeting of 15 October 2003, the Board of Directors authorised Rallye to enter into a strategic advisory services agreement with Euris S.A.S., the Group's parent company, which was approved by the Shareholders' Meeting of 9 June 2004.

The strategic advisory's assignment is defined and organised under the agreement of 17 October 2003 and its amendments No. 1, No. 2 and No. 3 and No. 4 dated 16 June 2008, 28 January 2015, 16 December 2016 and 14 March 2017, respectively, as follows:

- term of the agreement set at three years,
- continued application of the same billing terms and conditions as Euris, which are based on strategic advisory costs incurred by Euris being allocated among the Group subsidiaries, by applying the most generally accepted allocation keys, corresponding to, in the case of holding companies, the pro-rated capital employed by each of them, namely shareholders' equity and net debt, plus a 10% surcharge,
- annual revision of the invoiced amounts in relation to the increase in Euris' strategic advisory costs (compensation and environmental costs) and of your Company's percentage in the allocation key.

Renewing and extending the term of Euris' strategic advisory services enables your Company to ensure that it will continue to benefit, over the long term, from high-level expertise and resources in matters of strategic growth, finance, market environments, legal affairs and taxation, under favourable conditions whose economic relevance, overall balance and suitability to the nature of the subsidiaries' operations have been confirmed by external experts.

Terms and conditions

With respect to the year ended 31 December 2018, and after being revised to reflect the change in Euris' strategic advisory costs and in your Company's pro-rated capital employed within the Group, in accordance with the provisions of amendment No. 4, the amount invoiced came to €1,730,000, excluding taxes, which was recognised by your Company as an expense for the year.

b) which were not implemented during the year

In addition, we were informed of the following agreements and commitments approved by the Shareholders' Meeting in prior years which remained in force but were not implemented during the year.

♦ 1) Guarantees previously given, on behalf of your Company's subsidiaries, to various banks

Nature and purpose

At its meeting of 8 June 2011, the Board of Directors authorised your Company to give a guarantee to Crédit Agricole and Investment Bank on behalf of its subsidiary, Parinvest, for the sum of USD 195 million.

Terms and conditions

The cost of this guarantee is 0.4% per annum. The guarantee was not enforced during 2018 and expired on 31 December 2018.

♦ 2) Guarantee by S.C.I. Ruban Bleu Saint-Nazaire, an indirect subsidiary of your Company

Nature and purpose

At its meeting of 27 August 2009, the Board of Directors authorised your Company to give an independent first demand guarantee to Locindus for the payment of rent and related expenses owed by S.C.I. 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 2018.

♦ 3) Guarantee by Foncière Euris, parent of your Company

Nature and purpose

At its meeting of 9 December 2009, in connection with the sale of the "Alexa" shopping centre in Berlin to the German real estate fund, Union Investment, the Board of Directors authorised the guarantee of the seller's commitments under the sale agreement, to the extent of its share ownership (27%), in particular to give a ten-year property title guarantee in respect of the shopping centre and the company sold, capped at the initial price less the assumed liabilities (approximately €100 million).

Terms and conditions

This guarantee was not enforced during 2018.

♦ 4) "Alexa" counter-guarantee for Foncière Euris, parent of your Company

Nature and purpose

At its meeting of 11 March 2010, in connection with the sale of the "Alexa" shopping centre in Berlin to the German real estate fund, Union Investment, the Board of Directors authorised the Company to give a counter-guarantee to the extent of its share ownership, for Foncière Euris, relating to the following commitments:

- A ten-year undertaking to cover 50% of any decline in revenue of between 35% and 40% (the threshold that would trigger a rent adjustment) from Sierra Management Germany, the lessee of the shopping centre's underground parking structure;
- A guarantee of the commitment by EKZ to pay 50% of the costs and expenses incurred by Sierra Developments Germany Holding BV in connection
 with the management of various pending or future disputes.

Terms and conditions

This guarantee was not enforced during 2018.

The Statutory Auditors
Paris-La Défense, 18 April 2019

KPMG Audit

Département de KPMG S.A.

Catherine Chassaing

Partner

Ernst & Young et Autres

Henri-Pierre Navas Partner



ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 15 MAY 2019



Presentation and draft resolutions

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Presentation and draft resolutions



Ordinary resolutions_

Resolutions 1 and 2: Approval of the parent company and consolidated financial statements

Presentation

In the 1st and 2nd resolutions, shareholders are called upon to approve the parent company financial statements, followed by the consolidated financial statements, for the year ended 31 December 2018, 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 2018

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 2018 as presented, showing net income of €47,072,388.29, together with all the transactions reflected therein or mentioned in said reports.

The Shareholders' Meeting duly notes the transfer of the dividends allocated to the 832,500 shares held by the Company as of 21 June 2018, corresponding to their effective dividend payment date, and totalling €832,500, to "Retained Earnings".

The Meeting also notes that the parent company financial statements do not include any of the surplus amortisation or expenses relating to luxury items set out in Article 39-4 of the French General Tax Code.

Second resolution

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♦ Approval of the consolidated financial statements for the year ended 31 December 2018

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 2018 as presented, showing a consolidated net loss of €7 million.

Resolution 3: Allocation of net income and setting of the dividend

Presentation

Under the 3rd resolution, the Board of Directors asks you to approve the allocation of net income and a dividend distribution of €1.00 per share, unchanged from the previous year.

The shares will go ex-dividend on 20 May 2019 and the dividend will be paid on 22 May 2019.

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 2018 as follows:

Net income for the year		€47,072,388.29
Allocation to the legal reserve	(-)	€502,032.60
Prior year retained earnings	(+)	€42,983,650.24
Distributable net income	(=)	€89,554,005.93
Dividend distribution ⁽¹⁾	(-)	€52,238,769.00
Retained earnings	(=)	€37,315,236.93

⁽¹⁾ The total dividend amount is determined based on the number of shares at 3 April 2019. In the event of a change in the number of shares eligible for dividends, the total amount will be adjusted accordingly and the amount allocated to "Retained Earnings" will be determined based on dividends actually paid.

Ordinary and Extraordinary Shareholders' Meeting of 15 May 2019



The proposed distribution corresponds to a dividend in the net amount of €1.00 per share which will be paid as of 22 May 2019.

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

The Shareholders' Meeting also notes that the dividend amounts paid to shareholders for the past three years were as follows:

Year ended	Amount* (€)
31 December 2015	1.83
31 December 2016	1.40
31 December 2017	1.00

^{*} For individuals who are tax residents in France, as mentioned in Article 158-3, paragraph 2, of the French Tax Code, dividends paid in respect of 2015 and 2016 were eligible for the 40% tax relief. For individuals who are tax residents in France, the 2017 dividend is subject to a 30% flat tax rate, comprising 17.20% in social security withholdings and 12.80% in income tax (not eligible for the 40% tax relief), except in cases where taxpayers specifically request that they be taxed at the progressive income tax rate (eligible for the 40% tax relief).

Dividends on treasury shares held by the Company on the day the dividend is paid will be transferred to retained earnings.

Resolution 4: Agreements governed by Article L. 225-38 of the French Commercial Code

Presentation

No new related-party agreements, as governed by Articles L. 225-38 and L. 225-40 of the French Commercial Code (Code de commerce) were entered into during 2018.

Fourth resolution

♦ Related-party agreements governed by Article L. 225-38 of the French Commercial Code

The Ordinary Shareholders' Meeting, having reviewed the Statutory Auditors' special report on the agreements governed by Article L. 225-38 of the French Commercial Code, acknowledges that no new related-party agreements were entered into in 2018.

Resolutions 5 to 14: Renewal of the appointments of Directors and non-voting Directors

Presentation

The Board of Directors currently has eight Directors and two non-voting Directors. Under the terms of the 5th to 14th resolutions, you are asked, on the recommendation of the Appointments and Compensation Committee, to renew the directorships for a one-year term of Catherine Fulconis, Anne Yannic, Jean-Charles Naouri, Philippe Charrier and Jacques Dumas, as well as Euris (represented by Odile Muracciole), Finatis (represented by Virginie Grin) and Foncière Euris (represented by Didier Lévêque) (see pages 51 et seq.). Under the terms of the 13th and 14th resolutions, you are asked to renew the directorships of Jean Chodron de Courcel and Christian Paillot as non-voting Directors.

Therefore, if you approve the above resolutions, following the Shareholders' Meeting, the Board will still have eight Directors and will include three independent Directors (more than the one-third threshold for controlled companies recommended by the Afep-Medef Code) and, not including the Chairman, four members representing the controlling shareholder.

The proportion of women on the Board will continue to meet the 50% threshold.

Directors' independence is assessed each year based on the criteria recommended by the Afep-Medef Code. The assessments found that none of the independent Directors has a business relationship, either directly or indirectly, with the Company or with one of the Group companies.

The analysis of Directors' independence and attendance at Board and Committee meetings are also presented in the Board of Directors' Corporate Governance report set out in Chapter 2 of the 2018 Registration Document.

Ordinary and Extraordinary Shareholders' Meeting of 15 May 2019

Fifth resolution

Renewal of the appointment as Director of Philippe Charrier

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 called to approve the financial statements for the year ending 31 December 2019.

Sixth resolution

Renewal of the appointment as Director of Jacques Dumas

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 called to approve the financial statements for the year ending 31 December 2019.

Seventh resolution

♦ Renewal of the appointment as Director of Catherine Fulconis

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 called to approve the financial statements for the year ending 31 December 2019.

Eighth resolution

♦ Renewal of the appointment as Director of Jean-Charles Naouri

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 called to approve the financial statements for the year ending 31 December 2019.

Ninth resolution

♦ Renewal of the appointment as Director of Anne Yannic

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Anne Yannic for a period of one (1) year which will expire at the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

Tenth resolution

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Renewal of the appointment as Director of Euris

The Ordinary Shareholders' Meeting hereby renews the appointment as Director of Euris, whose permanent representative to the Board of Directors is Odile Muracciole, for a period of one (1) year which will expire at the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

Eleventh resolution

Renewal of the appointment as Director of Finatis

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 called to approve the financial statements for the year ending 31 December 2019.

Twelfth resolution

♦ Renewal of the appointment as Director of Foncière Euris

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 called to approve the financial statements for the year ending 31 December 2019.

Thirteenth resolution

♦ Jean Chodron de Courcel was reappointed as non-voting Director

The Ordinary Shareholders' Meeting hereby renews the appointment as non-voting Director of Jean Chodron de Courcel for a period of one (1) year which will expire at the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

Fourteenth resolution

♦ Christian Paillot was reappointed as non-voting Director

The Ordinary Shareholders' Meeting hereby renews the appointment as non-voting Director of Christian Paillot for a period of one (1) year which will expire at the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

Ordinary and Extraordinary Shareholders' Meeting of 15 May 2019



Resolution 15: Renewal of the appointment as Statutory Auditor of KPMG

Presentation

On the recommendation of the Audit Committee, the Board of Directors proposes under the 15th resolution to renew the appointment as Statutory Auditor of KPMG for a six-year period. In accordance with Article L. 823-1, sub-paragraph 2, the appointment of KPMG Audit ID as alternate auditor is not to be renewed.

Fifteenth resolution

♦ Renewal of the appointment of KPMG as Statutory Auditor

The Ordinary Shareholders' Meeting, having noted that the appointment as Statutory Auditor of KPMG is due to expire, hereby resolves to renew its appointment for a six-year period which will expire at the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2024.

Resolution 16: Approval of the fixed, variable and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded for the year ended 31 December 2018 to the General Manager

Presentation

Under the 16th resolution and pursuant to Article L. 225-100-II of the French Commercial Code, you are asked to approve the fixed, variable, and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded to Franck Hattab, General Manager, in connection with his term of office, as described and commented on in the table in Appendix 1 (page 226). All of these components of compensation are also presented in the "Corporate Governance" section of the Board of Directors' Report included in Chapter 2 of the 2018 Registration Document.

In accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the payment of the variable component of the General Manager's compensation with respect to the 2018 financial year is also subject to approval of this resolution at the Shareholders' Meeting.

The principles and criteria for determining, distributing and allocating the components of the General Manager's 2018 compensation in connection with his term of office were submitted to shareholder approval at the Shareholders' Meeting held on 23 May 2018, as required by Article L. 225-37-2 of the French Commercial Code. Shareholders voted in favour of them (with a 97.3% majority). The components of the variable compensation, the payment of which is contingent on approval at the Shareholders' Meeting, were explained at that time, as required by law.

Sixteenth resolution

Approval of the fixed, variable and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded for the year ended 31 December 2018 to Franck Hattab, the General Manager

The Ordinary Shareholders' Meeting, pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, after reviewing the Board of Directors' Corporate Governance Report, appended to the management report, approves the fixed, variable and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded for the year ended 31 December 2018 to Franck Hattab, General Manager, in connection with his term of office, as detailed in said report.

Resolution 17: Approval of the principles and criteria for determining, distributing, and allocating the components of the compensation of the General Manager with respect to 2019

Presentation

In accordance with Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing, and allocating the fixed, variable and exceptional components comprising the aggregate compensation and benefits in kind that may be awarded to the General Manager in connection with his term of office must be submitted, at least once a year, to the approval of the Shareholders' Meeting.

Under the terms of the 17^{th} resolution, you are asked to approve the principles and components of General Manager Franck Hattab's compensation for 2019, as determined by the Board of Directors on 13 March 2019 on the recommendation of the Appointments and Compensation Committee, as presented in Appendix 2 (page 228), it being specified that all of these components are also presented in the "Corporate Governance" section of the Board of Directors' Report included in Chapter 2 of the 2018 Registration Document.

Seventeenth resolution

Approval of the principles and criteria for determining, distributing, and allocating the components of the compensation of the General Manager with respect to 2019

The Ordinary Shareholders' Meeting, in accordance with Article L. 225-37-2 of the French Commercial Code, having reviewed the Board of Directors' Corporate Governance Report, appended to the management report, approves the principles and criteria for determining, distributing, and allocating the fixed, variable and exceptional components comprising the aggregate compensation and the benefits in kind that may be awarded to the General Manager in 2019, in connection with his term of office, as presented in the abovementioned report.

Resolution 18: Authorisation for the Company to buy back shares

Presentation

The 18th resolution renews the authorisation granted to the Board of Directors at the Shareholders' Meeting of 23 May 2018, for 18 months, to buy back Company shares. The maximum purchase price is set at €60 per share (versus €75 previously) 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 13 March 2019, the maximum theoretical amount that the Company could invest in purchasing its own shares would be €312 million, corresponding to 5,209,314 shares.

Based on the data at 13 March 2019, the Company bought back 3,425,756 shares pursuant to the authorisation granted by the Shareholders' Meeting of 23 May 2018, of which 1,452,349 were purchased and 629,803 were sold under the liquidity agreement.

The goals of the share buyback programme are described below in the 18th resolution as well as in the description of the programme provided in Chapter 1 of the 2018 Registration Document.

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

Eighteenth resolution

Authorisation for the Company to buy back shares

The Ordinary Shareholders' Meeting, having reviewed the Board of Directors' Report in accordance with 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 Regulation No. 596/2014 dated 16 April 2014), authorises the Board of Directors to buy back Company shares mainly in order to:

- ensure the liquidity of and stimulate the market for Company securities through an independent investment services provider acting in the name and on behalf of the Company, under the terms of a liquidity agreement compliant with a code of conduct recognised by the AMF;
- implement any Company stock option plan under the provisions of Articles L. 225-177 et seq. of the French Commercial Code, any savings plan in accordance with Articles L. 3332-1 et seq. of the French Labour Code (Code du travail), or any free share award carried out in line with Articles L. 225-197-1 et seq. of the French Commercial Code, or any other share-based compensation mechanism;
- deliver the shares upon exercise of rights attached to securities granting rights to Company shares through redemption, conversion, exchange, presentation of warrants or debt securities convertible into or exchangeable for Company shares, or any other means;
- keep them for subsequent delivery in payment or consideration as part of or following any external growth transactions;
- cancel all or part of these shares in order to optimise earnings per share as part of a share capital reduction under the conditions provided for by law;
- implement any future market practice authorised by the AMF and, generally, carry out any transaction compliant with applicable regulations.

The maximum unit purchase price is set at €60 per share.

This authorisation may be used to raise the number of shares held in treasury to no more than 10% of the Company's share capital as of the date of the Shareholders' Meeting, e.g., 5,209,314 shares based on the share capital as of 13 March 2019, for a maximum amount of €312 million; it being specified that, when the Company shares are purchased under a liquidity agreement, the number of shares retained for calculating the abovementioned 10% threshold will correspond to the number of shares purchased, less the number of shares sold under the liquidity agreement.



These shares may be acquired, sold, transferred, or exchanged by any means, on a regulated market or over the counter, including through block trades. These methods include the use of any derivative financial instruments traded on a regulated market or over the counter and the implementation of option-based strategies as authorised by the competent market authorities, provided that they do not contribute to a significant increase in share price volatility. Furthermore, 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 (Code monétaire et financier).

This authorisation to buy back shares is given for a period that will expire at the Shareholders' Meeting called to approve the 2019 financial statements and management report, and no later than 15 November 2020.

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 and set the terms and conditions thereof;
- allocate or reallocate, where necessary, the shares bought back for the various purposes of the share buyback programme in accordance with legal and regulatory provisions;
- make all declarations to, and complete all formalities with, the AMF;
- place all stock market orders, enter into any agreements, in particular for the keeping of registers of the purchases and sales of shares;
- make adjustments to the purchase price of the shares to take into account the effect of the above-mentioned transactions on the value of the share;
- carry out all other formalities and generally take all necessary measures.

The Board of Directors will inform the Ordinary Shareholders' Meeting about the transactions executed pursuant to this authorisation.

Extraordinary resolutions_

Resolutions 19 to 21: Capital increase with and without pre-emptive subscription rights for existing shareholders

Presentation

The Extraordinary Shareholders' Meeting of 10 May 2017 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 (19th resolution) and without pre-emptive subscription rights via a public offering (20th resolution) and via a private placement (21st resolution).

The Board of Directors did not use these delegations and you are being asked to renew them.

- Under the 19th 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 (41% of the share capital as of 31 December 2018), if they are securities representing a portion of the share capital (the same amount as in 2017); and
 - €1 billion, if they are debt securities (the same amount as in 2017).

Each of these amounts would also constitute an aggregate ceiling by virtue of the 27^{th} resolution, which limits the aggregate par value of issues of shares, with and without pre-emptive subscription rights, or of debt securities that may be carried out by virtue of the 19^{th} to 26^{th} resolutions, to 666 million and 61 billion, respectively.

- Under the terms of the 20th and 21st 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 (20th resolution) or via a private placement as referred to in Article L. 411-2-II of the French Monetary and Financial Code (21st resolution), 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 (9% of the share capital as of 31 December 2018), if they are securities representing a portion of the share capital (the same amount as in 2017), it being specified that this amount, by virtue of the 27th 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 in the 27th 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 ensure that the Company still has the resources it requires to raise funds on the financial markets.

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 in the context of the 19th resolution, the sum paid or to be paid to the Company for each of the Company shares that may 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.

Nineteenth 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. 228-93, 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 unit, 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.

In addition, if the issue is not taken up in full by shareholders exercising their pre-emptive rights as provided for above, the Board may freely distribute and/or offer all or some of the unsubscribed securities to the public.

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 set by the Shareholders' Meeting and those prescribed by law, the Board of Directors shall have full powers, with the ability to sub-delegate, to use this delegation, and namely to:

- determine (i) the characteristics, amount and conditions of any issue(s), in particular the category of the securities issued and their subscription price, with or without a premium, (ii) the conditions governing their payment, (iii) the date, even retroactive, from which the new shares will have dividend rights, (iv) the conditions under which securities issued under this resolution will grant access to ordinary shares to be issued by the Company, or, as the case may be, an equity interest, (v) and the conditions under which these securities may also grant access to existing equity securities;
- set, in the event of the immediate issue of debt securities and securities related to 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;
- proceed, as the case may be, with the admission to trading on a regulated market of ordinary shares, securities to be issued or shares issued following
 the exercise of securities granting access to shares to be issued;
- 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;
- place on record the completion of the share capital increases resulting from this resolution and to amend the articles of association accordingly,
 complete any and all formalities and declarations and request any and all authorisations necessary to ensure the success of these issues.

Twentieth 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.

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 new Company 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 to the shares and securities carrying rights to the shares to be issued pursuant to this delegation. 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 those prescribed by law, the Board of Directors shall have full powers, with the ability to sub-delegate, to use this delegation, and namely to:

- determine (i) the characteristics, amount and conditions of any issue(s), in particular the category of the securities issued and their subscription price, with or without a premium, (ii) the conditions governing their payment, (iii) the date, even retroactive, from which the new shares will have dividend rights, (iv) the conditions under which securities issued under this resolution will grant access to ordinary shares to be issued by the Company, or, as the case may be, an equity interest, (v) and the conditions under which these securities may also grant access to existing equity securities;
- set, in the event of the immediate issue of debt securities and securities related to 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;
- proceed, as the case may be, with the admission to trading on a regulated market of ordinary shares, securities to be issued or shares issued following
 the exercise of securities granting access to shares to be issued;
- 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;
- place on record the completion of the share capital increases resulting from this resolution and to amend the articles of association accordingly,
 complete any and all formalities and declarations and request any and all authorisations necessary to ensure the success of these issues.

Twenty-first 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 discretion, 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 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 new Company 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 those prescribed by law, the Board of Directors shall have full powers, with the ability to sub-delegate, to use this delegation, and namely to:

- determine (i) the characteristics, amount and conditions of any issue(s), in particular the category of the securities issued and their subscription price, with or without a premium, (ii) the conditions governing their payment, (iii) the date, even retroactive, from which the new shares will have dividend rights, (iv) the conditions under which securities issued under this resolution will grant access to ordinary shares to be issued by the Company, or, as the case may be, an equity interest, (v) and the conditions under which these securities may also grant access to existing equity securities;
- 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 and securities related to 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:
- proceed, as the case may be, with the admission to trading on a regulated market of ordinary shares, securities to be issued or shares issued following
 the exercise of securities granting access to shares to be issued;
- 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;
- place on record the completion of the share capital increases resulting from this resolution and amend the articles of association accordingly, complete
 any and all formalities and declarations and request any and all authorisations necessary to ensure the success of these issues.

Presentation

Under the terms of the 22nd 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 (20th resolution) or private placements (21st 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.

Twenty-second 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 20th and 21th 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 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 23: 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 23^{rd} resolution is to renew the authorisation granted to your Board of Directors in the context of share capital increases carried out with or without pre-emptive subscription rights (19^{th} , 20^{th} and 21^{st} resolutions), to increase the initial amount of the issues in the event they are oversubscribed, in accordance with the applicable regulatory conditions.

During the 30 days preceding the closing of the subscription period, your Board of Directors would thus have the ability to increase the number of securities issued at the same price as that retained in the initial issue, by up to 15% of the initial issue, subject to the ceiling set in the 19th, 20th and 21st resolutions depending on the case, and subject to the aggregate ceiling set in the 27th resolution.

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Twenty-third 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 19th to 22nd 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 the 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 27th resolution.

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 24: Capital increase carried out by capitalising reserves, profits, premiums or other capitalisable sums

Presentation

At its meeting of 10 May 2017, the Extraordinary 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 24th resolution, you are being asked to renew this delegation for 26 months, within a limit not to exceed an aggregate par value of sixty-six million euros (€66 million) (41% of the share capital as of 31 December 2018) (the same amount as in 2017), which constitutes the aggregate share capital increase ceiling applicable to all issues carried out in the context of the 19th to 26th resolutions and set forth in the 27th resolution. You are also being asked to suspend this delegation in the event of a public offering, unless previously approved by the Shareholders' Meeting.

Twenty-fourth 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 eligible for capitalisation, by issuing and awarding free shares or by raising the par value of existing shares or a combination of the two methods.

The amount by which the capital may be increased pursuant to this authorisation shall not exceed sixty-six million euros (€66 million), not including the amount necessary to protect the rights of holders of securities carrying rights to shares in accordance with 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.

The Shareholders' Meeting grants full powers to the Board of Directors, with the ability to sub-delegate, for the purpose of implementing this delegation 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.

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Resolution 25: Capital increase carried out in the event of a public offering launched by the Company

Presentation

The Extraordinary Shareholders' Meeting of 10 May 2017 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 25th resolution, you are being asked to renew this delegation for 26 months.

The aggregate par value of the securities that may be issued by virtue of this delegation may not exceed:

- ♦ €15 million (9% of the share capital as of 31 December 2018), if they are securities representing a portion of the share capital (the same amount as in 2017); 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 27th resolution limits the aggregate amount of issues of shares, with and without pre-emptive subscription rights, or debt securities, that may be carried out pursuant to the 19th and 26th resolutions.

Twenty-fifth 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 decides that securities thus issued carrying rights to Company shares may consist of debt securities, be attached to the issue thereof, or even permit the issue of debt securities as intermediate securities. These securities may, in particular, take the form of subordinated or unsubordinated fixed-term or undated debt securities, and be issued in euros or an equivalent value in foreign currency or composite monetary units.

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 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).

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, with the ability to sub-delegate, 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, the date, which may be retroactive, from which the new shares will have dividend rights; 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, and place on record the completion of the capital increases and amend the articles of association accordingly. 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 26: Capital increase to compensate contributions in kind granted to the Company

Presentation

The Extraordinary Shareholders' Meeting of 10 May 2017 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 26th resolution, you are being asked to renew this authorisation for a period of 26 months, on the same terms so that the Company may have this option.

You are also being asked to suspend this delegation in the event of a public offering, unless previously approved by the Shareholders' Meeting.

The 27th resolution limits the aggregate amount of shares or debt securities that may be issued pursuant to the 19th to 26th resolutions.

Twenty-sixth 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 1st and 2nd paragraphs of abovementioned Article L. 225-147 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^{st} and 2^{nd} 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, to place on 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 27: Aggregate ceiling applicable to the financial authorisations

Presentation

The purpose of the 27th resolution is to limit the aggregate amount of issues of shares or debt securities that may be carried out pursuant to the 19th to 26th resolutions.

Accordingly, the aggregate par value of the share capital increases that may be carried out, immediately and/or in the future, may not exceed sixty-six million euros (€66 million), 41% of the share capital as of 31 December 2018 (the same amount as in 2017), it being specified that the aggregate amount of share capital increases that may be carried out, immediately and/or in the future without pre-emptive subscription rights pursuant to the 20th, 21st, 22nd, 23rd, 25th, and 26th resolutions, may not exceed fifteen million euros (€15 million), i.e., 9% of the share capital at 31 December 2018 (the same amounts as in 2017).

The aggregate par value of debt securities that may be issued is limited to one billion euros (€1 billion).

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Ordinary and Extraordinary Shareholders' Meeting of 15 May 2019

Twenty-seventh 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 19th to 26th resolutions above, resolves that:

- ⋄ the aggregate nominal amount of debt securities that may be issued 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 the 19th to 26th resolutions, may not exceed sixty-six million euros (€66 million), it being specified that the par value of the 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) under the 20th, 21st, 22nd and 25th resolutions, 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 the 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 allocated via a capital increase;
- ♦ to be issued, if necessary, for the benefit of employees members of the Company savings plan, in accordance with the 28th resolution;
- ♦ to be paid to shareholders in the form of a scrip dividend.

Resolution 28: Share capital increase reserved for members of a Company savings plan (plan d'épargne d'entreprise)

Presentation

The Extraordinary Shareholders' Meeting of 10 May 2017 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 delegation.

Under the terms of the 28th resolution, you are being asked 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 remains unchanged at 1% of the share capital as of the date of the Shareholders' Meeting and will not be deducted from the aggregate ceiling on share capital increases set in the 27th 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 Article L. 3332-19 of the French Labour Code, the subscription price of the shares cannot be lower than the average market price 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 ten 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.

Twenty-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:

- $\diamond \ \ \text{on implementing a cash issue of securities carrying rights to shares of the Company; or }$
- 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 23rd resolution and from the aggregate ceiling set in the 27th 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 (FCPE).

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 29: Capital reduction upon cancellation of shares bought back by the Company

Presentation

The Extraordinary Shareholders' Meeting of 10 May 2017 authorised the 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 (i.e., adjusted to reflect any transactions in the share capital), shares that the Company may have purchased under an authorisation given by the Ordinary Shareholders' Meeting and to do so by 24-month periods

The Board of Directors cancelled 1,663,835 shares under the terms of this authorisation in 2018, representing 3.10% of the share capital and has used it to cancel 1,645,118 shares, representing 3% of the share capital since 1 January 2019.

Under the terms of the 29th resolution, you are being asked to renew this authorisation for a period of 26 months, under the same conditions.

Twenty-ninth resolution

♦ Authorisation to reduce 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 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.

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.

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 10 May 2017.

Powers to carry out formalities

The Shareholders' Meeting grants full powers to holders of an original, an extract, or a copy of the minutes of this Meeting to complete all the filings, publications or formalities required by law.

Appendices to the text of resolutions 16 to 17

Appendix 1 – Information on components of compensation due or awarded to the General Manager for the year ended 31 December 2018

(16th resolution of the Ordinary Shareholders' Meeting of 15 May 2019)

Pursuant to Article L. 225-100-II of the French Commercial Code, the shareholders are asked to approve the fixed, variable and exceptional components comprising the aggregate compensation and benefits in kind paid or awarded to Franck Hattab, General Manager, for the year ended 31 December 2018 in connection with his term of office, as presented in the table below. All of these components are also detailed in the "Corporate Governance" section part of the Board of Directors' Report included in Chapter 2 of this Registration Document:

Components of compensation paid or awarded for the year ended 31 December 2018	Gross amounts and book value submitted for shareholder approval	Presentation
Fixed compensation	€450,000 gross	
Annual variable compensation	€364,000	Franck Hattab's variable compensation for 2018 was determined 7 March 2018 on the following basis: ♦ a gross target amount of €290,000 representing 64.5% of h

d by the Board of Directors on

- his fixed compensation in the event he achieved all the objectives;
- quantitative and qualitative objectives:
 - three quantitative financial objectives, accounting for 50% of the target amount, i.e., €145,000 gross, based on the cost of net debt of the Rallye holding company scope, Rallye's consolidated EBITDA interest coverage ratio and the Groupe GO Sport's EBITDA,
 - two individual qualitative objectives, accounting for 30% of the target amount, i.e., €87,000 gross.
 - an assessment of managerial attitudes and behaviour, also accounting for 20% of the target amount, i.e., €58,000 gross;
- an outperformance bonus if the objectives are exceeded, applied only to the three quantitative financial objectives and capped at 100% of the target amount.

The maximum potential annual variable compensation is therefore €435,000 gross.

The quantitative objectives were established in advance and precisely defined and assessed according to the Rallye Group's key business indicators. The target levels corresponding to achievement of the Group's objectives, minimum achievement thresholds and an outperformance level were also established in advance. Detailed figures are not published for confidentiality reasons.

The principles and criteria for determining and allocating the components of the General Manager's compensation for 2018 in connection with his term of office were submitted to a vote at the Shareholders' Meeting of 23 May 2018, as required by Article L. 225-37-2 of the French Code of Commerce, at which it was approved (97.3% majority).

On 13 March 2019, the Board of Directors reviewed the results achieved and determined the amount of variable compensation due for 2018:

The amount of variable compensation as a percentage of the gross €290,000 target was

- 40% for the cost of debt of the Rallye holding company scope: i.e., €116,000 gross;
- 35.52% for the ratio of consolidated EBITDA interest coverage ratio, i.e., €103,000 gross;
- the Groupe GO Sport EBITDA criterion was not met;
- 30% for the individual qualitative objectives; i.e., €87.000 gross;
- 20% for the assessment of managerial attitudes and behaviour: i.e., €58,000 gross.

Variable compensation for 2018 therefore amounted to €364,000 gross, representing 80.9%

As required by Article L. 225-37-2 of the French Commercial Code, payment of the annual variable compensation due for 2018, as determined above, is subject to approval at the Ordinary Shareholders' Meeting of 15 May 2019 (16th resolution).

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Components of compensation paid or awarded for the year ended 31 December 2018	Gross amounts and book value submitted for shareholder approval	Presentation
Multi-annual variable compensation	Not applicable	
Long-term incentive (LTI)	-	In order to increase the proportion of the variable component in his overall compensation as well as to assess his performance over longer periods, the General Manager has been awarded a long-term incentive, subject to performance and continuous service conditions. The gross target amount, to be awarded on fulfilment of performance conditions, has been set at €280,000, i.e., 62% of his fixed compensation. Payment of the long-term incentive is subject to achievement of the following performance conditions, each accounting for 50%, assessed over a three-year period (2018, 2019 and 2020): consolidated EBITDA interest coverage ratio; the cost of net debt of the current Rallye holding company scope. A minimum threshold and a target level have also been set for these two criteria. The target level corresponds to performance in line with the Group's objectives without any reward in the event objectives are exceeded. The long-term incentive is calculated on a linear basis between the minimum and maximum thresholds. The variable compensation, as determined by the achievement of the above two criteria, will be based on the upward or downward change in the Rallye share price between the grant date and the vesting date (based on the average closing share price over the 20 trading days preceding these two dates). As required by Article L. 225-37-2 of the French Commercial Code, payment of the long-term incentive is also subject to approval at the Ordinary Shareholders' Meeting to be held in 2021.
Deferred exceptional bonus		The Board of Directors also decided to award the General Manager an exceptional bonus deferred over a two-year period in recognition of his seamless transition to his new functions and a highly satisfactory first year of increased responsibility, including oversight of the Groupe GO Sport. The deferred exceptional bonus is a gross amount of €400,000 covering the entire two-year period and will only be paid at the end of this period subject to fulfilment of the continuous service condition, i.e., with payment in 2021. As required by Article L. 225-37-2 of the French Commercial Code, payment of the deferred exceptional bonus is also subject to approval at the Ordinary Shareholders' Meeting to be held in 2021.
Stock options and performance shares	Not applicable	The executive corporate officers of the Company are not beneficiaries of any stock option, free share or performance share plans. They are excluded from the authorisations submitted to the 2017 and 2018 Shareholders' Meetings.
Benefits in kind	€23,732	The General Manager is a member of the specific unemployment insurance plan for Directors and corporate officers (GSC), which is treated as a benefit in kind.
Termination benefit	Not applicable	The General Manager is not entitled to any severance package.
Non-compete benefits	Not applicable	The General Manager is not entitled to any compensation under a non-compete clause.
Supplementary retirement plan	-	The General Manager is a member of the mandatory pension, health and supplementary retirement plan set up at Rallye for all employees. He also benefits from the defined benefit supplementary retirement plan in force at Rallye.

Appendix 2 – Principles and criteria for determining, distributing, and allocating the components of the compensation of the General Manager for the year ended 31 December 2019

(17th resolution at the Ordinary Shareholders' Meeting of 15 May 2019)

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining the total compensation and benefits in kind to be awarded to the General Manager for 2019 must be approved at the Annual Shareholders' Meeting of 15 May 2019.

On 13 March 2019, the Board of Directors set the principles for determining the amount and structure of the General Manager's compensation package for 2019, based on the recommendations of the Appointments and Compensation Committee.

♦ Principles

The Board of Directors refers to the principles for determining the compensation of executive corporate officers set forth in the Afep-Medef Code. To guide it in its decision-making, the Board of Directors also refers to the analyses and recommendation of outside experts which provide insight on market practices. These compensation analyses make it possible to benchmark executive corporate officers' compensation, its level and growth, the weighting of its components and the variable compensation criteria against market practices.

The Board of Directors ensures that the compensation policy is consistent with the Company's best interests and those of shareholders and stakeholders. The performance criteria selected for determining the variable compensation must be in line with the Group's strategy. These criteria are demanding and include financial criteria that may be assessed on an annual and/or multi-annual basis as well as individual qualitative objectives and managerial attitudes and behaviour.

♦ Components of the General Manager's compensation

For 2019, the Board of Directors appointed an external consultant to review the General Manager's compensation package. Based on market practice and the recommendations of the external consultant, and after obtaining an opinion from the Appointments and Compensation Committee, at their meeting on 13 March 2019 the Board of Directors determined the structure of the General Manager's 2019 compensation, as follows:

Fixed compensation

The General Manager's fixed compensation is a gross amount of €480,000.

Annual variable compensation

Based on market practices and recommendations made, annual variable compensation will continue to be set at 64.5% of fixed compensation (corresponding to a gross amount of \in 310,000) in the event that the objectives are met. In the event of outperformance, variable compensation will represent up to 96.9% of fixed compensation (corresponding to a gross amount of \in 465,000).

Annual variable compensation remains entirely contingent on the achievement of quantitative financial objectives and individual qualitative objectives:

Quantitative objectives:

Three quantitative financial objectives related to the cost of net debt of the Rallye holding company scope, the consolidated EBITDA interest coverage ratio and Groupe GO Sport EBITDA. These objectives remain strategic priorities and key business indicators for the Rallye Group.

♦ Qualitative objectives:

Three individual qualitative objectives and an assessment of managerial attitudes and behaviour.

- ♦ There is no guaranteed minimum.
- ♦ The weighting of the proposed objectives remains as follows:
 - the three financial objectives account for 50% of the target amount, i.e., €155,000 gross and up to 100% in the event of outperformance, i.e., €310,000 gross;
 - the individual qualitative objectives account for 30% of the target amount, i.e., €93,000 gross, and the assessment of managerial attitudes and behaviour for 20%, i.e., €62,000 gross.
- Outperformance would therefore be rewarded only for the three financial criteria, thus continuing to represent 100% of their target amount.

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The quantitative and qualitative criteria and their weighting in the General Manager's 2019 variable compensation break down as follows:

	Variable component	Maximum variable
Target amount: €310,000 (i.e., 64.5% of fixed compensation)	target	component
I Three quantitative financial objectives		
1/ Cost of net debt of the Rallye holding company scope		
% of the target amount	20%	40%
Amount	€62,000	€124,000
2/ Consolidated EBITDA/interest coverage ratio		
% of the target amount	20%	40%
Amount	€62,000	€124,000
3/ Groupe GO Sport EBITDA		
% of the target amount	10%	20%
Amount	€31,000	€62,000
II. – Three individual qualitative objectives		
1/ Holding company financial management/Banking relationships		
% of the target amount	10%	
Amount	€31,000	
2/ Financial reporting		
% of the target amount	10%	
Amount	€31,000	
3/ Preparation and convening of the Annual Shareholders' Meeting		
% of the target amount	10%	
Amount	€31,000	
III. – Managerial attitudes and behaviour		
% of the target amount	20%	
Amount	€62,000	

^{*} Linear change between amounts.

Long-term incentive (LTI)

In accordance with market practice and the recommendations made by the outside consultant as regards the heavy weighting of the variable component in the overall compensation package, as well as the assessment of the Group's longer-term performance, the Board of Directors decided to renew the long-term cash incentive plan in 2019.

The long-term incentive bonus is determined as follows:

- ♦ The target gross amount was increased from €280,000 to €300,000, maintaining it at 62.5% of fixed compensation and to keep a consistent target weighting for the variable portion of total compensation.
- ♦ The performance conditions continue to be assessed over a three-year period (2019-2021).
- ♦ Payment of the incentive is contingent on a continuous service requirement and the achievement of the following unchanged performance conditions, each counting for 50% of the target amount (i.e., €150,000 gross):
 - consolidated EBITDA interest coverage ratio;
 - cost of net debt of the current Rallye holding company scope.
- A minimum threshold and a target level have also been set for the two criteria. The target level corresponds to performance in line with the Group's objectives without any reward in the event objectives are exceeded. The long-term incentive is calculated on a linear basis between the minimum and maximum thresholds.
- In addition, the variable compensation as determined by the achievement of the above two criteria will be applied based on the upward or downward change in the Rallye share price between the grant date and the vesting date (based on the average closing share price over the 20 trading days preceding these two dates).

As required by Article L. 225-37-2 of the French Commercial Code, payment of the annual variable compensation due for 2019, after determining its amount based on the achievement of the above objectives, is subject to approval at the Ordinary Shareholders' Meeting to be held in 2020. Payment of the long-term incentive is subject to approval at the Ordinary Shareholders' Meeting to be held in 2022, corresponding to the year in which the allocation will be final.

Deferred exceptional bonus

In light of his significant contribution toward the negotiations and sale of Courir, the Board of Directors also decided to award the General Manager an exceptional bonus of \in 300,000, payable in 2019, subject to approval at the Ordinary Shareholders' Meeting of 15 May 2019.

Subsequent to the 2018 and 2017 reviews, the components of the General Manager's total compensation were again reviewed by a specialised consultant in 2019. The consultant confirmed that the structure and positioning of the General Manager's overall annual variable compensation was consistent with market practices. The renewal of the long-term cash incentive plan is also consistent with the practices observed and recommendations made relating to the weighting of variable compensation in the structure of compensation and long-term performance analysis.

Other components of compensation and benefits in kind awarded to the General Manager

The General Manager does not receive any stock options or performance shares and is expressly excluded from any such plans under the resolutions passed at the Extraordinary Shareholders' Meeting of 10 May 2017 and 23 May 2018.

The General Manager is a member of the specific unemployment insurance plan for Directors and corporate officers (GSC), which is considered to be a benefit in kind, and is covered by all of the mandatory group retirement plans (ARRCO and AGIRC), the defined-contribution supplementary retirement plan, and the health insurance and death and disability plans.

Furthermore, the General Manager is not covered by any defined benefit supplementary retirement plan, and is not entitled to any compensation for loss of office or any non-compete indemnity.





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Information about the Company



General information

Corporate name: Rallye

Registered office: 83, rue du Faubourg-Saint-Honoré – 75008 Paris, France **Administrative headquarters:** 32, rue de Ponthieu – 75008 Paris, France

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 (RCS) under number 054 500 574.

Consultation of the documents and information relating to the Company

Company documents relating to the last three financial years (annual financial statements, minutes, Shareholders' Meetings, Directors, Statutory Auditors' reports, articles of association, etc.) may be consulted at Rallye's administrative headquarters at 32, rue de Ponthieu – 75008 Paris, France.

Accounting year

Article 32 of the articles of association

The accounting year starts on 1 January and ends on 31 December.

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Articles of association relating to the management and governance bodies – Internal rules of the Board of Directors



Board of Directors

Composition of the Board of Directors (excerpt from Article 14 of the articles of association)

The Company is administered by a Board composed of at least three and at most eighteen members.

Directors' shares (excerpt from Article 15 of the articles of association)

Each Director must own at least one (1) share.

If Directors do not own the required number of shares on the day of their appointment, or cease to own them during their term of office, they shall automatically resign from office unless they remedy the position within six months.

Term of office - Age limit - Replacement (excerpt from Article 16 of the articles of association)

I – Directors are appointed for a term of office of one year expiring at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ended and held during the year in which their term of office expires.

II – All Directors who are natural persons or who are permanent representatives of a legal entity are deemed to have automatically resigned from office at the end of the Ordinary Shareholders' Meeting held to approve the financial statements for the year during which they reach 75 years of age.

III -Directors are appointed or re-reappointed 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.

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 Board of Directors' meetings, and offer their opinions and observations and take part in the decision-making process in an advisory 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.

Meetings 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.

Meeting notifications are prepared by the Chairman or by any person he or she appoints to do so on his or her behalf; if the Board has not met for more than two months, one-third of the Directors in office can ask the Chairman to call for a meeting based on a predetermined agenda. The General Manager may also ask the Chairman to convene the Board of Directors with a specific agenda.

II – The proceedings of the Board of Directors are valid if at least half the serving Directors are present. A register of attendance is drawn up and signed by the Directors attending the meeting.

Decisions are taken by a majority vote of the members present or represented. In the event of a tied vote, the Chairman has the casting vote. However, if the Board consists of fewer than five members, decisions may be made by two Directors present, who are in agreement.

Directors may take part in meetings by videoconference or any means of telecommunication in accordance with the provisions of the applicable regulations and the Board of Directors' internal rules.

Powers of the Board of Directors (excerpt from Article 19 of the articles of association)

I – The Board of Directors is responsible for defining the Company's broad strategic objectives and for their implementation. Subject to the powers expressly attributed to the Shareholders' Meetings, and within the limits of the Company's corporate purpose, the Board of Directors deals with all matters that concern the Company's operations and governs, by its deliberations, the questions that concern it.

II – When the Chairman is appointed or re-appointed, the Board of Directors sets out the arrangements governing the Executive Management of the Company, which is performed either by the Chairman or by another natural person appointed for that purpose.

However, the Board of Directors may, at its sole discretion and at any time, modify the arrangements governing the Executive Management of the Company, without requiring any amendment to the Company's articles of association.

III – The Board may appoint Committees and determine their composition and powers. The members of these Committees are responsible for examining issues referred to them by the Chairman or the Board.

IV –In accordance with the law, the Board authorises the related-party agreements, other than those entered into in the normal course of business on arm's length terms, of the type referred to in Article L. 225-38 of the French Commercial Code. The Company is, however, forbidden from granting loans, overdrafts, sureties or guarantees to the persons referred to in Article L. 225-43 of the French Commercial Code or for reasons specified in Article L. 225-219 of the French Commercial Code.

V –Except where prohibited by law, all powers, offices and duties limited to one or more transactions or types of transaction may be delegated to any persons, whether Directors or not.

Furthermore, the Company's Board of Directors has set up a number of mechanisms in its internal rules to ensure the oversight of the Executive Management of the Company (see the "Corporate Governance" chapter).

Functions of Executive Management

Separation of functions of the Chairman of the Board of Directors from those of the General Manager (excerpt from Article 21 of the articles of association).

Executive Management

The Executive Management of the Company may be conducted either under the responsibility of the Chairman of the Board of Directors or by another natural person, whether a Director or not, appointed by the Board of Directors and with the title of General Manager.

If the Executive Management of the Company is conducted by the Chairman, the provisions of this Article apply to him or her. He or she then takes the title of Chairman and General Manager.

The General Manager has the broadest powers to act in all circumstances on behalf of the Company. He or she exercises these powers within the limits of the Company's corporate purpose and subject to the powers expressly attributed by law to Shareholders' Meetings and to the Board of Directors.

He or she represents the Company in its dealings with third parties.

The term of office of the General Manager is freely set by the Board of Directors. It may not exceed the Directors' term of office as set forth in Article 16 above.





The General Manager is deemed to have automatically resigned from office after the Ordinary Shareholders' Meeting convened to approve the financial statements for the year during which he or she reaches 75 years of age.

The General Manager may be removed from office at any time by the Board of Directors. If the General Manager is removed without just cause, he or she may seek compensation, unless he or she is also Chairman of the Board of Directors.

Deputy General Managers

At the proposal of the General Manager, the Board of Directors may appoint one or more natural persons to assist the General Manager, with the title of Deputy General Manager.

The maximum number of Deputy General Managers is five.

In agreement with the General Manager, the Board of Directors determines the scope and duration of the powers to be vested in the Deputy General Managers. In dealings with third parties, Deputy General Managers have the same powers as the General Manager.

Deputy General Managers may be removed from office at any time by the Board of Directors at the proposal of the General Manager. If they are removed without just cause, they may seek compensation.

The Chairman, if he or she is also General Manager, the General Manager and the Deputy General Managers are authorised to delegate or substitute powers to carry out one or several specific transactions or categories of transaction.

Board of Directors' internal rules

The Board of Directors of the Company has adopted internal rules to describe the manner in which it functions, in addition to the laws, external regulations and articles of association governing the Company.

These internal rules specify firstly how the Board is organised and functions, and sets out the powers and duties of the Board of Directors and of the Committees that it has established; and secondly the methods for controlling and assessing their performance. (See the "Corporate Governance" chapter, which describes the various Board Committees, the limits placed on the powers of Executive Management and the system for monitoring and assessing the Board of Directors' performance).

Allocation of net income

Article 33 of the articles of association

"I – The income statement shows the profit or loss for the period, after the deduction of depreciation, amortisation and provisions.

From this profit, after deduction of losses carried forward, if any, the following is withheld in priority:

- at least five percent, to constitute the legal reserve fund. This ceases to be mandatory once said fund has reached one-tenth of the capital, but becomes mandatory again if, for whatever reason, this requirement is no longer met;
- and any amounts to be set aside as reserves in compliance with the law.

The balance, together with any profit carried forward, constitutes the profits available for distribution. It may be distributed, by the Shareholders' Meeting on the proposal of the Board of Directors, either wholly or in part, to the shares as a dividend, or appropriated to any reserve or capital amortisation accounts, or to retained earnings.

The Shareholders' Meeting held to approve the financial statements for the period may grant each shareholder, for all or part of the dividend to be distributed, the option to choose between receiving the dividend in cash or in shares.

II – The Shareholders' Meeting may choose to use the reserves at their disposal to pay a dividend to the shares. In this case, the decision must expressly indicate the line items from which the amounts are to be withheld."

Information regarding Shareholders' Meetings

Shareholders' Meetings are convened as follows:

Article 27, paragraphs I, II and III of the articles of association

I – The Shareholders' Meeting is convened by the Board of Directors, or, failing that, by the Statutory Auditors or by an agent appointed by the President of the Commercial Court ruling in summary proceedings at the request of one or more shareholders representing at least one-fifth of the share capital, or of an association of shareholders in the manner provided for in Article L. 225-120 of the French Commercial Code.

The meeting is convened at least fifteen days in advance on first call and at least ten days in advance for subsequent calls, by means of a notice published in a publication authorised to receive legal notices in the *département* of the Company's registered office and in the French official journal (*Bulletin des annonces légales obligatoires*, known as the "BALO").

Shareholders holding registered shares for at least one month as of the date of such notices are convened by regular mail or by any means of electronic telecommunication.

The invitation is preceded by a notice containing the details provided for by law and published in the BALO at least thirty-five days prior to the Shareholders' Meeting.

II – Shareholders' Meetings are held in the city or town where the Company has its registered office, or in any other town in France, depending on what has been decided by the person convening the meeting, and at the venue indicated in the invitation.





III – The agenda for each Shareholders' Meeting is established by the person convening the meeting. If applicable, it contains proposals made by one or more shareholders, in the manner provided for by law.

Conditions of admission

Article 25, paragraphs I, II and III of the articles of association

I – Subject to forfeiture due to the failure to pay up shares within the prescribed deadlines, all shareholders are entitled to attend the Shareholders' Meeting, regardless of the number of shares they hold.

The Shareholders' Meeting, duly convened and constituted, represents all the shareholders; its decisions are binding on all, even dissenters and those lacking capacity or absent.

II -Any shareholder may be represented in accordance with the law.

Minors and those lacking capacity are represented by their guardians and administrators, who need not personally be shareholders. Legal entities are validly represented by any authorised legal representative or by a person specifically authorised for that purpose.

Shareholders not resident in France may be represented by an agent duly registered as the holder of such shares on behalf of the former.

Any shareholder may also vote by mail in the manner and in accordance with the time limits prescribed by law.

The form for postal voting and for voting by proxy may be completed using the same document prepared by the author of the notice of meeting.

III – The right to attend Shareholders' Meetings is conditional on the shares being recorded in the share register in the name of the shareholder or of the intermediary registered on the shareholder's behalf, if the shareholder resides outside France, within the deadline provided for in Article R. 225-85 of the French Commercial Code. Shares are recorded either in the registered securities account held by the Company or by its authorised representative, or in the bearer securities account held by the broker authorised for this purpose.

The registration of shares in the bearer securities account maintained by the authorised broker is confirmed by a certificate of participation issued by the latter, 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 statement is also issued to shareholders who wish to attend the Shareholders' Meeting in person and who have not received an admission card within the time frame provided for under the terms of Article R. 225-85 of the French Commercial Code.

Article 12 of the articles of association

Beneficial owners, bare owners and joint owners of shares may attend Shareholders' Meetings in accordance with the law.

Composition of the Shareholders' Meeting

Article 25, paragraph IV of the articles of association

IV – Shareholders may, if the Board so decides, attend Shareholders' Meetings and vote remotely by videoconference or by any means of telecommunication or remote transmission, including the Internet, which 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 second paragraph of Article R. 225-79 of the French Commercial Code (Code de commerce) or any other subsequent legal provision that may replace it, including the use of an identification code and password.

Votes cast electronically, as well as any acknowledgement of receipt that is provided for it, shall be considered to be an irrevocable document, enforceable against all, except in the event of a transfer of shares served in the manner provided for in the second paragraph of Article R. 225-85-IV of the French Commercial Code or by any other subsequent legal or regulatory provision that may replace it.

A proxy vote cast electronically, as well as an acknowledgement of receipt provided for it, shall be considered to be an irrevocable document enforceable against all persons, on the terms defined by law.

Conditions for exercise of voting rights

Article 28, paragraphs III and IV of the articles of association

III – Shareholders have as many votes as the shares they own or represent, with no limits, save as otherwise provided for by law or these articles of association.

Votes are cast by a show of hands, electronically or by any means of telecommunication that enables identification of the shareholders in the manner provided for by current regulations. The Shareholders' Meeting may also decide to vote by secret ballot at the proposal of the Meeting Committee.



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 that are proven to have been registered for at least two years in the name of the same shareholder; and (ii), in the case of a capital increase by capitalisation of reserves, profits or share premiums, to registered bonus shares that were granted to a shareholder on the basis of existing shares entitled to such rights.

The list of registered shares entitling their holders to double voting rights is approved by the Board of Directors.

The double voting rights thus granted to registered, fully paid up shares cease, as a matter of law, for any shares that are converted into bearer shares or transferred to a different owner, except in the event of transfer from registered to registered ownership, pursuant to the provisions of Article L. 225-124 of the French Commercial Code.

For any proxy voting form from a shareholder that does not indicate the name of the representative, the Chairman of the Shareholders' Meeting votes for adoption of the draft resolutions presented or approved by the Board of Directors and votes against the adoption of any other draft resolutions. To cast any other vote, the shareholder must select a representative who agrees to vote as indicated by the shareholder.

Votes are cast by a show of hands, electronically or by any means of telecommunication that enables identification of the shareholders in the manner provided for by current regulations. The Shareholders' Meeting may also decide to vote by secret ballot at the proposal of the Meeting Committee.

Shareholders may also vote by absentee ballot in the manner prescribed by law.

Votes cast or proxies given by an intermediary that either has not disclosed its status as nominee shareholder acting on behalf of non-resident shareholders or has not disclosed the identity of those non-resident shareholders, as required by the applicable regulations, are not taken into account.

Ownership thresholds required to be declared to the Company

Article 10, paragraph II of the articles of association

Apart from being required to fulfil the legal obligation of informing the Company of the ownership of certain percentages of Company capital and the attached voting rights, any individual or legal entity – including any broker registered as the holder of shares owned by persons not resident in France, who alone or acting in concert with other natural persons or legal entities should come to hold, or should cease to hold, in whatever manner, a fraction equal to 1% of the voting rights or any multiple thereof, must notify the Company of the total number of shares and voting rights held, by means of registered letter with acknowledgement of receipt, to the Company's registered office within five trading days from the date when one of these thresholds is crossed.

In the event that this notification obligation is not respected, and on the request, as recorded in the minutes of the Shareholders' Meeting, of one or more shareholders holding at least 5% of the capital, the voting rights exceeding the fraction which should have been declared may not be exercised at any Shareholders' Meeting held for a period of two years following the date of correct notification.

Identification of shareholders

Article 10, paragraph III of the articles of association

In order to identify the holders of bearer securities, and in accordance with Article L. 228-2 of the French Commercial Code, the Company has the right to request, at any time and at its expense, from the securities clearing house, the names or, in the case of a legal entity, the Company name, nationality and address of the holders of securities conferring either present or future rights to vote at its Shareholders' Meetings, as well as the number of shares held by each holder, and any restrictions that may apply to the shares in question.

The Company may also, under the terms of Articles L. 228-2 et seq. of the French Commercial Code, ask holders of the Company's shares whether they hold the shares on their own behalf, or on behalf of a third party. Should the latter be the case, it may ask them to provide information enabling it to identify such third party or parties.

Should the identity of the owners of the shares not be revealed, the vote or proxy delivered by the broker shall not be counted.

In addition, by virtue of Article L. 228-3-1-II of the French Commercial Code, any legal entity owning shares in excess of 2.5% of the capital or the voting rights must, when so requested by the Company, reveal the identity of the individuals and/or legal entities that own, either directly or indirectly, more than one-third of its capital or voting rights.

In application of Article L. 228-3-3 of the French Commercial Code, failure to provide the information requested under Articles L. 228-2-II, L. 228-3 or L. 228-3-1 of the French Commercial Code, or the provision of incomplete or erroneous information, will be punishable by the loss of voting and dividend rights attached to the shares held by the person who received the request for information, until such date as the correct information is supplied.





Stock market information



Securities listed on Euronext Paris (Compartment B)_

♦ Rallye share (ISIN code: FR0000060618)(1).

Securities listed on the Luxembourg Stock Exchange_

- ♦ Rallye 4.25% bonds maturing March 2019 (ISIN code: FR0011441831), issued 11 March 2013⁽¹⁾, redeemed 11 March 2019.
- ♦ Rallye 4% bonds maturing April 2021 (ISIN code: FR0011801596), issued 2 April 2014⁽¹⁾.

Securities listed on the Swiss Stock Exchange

- Rallye 4% bonds maturing November 2020, in Swiss francs (ISIN code: CH0341440326), issued 23 November 2016⁽¹⁾.
- Rallye 3.25% bonds maturing February 2024, in Swiss francs (ISIN code: CH0398013778), issued 8 February 2018⁽¹⁾.

Securities listed on the Frankfurt Stock Exchange

- Rallye 1% bonds maturing October 2020 exchangeable for Casino, Guichard-Perrachon shares (ISIN code: FR0011567908), issued 2 October 2013⁽¹⁾.
- Rallye 5.25% bonds maturing February 2022, non-dilutive, redeemable in cash only and exchangeable for Casino, Guichard-Perrachon shares (ISIN code: FR0013215415), issued 26 October 2016⁽¹⁾.

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Volumes traded and changes in the Rallye share in the past 18 months⁽¹⁾

Ver /Me all	High	Low	Trading volumes	Trading volumes
Year/Month	(€)	(€)	(in shares)	(€ millions)
2017				
September	16.00	15.30	1,401,453	21.88
October	16.50	14.68	1,589,341	24.78
November	15.43	13.89	1,774,340	25.76
December	15.39	14.40	1,507,677	22.42
2018				
January	16.32	14.40	1,872,575	28.45
February	15.72	13.51	1,561,977	22.84
March	15.30	11.35	3,743,650	47.49
April	13.16	12.02	1,327,403	16.53
May	13.90	11.30	1,748,534	22.42
June	11.69	9.42	2,853,755	28.98
July	10.60	9.55	1,779,669	17.84
August	10.38	8.64	2,110,554	20.50
September	11.45	8.57	3,099,316	30.66
October	10.65	9.48	2,195,749	21.89
November	10.48	9.17	1,399,431	13.61
December	9.72	8.50	1,420,879	12.85
2019				
January	10.05	8.70	759,160	7.03
February	11.86	10.05	1,095,763	11.96

⁽¹⁾ Source: Euronext.

At 28 February 2019, the Rallye share price stood at \in 11.86 and the Company's market capitalisation was \in 637.3 million.





Person responsible for the Registration Document and the Annual Financial Report



Person responsible for the Registration Document and the Annual Financial Report_____

Franck Hattab, General Manager

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

The information is provided under the sole responsibility of the Company's senior management.

Statement by the person responsible for the Registration Document including 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 also declare that the information contained in the management report appearing on page 7 onwards gives a true and fair view of trends in the business operations, results and financial position of the Company and the consolidated group, as well as a description of the main risks and uncertainties facing those companies.

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."

Franck Hattab, General Manager

Documents incorporated by reference.

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:

- ♦ for the year ended 31 December 2017:
 - the consolidated financial statements prepared in accordance with IFRS, and the parent company financial statements for the year ended 31 December 2017, the corresponding Statutory Auditors' reports and Group management report on pages 96 to 185, 192 to 214, 90 to 95, 188 to 191 and 7 to 56, respectively, of the Registration Document filed with the French financial markets authority (Autorité des marchés financiers AMF) on 17 April 2018 under number D.18-0340;
- for the year ended 31 December 2016:
 - the consolidated financial statements prepared in accordance with IFRS, and the parent company financial statements for the year ended 31 December 2016, the corresponding Statutory Auditors' reports and Group management report on pages 91 to 181, 185 to 202, 182 to 183, 203 to 204 and 7 to 49, respectively, of the Registration Document filed with the French financial markets authority (Autorité des marchés financiers AMF) on 12 April 2017 under number D.17-0374.

Other information contained in the Registration Documents for 2017 and 2016 has, where applicable, been replaced by or updated with the information contained in this Registration Document. The Registration Documents for 2017 and 2016 are available at the Company's registered office and online at www.rallye.fr.



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Auditing of the financial statements_

Statutory Auditors

KPMG Audit

Tour Eqho – 2, avenue Gambetta – 92066 Paris-La Défense Cedex, represented by Catherine Chassaing, appointed at the Ordinary Shareholders' Meeting of 29 June 1993 and successively reappointed at the Ordinary Shareholders' Meetings of 6 June 2001, 6 June 2007 and 14 May 2013 for terms of six years, i.e., until the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

Ernst & Young et Autres

1/2, place des Saisons – 92400 Courbevoie – Paris-La Défense 1, represented by Henri-Pierre Navas, appointed at the Ordinary Shareholders' Meeting of 1 June 1999 and successively reappointed at the Ordinary Shareholders' Meetings of 8 June 2005, 4 May 2011 and 10 May 2017 for terms of six years, i.e., until the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2022.

Alternate Statutory Auditors

KPMG Audit ID

Alternate Statutory Auditor for KPMG, whose registered office is located at Tour Eqho – 2, avenue Gambetta – 92066 Paris-La Défense Cedex, appointed by the Ordinary Shareholders' Meeting of 19 May 2010 for the remaining term of office of its predecessor and reappointed at the Ordinary Shareholders' Meeting of 14 May 2013 for a term of six years, i.e., until the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2018.

Person responsible for the financial information

Franck Hattab – General Manager Phone: +33 (0)1 44 71 13 73 Fax: +33 (0)1 44 71 13 70

E-mail: info@rallye.fr

Documents on display - Shareholder information.

Rallye is committed to the continual improvement of its financial information and exchanges with its shareholders and French and international investors.

Rallye's Financial Communication Department provides the financial community with access to the following information:

- ♦ the Registration Document;
- ♦ financial press releases;
- Company documents relating to the past three financial years;
- reports, letters, valuations and special reports prepared by expert assessors at the Company's request;
- historical financial information regarding the Company and its subsidiaries;
- the dedicated website: www.rallye.fr.

In line with its communication policy, Rallye provides all shareholders and investors with unlimited access to this information via download or on request.

Rallye's Financial Communication Department makes the Group's financial results presentation available on the Company's website.





Cross-reference table for the Registration Document



To facilitate the reading of the Registration Document, the subject-based table below can be used to identify the main information required by Annex 1 to Commission Regulation (EC) No. 809/2004.

Information not applicable to Rallye is marked "n/a".

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Cross-reference table for the Annual Financial Report



To facilitate the reading of this Annual Financial Report, the cross-reference table below may be used to identify in this Registration Document the main information required by Articles L. 451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and Article 222-3 of the General Regulations of the AMF.

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RALLYE
2018 REGISTRATION DOCUMENT