

Rallye

2008 Annual Report

2008 Annual Report

Rallye

Joint stock corporation with share capital of €127,080,420

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Board of Directors Executive Management Statutory auditors

BOARD OF DIRECTORS

Jean-Charles NAOURI

Chairman

André CRESTEY

Vice-Chairman

Didier CARLIER

Representing Foncière Euris

Philippe CHARRIER

Jean CHODRON de COURCEL

Jacques DERMAGNE

Jacques DUMAS

Pierre FÉRAUD

Jean-Marie GRISARD

Representing Finatis

Didier LÉVÊQUE

Representing Matignon Corbeil Centre

Christian PAILLOT

Catherine SOUBIE

Representing Euris

Gilbert TORELLI

Jean LÉVY

Censor

EXECUTIVE MANAGEMENT

Jean-Charles NAOURI

Chief Executive Officer

Didier CARLIER

Deputy Managing Director

Catherine SOUBIE

Deputy Managing Director

STATUTORY AUDITORS

ERNST & YOUNG et Autres

Represented by Henri-Pierre NAVAS

KPMG Audit

Département de KPMG SA

Represented by Catherine CHASSAING

CHAIRMAN'S MESSAGE



In 2008, Rallye's main subsidiary, Casino, performed extremely well both in France and in international markets. Organic growth reached 5.9%, clearly outpacing the 3.8% reported in 2007. Current operating income grew steadily by 7.3%, along with normalized net income, Group's share, which was up 6.0%. These results reflect the effectiveness of Casino's business model, which has proved to be particularly well-aligned with the current economic environment, with its focus on the most buoyant retailing formats (convenience and discount stores and non-food e-commerce), as well as on Casino's highly successful private label brand and its expertise in real estate value creation. Casino held a tight rein on its finances during the year. The net debt/EBITDA ratio remained stable at 2.5x and net debt totaled €4,851 million at December 31, 2008. Casino's liquidity was enhanced through bond issuances for €1.2 billion in 2008 and €500 million in January 2009, as well as through real estate disposals and the postponement of the exercise period for Monoprix call and put options.

In France, Casino's mix of formats proved to be well-adapted to the current environment, with strong activity in convenience and discount stores driving solid growth in sales and current operating income. Sales and current operating income were also well up in international markets, boosted by strong organic growth and the first-time full consolidation of Super de Boer and Exito. Casino has strong fundamentals and plans to step up action plans to cut costs, optimize working capital and decrease investments, as well as to further implement its strategy to boost real estate asset value and streamline its shareholding structure. Casino also aims to increase its financial

flexibility by improving Free Cash Flow generation and implementing a €1 billion asset disposal programme by the end of 2010. Its objective is to improve the net debt/ EBITDA ratio by the end of 2009 and achieve a ratio of less than 2.2x by the end of 2010.

At Groupe GO Sport, sales performance was variable among the brands. In France, GO Sport's net sales were down in 2008, but have improved considerably since the second half of 2008, with like-for-like growth of 3% in the first quarter of 2009. Courir performed well on all of its markets. In international markets, the sharp increase in sales reflected the solid growth in Poland and dynamic franchise business. Although fiscal year 2008 was globally loss-making, Groupe GO Sport's EBITDA was up during the second half of 2008 compared with the same period for the previous year. During 2008 the Group deployed the action plan initiated in the end of 2007, which has begun to bear fruit (cleaning up of inventories, closure of unprofitable stores, increase in productivity, cost control), as reflected by the improvement in sales and EBITDA posted by GO Sport in France.

Finally, the investment portfolio, valued at €622 million as at December 31, 2008, has been re-balanced between private equity and real estate. Private equity disposals were completed in accordance with the decision announced in August 2008 to reduce the size of the portfolio: €233 million of assets were sold during the second half, corresponding to 70 portfolio lines. The portfolio contributed €42 million to current operating income for 2008. Disposals of both private equity (depending on market conditions) and commercial real estate will continue.

In total, Rallye's net sales and current operating income grew by 14.4% and 1.7% respectively. Net income, Group's share, amounted to a loss of €86 million, mainly due to asset impairment and losses on the stock market portfolio sold during the year.

Rallye still has a sound liquidity position, with €1 billion in available resources (after the €500 million bond redemption in 2009) and no bond redemption scheduled before October 2011.

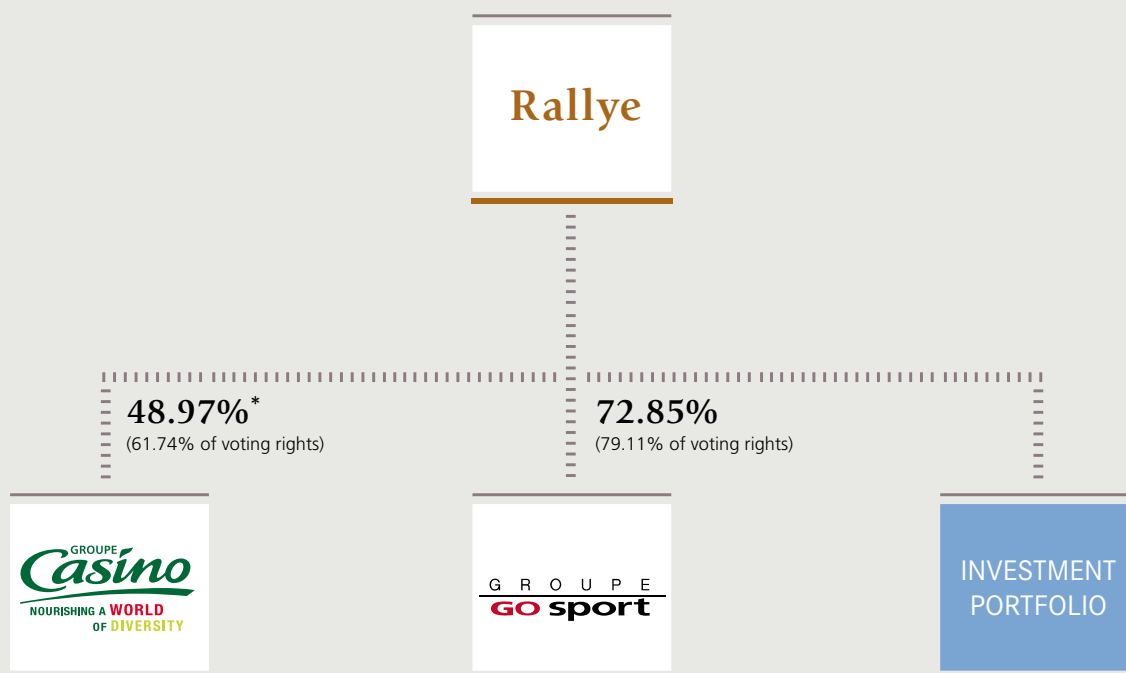
Given the Group's performance, the Board of Directors will propose a dividend payment of €1.83 per share to the Annual Shareholders' Meeting on June 3, 2009. This is stable compared with the 2007 dividend, for which an interim payment of €0.80 was made on October 3, 2008.

Finally, I would like to extend my warmest thanks to all those who work for Rallye and to all our business partners, who by their constant involvement, motivation and commitment enable our Group to envision the future with confidence and determination.

Jean-Charles NAOURI

SIMPLIFIED ORGANIZATION CHART

AS AT DECEMBER 31, 2008



□ Listed companies

* In percentage of common shares

MAJOR KEY FIGURES

In € million	2008	2007	2006
Net sales from continuing operations	29,448	25,736	23,282
EBITDA ⁽¹⁾	1,975	1,883	1,583
Current operating income	1,283	1,261	1,045
Net income – Continuing activities	293	680	425
Of which Group's share	(78)	216	69
Net income – Discontinued activities	(16)	154	174
Of which Group's share	(8)	72	78
Net income	277	834	599
Of which Group's share	(86)	288	147
Shareholders' equity Group's share	1,509	1,942	1,472
Market capitalization at December 31	682	2,069	1,609
Average workforce (nb)	178,327	166,002	130,710

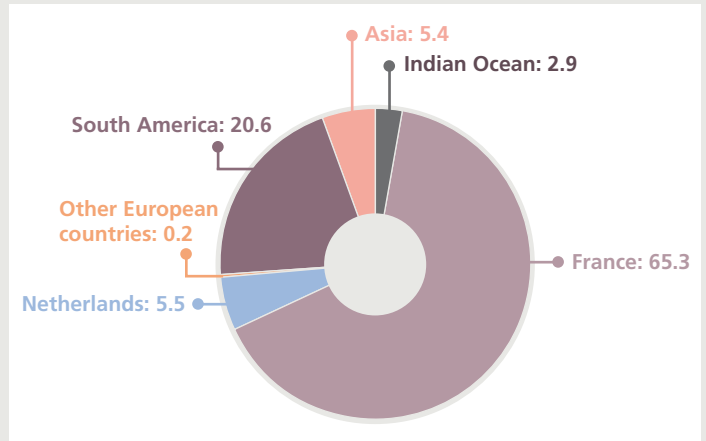
(1) EBITDA : current operating income + current depreciation and amortization expense.

KEY FIGURES

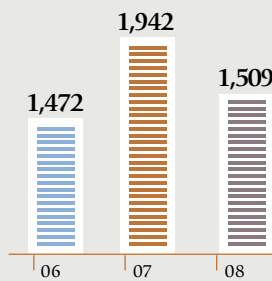
NET SALES BY LINE OF BUSINESS
AS AT DECEMBER 31, 2008 (In %)



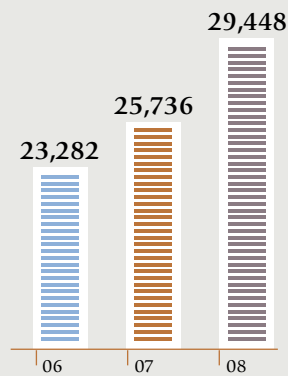
NET SALES BY GEOGRAPHIC AREA
AS AT DECEMBER 31, 2008 (In %)



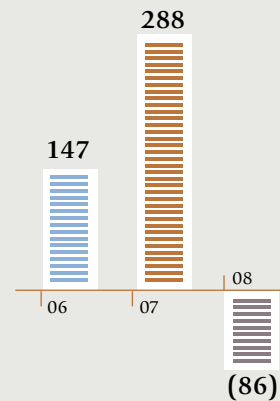
SHAREHOLDERS' EQUITY,
GROUP'S SHARE
(in € millions)



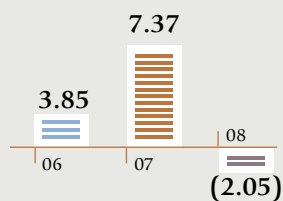
NET SALES
(in € millions)



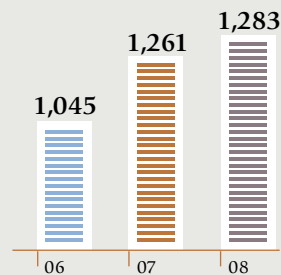
NET INCOME
GROUP'S SHARE
(in € millions)



NET INCOME
GROUP'S SHARE PER SHARE
(in € per share)



CURRENT OPERATING INCOME
(in € millions)



06 : 38 094 968 07 : 39 078 298 08 : 41 987 027

Weighted average number of shares

Management report

HIGHLIGHTS

CASINO: ACCELERATION OF ORGANIC GROWTH⁽¹⁾ AND SUSTAINED GROWTH IN CURRENT OPERATING INCOME

The group's results in 2008 bear witness to the effectiveness of its operational and commercial model, which has proved to be particularly well-aligned with the current economic environment, with its focus on the most buoyant retailing formats (convenience and discount stores and non-food e-commerce), as well as on Casino's highly successful private label brand and its expertise in real estate value creation. Consolidated sales totaled €28,704 million, up by 14.9%, as a result of the 5.9% increase in organic growth, and due to the consolidation of Super de Boer and Exito. Current operating income is up by 7.3%, to €1,283 million, and net income, Group's share, totaled €497 million.

In France, there has been strong growth in sales, demonstrating how well the group's activities fit the current environment. Current operating income is up on an organic basis, with operating margin stable over the year and up in the second half of the year.

International sales have raised rapidly, as a result of continued high organic growth rates both in South America and in Asia, and due to the consolidation of Super de Boer on January 1, 2008 and of Exito on May 1, 2007. Current operating income has increased significantly, mainly as a result of organic growth and significant improvements in the operating margin.

(1) Based on a comparable scope of consolidation and constant exchange rates, excluding the impact of asset sales to the OPCI property mutual funds.

CASINO MAINTAINS STRICT FINANCIAL DISCIPLINE

In 2008, Casino maintained strict financial discipline. Its net financial debt/EBITDA ratio is stable at 2.5 and net financial debt totaled €4,851 million as at year-end 2008. Liquidity has been reinforced by bond issues of €1.2 billion in 2008 and €500 million in January 2009, as well as by the sale of real estate assets and the postponement of the exercise period for Monoprix call and put options.

GROUPE GO SPORT: YEAR IN DEFICIT, BUT IMPROVEMENT IN EBITDA IN THE SECOND HALF

In 2008, the consolidated sales of Groupe GO Sport totaled €726.6 million, down by 3.6% from 2007.

In France, sales at GO Sport fell by 6.7%. However, sales improved significantly during the second half of the year, as a result of satisfactory performance recorded during the months of November and December. Courir (excluding Moviesport) confirmed its dynamism with like-for-like sales growth of 4.5% (+0.7% on a non-comparable basis) and is performing well on each of its markets (shoes, textiles, and accessories).



CASINO SUPERMARCHÉ, Aix-en-Provence, France



GÉANT CASINO, Toulouse Fenouillet, France



PETIT CASINO, Cannes, France



GO SPORT Montparnasse, Paris, France

Management report

HIGHLIGHTS

In international markets, the sharp increase in sales results from strong sales growth of 15.4% in Poland and a dynamic franchise business buoyed by solid organic growth and a rapidly expanding network.

EBITDA is down, at €11.2 million in 2008, as against €15.9 million in 2007, largely due to a drop in sales and an increase in rental costs. However, half-year data suggest an improving trend.

Current operating income totaled - €13.8 million, down from 2007, following the decline in EBITDA, the increase in depreciation and provisions for impairment. Notwithstanding, a significant improvement was recorded towards the end of the year, due, in particular, to a strong increase in gross margin rate in the last two quarters.

Operating income, down by €26.8 million, reflects a fall in current operating income of €11.2 million, as well as €3.2 million in capital gains before tax on the sale of the premises of one store and €6.9 million in compensation for lease termination, as contrasted with €27.5 million in before-tax capital gains on the sale of six store premises in 2007.

Net financial debt, which totaled €21 million as at December 31, 2008, as against €41 million as at December 31, 2007, is down in large part as a result of the reduction in working capital requirement, offsetting an increase in investments.

rights into ordinary shares with voting rights, on the basis of six ordinary shares for seven preferred shares. This transaction exemplifies Casino's desire to streamline its capital structure and to improve its share profile by increasing the free float of the ordinary share. The share parity offered provides the bearers of preferred shares with a premium of 16.3% and 22.6% on the basis of the weighted average market share price over one and three months, respectively, and reduces the stock market discount by, respectively, 46% and 52%, after distribution of dividends.

| Casino contributes to Mercialys a portfolio of Alcudia real estate assets and Casino shareholders receive dividends paid in Mercialys shares

On March 5, 2009, Casino announced that it would contribute to Mercialys a portfolio of Alcudia real estate assets made up of real estate development projects developed by Casino and hypermarket selling and reserve areas, with a total value of €334 million.

This transaction, which represents a major step in the Alcudia program, is part of a strategy set up by Casino in 2005 to valorize and monetize real estate assets. It illustrates Casino's capacity to, on the one hand, continuously generate a portfolio of real estate assets which rapidly create value, and, on the other hand, improve return on employed capital in its hypermarkets. As payment for the contributions, Mercialys issued new shares to the Casino group, bringing Casino's interest in Mercialys up from 59.7% to 66.1%. This transaction will enable Mercialys to significantly increase the amount of its real estate holdings, and to take advantage of the growth potential they offer, while at the same time consolidating its financial structure.

Building on Mercialys' initial public offering in 2005, and in order to preserve the company's status as a SIIC (a real estate investment company listed on the stock market), Casino intends to directly involve its shareholders in the growth of Mercialys and in the prospects of value creation included in the contribution transaction. To this end, at its next Joint Shareholders' Meeting, Casino will propose that it distribute to all of its shareholders (bearers of ordinary and preferred shares), in addition to its ordinary cash dividend payment, a dividend paid in Mercialys shares, in the amount of one Mercialys share for every eight Casino shares held. This dividend payment in kind represents, as at March 5, 2009, an amount of approximately €3.07 per share held. After this dividend payment in kind is made, the Casino group will own approximately 50.4% of the capital and voting rights of Mercialys, and it intends to retain its majority interest in Mercialys for the duration. Rallye will own 7.6% of the capital and voting rights of Mercialys.

SUBSEQUENT EVENTS

| Repayment of Rallye bonds maturing January 20, 2009

On January 20, 2009 Rallye repaid at maturity its 5.375%-coupon bonds issued on January 20, 2004, in accordance with the terms of the bond issue contract. On January 20, 2009, therefore, Rallye repaid the 470,840 bonds still outstanding for a total amount of €496 million.

| Issue of Casino bonds

In February 2009, the Casino group floated a bond issue in the amount of €500 million, bearing interest at 7.875%, and maturing in August 2012.

| Enhancement of Casino share profile following the conversion of preferred shares into ordinary shares

On March 4, 2009, Casino's Board of Directors unanimously approved the conversion of preferred shares without voting

Management report

BUSINESS REVIEW

The Rallye group is present in food and specialized retail, and through its two main subsidiaries, Casino and GO Sport.

- Casino is Rallye's main asset, representing 97% of consolidated net sales. It is a key food retailer in France, with a wide network of multi-format chains and leading market positions in high-growth regions, such as South America and South-East Asia;
- Specializing in sporting goods retail, Groupe GO Sport is one of the largest sporting goods retailers in France and Poland, with the GO Sport and Courir brands.

In addition, Rallye manages a diversified investment portfolio, which comprises financial investments in the form of direct interests or interests in specialized funds, and direct real estate programs.

CASINO

In 2008, Casino generated consolidated net sales of €28,704 million, up by 14.9% from the previous year. Current operating income rose by 7.3% to €1,283 million.

Sales and current operating income for the group break down as follows:

Net sales

In € millions	2008	2007	Change
France	18,558	17,915	+ 3.6%
International	10,146	7,057	+ 43.8%
South America	6,077	4,686	+ 29.7%
Asia	1,590	1,536	+ 3.5%
Other	2,479	836	n.s.
GROUP TOTAL	28,704	24,972	+ 14.9%

Current operating income

In € millions	2008	2007	Change
France	905	880	+ 2.8%
International	378	316	+ 19.8%
South America	254	192	+ 32.3%
Asia	80	82	- 2.4%
Other	44	42	n.s.
GROUP TOTAL	1,283	1,196	+ 7.3%

| France

France generated 65% of Casino's net sales and 71% of its current operating income.

In France, sales have increased by 3.6% and current operating income is up 2.8%, reflecting the group's favorable mix of formats, with a strong presence in convenience and discount store formats, as well as the effectiveness of the marketing strategies implemented by its banners.

Accelerated growth was bolstered by sustained growth in sales at Franprix-Leader Price, by satisfactory performance at the convenience store formats, and by a sharp increase in sales at Cdiscount.

Current operating income, in terms of organic growth, and therefore excluding the negative impact of asset sales to the OPCI property mutual funds, is up by 3.9% and operating margin is stable, reflecting favorable brand and product mixes, as well as the effectiveness of implemented cost reduction campaigns.

Other business activities (real estate, Cdiscount, Banque Casino, and Casino Restauration) enjoy continued dynamic performance with very rapid growth in sales.

The year 2008 once again marks the pertinence of Casino group's multiformat strategy, with increasing differentiation in its market positioning.

Casino's sales in France, by type of store, break down as follows:

Net sales

In € millions	2008	2007	Change
Géant hypermarkets	6,150	6,299	- 2.4%
Discount ⁽¹⁾	4,260	3,915	+ 8.8%
Convenience ⁽²⁾	6,881	6,569	+ 4.7%
Other business	1,267	1,131	+ 12.1%
TOTAL FRANCE	18,558	17,915	+ 3.6%

(1) Franprix/Leader Price.

(2) Casino Supermarkets, Monoprix and small supermarkets.

- Sales at **Franprix/Leader Price** have increased significantly (8.8%), as a result of regained sales dynamics and faster expansion (67 store openings for Franprix, and 42 for Leader Price during 2008). Robust growth was recorded on a same-store basis for both banners, enhanced by increased traffic, and demonstrates the effectiveness of sales initiatives implemented since mid-2007 and the attractiveness of the concepts. Operating margin is down by 44 basis points to 6.5%, reflecting the impact of the sales recovery plans and the increase in operating costs due to accelerated expansion.

- Sales at **Géant Casino hypermarkets** are down by 2.4%, reflecting a fall in traffic –which applies to the format as a whole – and a drop in non-food sales as consumers tighten their belts in a worsening economic environment. Commercial margin at hypermarkets is improving, as a result of a favorable brand and product mix, with strong growth in private-label brand and good performance from non-dairy fresh products. The profitability of non-food sections has improved as a result of the shelf-space reallocation and the remodeling of 30 hypermarkets as at year end 2008. Operating costs were also reduced, thereby demonstrating the flexibility of the banner. Current operating income is therefore up by 10.4%, with an improvement in margin of 36 basis points. Despite a relatively unfavorable climate for hypermarkets, Géant Casino has recorded good results, reflecting the banner's adaptability to the current economic environment.

Management Report

BUSINESS REVIEW



SPAR, Cannes, France



VIVAL, Albertville, France

- **Casino Supermarkets**, which have enjoyed sustained growth in sales of 7.5% (+3.4% on a same-store basis excluding the sale of gasoline), have pursued a dynamic expansion policy. These very good results bear witness to the success of the banner's sales strategy, with its market share increasing once again by +0.1 percentage point in 2008, after two consecutive increases of +0.1 point in 2006 and 2007. With double-digit growth rates, Casino brand once again has achieved excellent results, thereby making a positive contribution to the mix. The operating margin is slightly up, exclusive of the impact of asset sales to the OPCI property mutual funds;
- **Monoprix**, with sales up by +2.8%, has maintained a high level of profitability and has confirmed the attractiveness of its unique concept, based on a diversified and creative mix of products on offer. Its differentiated positioning strategy has enabled it to perform well in textiles. In 2008, Monoprix pursued an aggressive store expansion policy, with the opening of one Citymarché and sixteen Monop' stores, and with the acquisition of Naturalia, one of the principal competitors in the specialized distribution segment of organic foods, enabling it to increase its presence in this fast-growing segment;
- Sales at Petit Casino, Spar, Vival and EcoService **small supermarkets** have increased by 1.2%. These small supermarkets enjoy an unequalled geographic distribution throughout France, thereby confirming the group's leadership. The upgrading of the stores has continued, with nearly 400 store openings and 340 store closures in 2008. The year was also hallmarked by the launch of two convenience store concepts: Chez Jean and Vialtalia. Operating margin is down as a result of commercial reinvestments;
- Other group activities have seen sales increase by 12.1%, to €1.267 million and their current operating income increase by 21.5% to €79 million;

- **Cdiscount**, the leader in the French e-business market, has recorded rapid growth of 19.3%, above the market rate, due to a very attractive price positioning and a highly responsive commercial policy, which offsets the decline in hypermarket's non-food sales. The company's operating income is now positive;
- **Mericalys** has recorded solid growth, with rental incomes up by 16.8%, driven by strong organic growth and selective acquisitions focused on assets with high potential for value creation;
- **Banque Casino** has seen its production of credit increase, despite a shrinking market;
- **Casino Restauration** continued revitalizing sales, in particular with the conversion of its cafeterias into Comptoirs Casino and the development of its workplace cafeteria business.

| International business

International business has recorded very strong sales growth of 43.8%, with sales totaling €10,146 million, as a result of high organic growth both in South America (+12.5%) and in Asia (+13.3%) and the mid-year consolidation of Super de Boer and Exito. Sustained mainly by organic growth, current operating income has grown sharply by 19.8%, to €378 million. International business represents 35% of sales and 29% of the group's current income from operations, confirming its role as a growth engine.

Casino's business abroad is focused on two key areas: South America, with CBD in Brazil and Exito in Colombia, and Southeast Asia with Big C in Thailand.



CDISCOUNT, Bordeaux, France



MONOPRIX, Aix-en-Provence, France

Management report

BUSINESS REVIEW



COMPREBEN, Brazil



BIG C, Thailand

- In **South America**, performance has been excellent, with like-for-like sales up by 10.6% due to accelerated sales in Brazil, but also in Argentina, Venezuela, and Uruguay. In Colombia, Exito suffered from diminished non-food sales in an unfavorable business environment. Current operating income in the region is up significantly, in particular as a result of the rapid increase in CBD sales and of the full consolidation of Exito over the twelve-month period. The improved operating margin at 4.2% is the result of effective cost-reduction efforts and of the accelerated implementation of post-fusion synergies with Carulla in Colombia.
- In **Southeast Asia**, the group once again experienced an improvement in its commercial and operating performance, with sustained organic growth resulting from a dynamic expansion policy and an increase in sales on a same-store basis. In Thailand, sales at Big C are up by nearly 10%, driven by accelerated expansion (with the opening of 12 hypermarkets in 2008). In terms of organic growth,

current operating income in the region is rising and profitability remains high.

- Finally, in the **Netherlands**, Super de Boer, which has been fully consolidated since January 1, 2008, has recorded a significant improvement in its operating and financial performance in 2008. Consolidated sales totaled €1.6 billion, with satisfactory growth on a same-store basis. Current operating income totaled €14.5 million, as against €7 million in 2007, reflecting improved store effectiveness and an optimized network of stores. Net financial debt has been decreased to €57 million, as against €77 million as at December 31, 2007.

| Casino key figures

Casino key figures for 2008 compared with 2007 were as follows:

In € millions	2008	2007	Change 2008/2007
Net sales	28,704	24,972	+14.9%
EBITDA	1,952	1,799	+8.5%
Current operating income	1,283	1,196	+7.3%
Current operating margin	4.5%	4.8%	-32 bp
Income before tax	814	1,041	-21.8%
Net income			
<i>Continuing operations, Group's share</i>	510	664	-23.3%
<i>Discontinued operations, Group's share</i>	(13)	149	
Net income, Group's share	497	814	
Net financial debt	4,851	4,410	

Changes in the market price of Casino ordinary and preferred shares were as follows:

In €	As at 12/31/2008	As at 12/31/2007
Casino ordinary shares	54.30	74.39
Casino preferred shares	37.80	64.37

As at December 31, 2008, Casino's market capitalization was €5.9 billion. Rallye held 48.97% of Casino ordinary shares, 45.89% of its preferred shares and 61.73% of its voting rights.

GROUPE GO SPORT

Groupe GO Sport's consolidated sales as at December 31, 2008 totaled €726.6 million, down by 3.6% from 2007.

In France, sales at GO Sport banner have dropped by 6.7% compared to 2007. This trend, however, improved significantly in the last two quarters, with sales in the fourth quarter down by 4.1% on a same-store basis (as against -10.1% and -8.9% respectively in the second and third quarters), thanks to the satisfactory performance recorded in November and December.

Courir (excluding Moviesport) confirmed its dynamism with like-for-like sales figures rising by 4.5% (+0.7% with a non-comparable store network, given the closure of seven stores since December 31, 2007) and is performing well on each of its markets (shoes, textiles, and accessories).

In international markets, the increase in sales is due to strong sales growth in Poland of 15.4% compared to 2007 (+7.2% in zlotys), in particular as a result of the success of private-label brand, and to the dynamic franchise activity, sustained by strong organic growth and a rapidly growing network.

Management report

BUSINESS REVIEW

EBITDA is down to €11.2 million in 2008 as against €15.9 million in 2007, largely as a result of a decrease in sales and an increase in rental costs (+ €4.0 million). However, it improved in the second half of the year (first half of 2008: - €5.6 million compared to the same period in 2007; second half 2008: + €1 million compared to the same period in 2007). Commercial margin has improved by 0.6 point, to 39.2% for the year 2008, and saw a sharp acceleration take place in the second half of the year (+1.2 point compared to 2007).

Current operating income was down at - €13.8 million, following the decline in EBITDA and the increase in depreciation and provisions for impairment. However, it experienced a significant improvement towards the end of the year.

Operating income, down by €26.8 million, includes a drop in current operating income of €11.2 million, as well as €3.2 million in before-tax capital gains on the sale of the premises of one store and €6.9 million in lease termination fees on Lyon République and Valence-Ville stores (amounts are before-tax, net of closing costs), as compared with €27.5 million in before-tax capital gains on the sale of six store premises in 2007.

Net financial debt, totaling €21.0 million as at December 31, 2008 as against €41.0 million as at December 31, 2007, fell as a result of, in particular, a reduced working capital requirement, which offset the increase in investments.

In 2008, Groupe GO Sport opened twelve GO Sport stores (six in France and six franchises, including four in Saudi Arabia, one in Qatar, and one in Mauritius) as well as fourteen Courir stores (eight in France and six franchises including five in Saudi Arabia and one in Qatar). The process of store network streamlining in France and Belgium has continued, with the closure of fourteen GO Sport stores, seven Courir stores, and 2 Moviesport stores. The store network now comprises 371 stores, as at December 31, 2008: 166 GO Sport stores of

which 17 are franchises, 204 Courir stores, of which 23 are franchises, and one Moviesport store.

During the year 2008, which was marked by a particularly difficult business environment, the action plan launched at year-end 2007 by the group began to bear fruit (cleaning up of inventories, closure of unprofitable stores, increase in productivity, cost control). This is demonstrated by improved sales and EBITDA trends at GO Sport France since November, which have continued this year, and by Courir and international sales figures, which remain satisfactory.

The main consolidated key figures for 2008 compared with 2007 were as follows:

In € millions	2008	2007
Net sales	727	754
Current operating income	(14)	(3)
Operating income	(9)	18
Income before tax	(15)	14
Net income	(16)	13
Cash flow	16	18
Gross investments	(38)	(26)

Groupe GO Sport shares, which are listed on Euronext's Eurolist Compartment C, were valued at €16.31 as at December 31, 2008, with market capitalization of €61.6 million. Rallye held 72.85% of Groupe GO Sport's shares and 79.11% of voting rights.



MISS GO, Go Sport Montparnasse, Paris, France



COURIR, Champs-Élysées, Paris, France

INVESTMENT PORTFOLIO

Rallye's investment portfolio is valued at €622 million, as at December 31, 2008, as against €614 million as at December 31, 2007. Following the reallocation of its portfolio between financial investments and real estate projects as at year-end 2008, the portfolio contains both financial investments, with a market⁽¹⁾ of €379 million (as against €545 million at year-end 2007) and real estate development programs, which are recorded at their historical⁽²⁾ of €243 million (as against €69 million as at year-end 2007).

The objectives of the Private Equity disposal program have been met, in conformity with the strategic decision announced in August 2008 to reduce the size of the portfolio: €233 million in Private Equity assets were therefore sold in Q3 and Q4 2008, representing 70 portfolio lines. Over the course of the year, the Group thus divested €271 million, which were offset by €314 million in new investments linked to capital calls and to additional commercial real estate investments, and recorded value depreciation in the amount of €35 million.

In 2008, the investment portfolio contributed to Rallye's current operating income in the amount of €42 million (of which €29 million were contributed during the second semester of 2008), as against €95 million in 2007.

The Group enjoys a solid track record in investments, with an in-house team based in Paris and New York that bases its work on both the historical expertise of the Euris/Rallye group in financial investments and real estate project development as well as on solid partnerships with companies specializing in commercial real estate, such as Sonae Sierra.

(1) The market value of the financial investments is the book value recorded in the consolidated financial statements (fair value - IAS 39). It is based on external appraisals (General Partners of the funds) adjusted, where appropriate, with the most recently available data.

(2) The real estate programs are recorded at historical cost. Their value is not reassessed until investments are sold (IAS 16).

The €379 million in **financial investments** are evenly distributed geographically: 37% in North America, 40% in Europe, 20% in Asia, and 3% in various other countries. LBOs make up 43% of financial investments, real estate funds 24%, energy 13%, venture capital 2%, and the remainder 18%. The diversification of financial investments, both geographic and by sector, but also by type of investment, by partner, and by size enables risks to be evenly spread, especially because of the large number of investments and their small size. As at December 31, 2008, the portfolio comprises approximately 150 lines, four-fifths of which are under €4 million, with a maximum amount per line of €13 million in net cash investment. The systematic use of currency hedges means that the company is protected from the risk of falls in currencies and generates exchange gains.

The €622 million investment portfolio also includes **real estate development projects** valued at €243 million. The assets in question are quality real estate assets, in large part held with Foncière Euris. These real estate projects are well diversified geographically and break down as follows:

- €71 million invested in Germany, via two shopping malls: Alexa in Berlin, which opened in September 2007, and Loop5 near Frankfurt, currently being marketed;
- €65 million in Poland, via three shopping centers, including one in Lodz which opened in March 2006 and two others, one in Gdynia, near Gandsk, and one in Poznan, which are currently being marketed;
- €63 million in France, with four shopping centers under development, of which two are already open for business (Fleur d'eau in Angers, which opened in May 2005, and Ruban Bleu in Saint-Nazaire, which opened in May 2008), one center near Lyon, Carré de Soie, which is scheduled to open April 1, 2009, and the Paris-Beaugrenelle shopping center which is due to open in 2011;
- €27 million in Russia, with the Leto shopping center in Saint Petersburg, which is scheduled to open soon;
- €18 million in the United States, via the Repton Place residential real estate program in the Boston area.

Management Report

FINANCIAL REVIEW

CONSOLIDATED FINANCIAL STATEMENTS

| Main changes in the scope of consolidation

During 2008, variations in the Group's percentage of ownership in certain companies led to a change in the method of consolidation. Super de Boer (the Netherlands), which had until then been consolidated under the equity method, is now consolidated under the full consolidation method as from January 1, 2008.

CBD (Brazil) is consolidated under the proportionate

consolidation method for 35.3% as from July 25, 2008, as against 32.9% previously.

| Earnings

Rallye reported consolidated net sales of €29.4 billion, up 14.4% from €25.7 billion in 2007. A detailed analysis of sales trends for each operating subsidiary is presented under the Business review section of this report.

The breakdown of net sales generated per business during the previous two years was as follows:

(In € millions)	2008		2007	
	Amount	%	Amount	%
Food and general retailing	28,704	97.5	24,972	97.0
Sporting goods retailing	727	2.5	754	3.0
Other business	17		10	
TOTAL	29,448	100.0	25,736	100.0

The breakdown of net sales per geographic area during the previous two years was as follows:

(In € millions)	2008		2007	
	Amount	%	Amount	%
France	19,230	65.30	18,628	72.38
Netherlands	1,627	5.52		
Other European countries	73	0.25	52	0.20
South America	6,077	20.64	4,686	18.21
Asia	1,590	5.40	1,536	5.97
Indian Ocean	851	2.89	834	3.24
TOTAL	29,448	100.0	25,736	100.0

Current operating income has increased by 1.7% to €1,283 million, as a result of Casino's excellent performance, with a current operating income up by 7.3%, which enabled it to make up for the smaller contribution from the investment portfolio. A detailed analysis of trends in current operating income per operational subsidiary is included under "Business review". Other income and expense from operations amounted to - €127 million.

The cost of net financial debt amounted to - €577 million and

other financial income and expenses to - €86 million, mainly due to losses incurred on the portfolio of securities during the second semester of 2008.

Income before tax totaled €493 million, compared with €958 million in 2007.

The income from companies accounted for by the equity method was €13 million in 2008, compared with €18 million in 2007.

Net income, Group's share, amounted to - €86 million compared with €288 million in 2007.

In 2008, the number of employees registered in the Rallye group was 178,145. The breakdown of the number of Group employees per business over the last two years was as follows:

(In € millions)	2008	%	2007	%
Food and general retailing *	173,219	97.14	159,946	96.35
Sporting goods retailing	5,029	2.82	5,963	3.59
Other business	79	0.04	93	0.06
TOTAL	178,327	100.0	166,002	100.0

* The employees working for associated companies are not included in these figures; the employees working in joint ventures are included in proportion to the Group's interest.

Financial structure

Shareholders' equity for the Group amounted to 1,509 million as at December 31, 2008, as against €1,942 million as at December 31, 2007, arising from:

- negative translation differences in the amount of €216 million;
- consolidated net income for 2008, totaling - €86 million;
- the distribution of dividends in the amount of €79 million, of which €34 million from the 2008 early dividend payment on October 3, 2008;
- net changes in fair value in the amount of €42 million;
- the elimination of directly owned treasury stock in the amount of - €6 million;
- changes in share capital of - €14 million.

As at December 31, 2008, the EBITDA interest coverage ratio (current operating income restated for current depreciation and amortization expense) is 3.43 as against 4.02 in 2007.

Rallye's net financial debt totaled €7,640 million as at December 31, 2008, compared with €7,060 million as at December 31, 2007, and can be broken down as follows:

- Casino group: net financial debt of 4,851 million, compared with €4,410 million as at December 31, 2007;
- Groupe GO Sport: net debt decreased to €21 million from €41 million as at December 31, 2007;
- Rallye holding perimeter: net financial debt of €2,688 million, compared with €2,469 million as at December 31, 2007;
- Rallye investment subsidiaries: net debt of €80 million, corresponding to project-specific real estate financing of the investment portfolio, without recourse to the holding companies.

The ratio of net financial debt to consolidated shareholders' equity (gearing) changed as follows:

(In € millions)	2008	2007
Net financial debt	7,640	7,060
Consolidated shareholders' equity	6,018	6,408
Debt/equity ratio	127%	110%

In addition, two indicators are used to assess the financial structure of the Rallye holding perimeter, which includes Rallye and its wholly owned subsidiaries that act as holdings and own shares in Casino and Groupe GO Sport and the investment portfolio:

- the ratio of coverage of Rallye holding perimeter's net interest expense by dividends received;
- the ratio of coverage of Rallye holding perimeter's net financial debt by assets, measured at fair value.

In 2008, the dividends received by the Rallye holding perimeter amounted to €126 million, representing more than 1.1 times the holding perimeter's net interest expense. The interest coverage ratio in 2008 was 110%, compared with 172% and 158% for 2007 and 2006, respectively.

As at December 31, 2008, the revalued assets of the Rallye holding perimeter amounted to €3,520 million, which included Casino shares for €2,853 million, Groupe GO Sport shares for €45 million, and the investment portfolio for €622 million. The debt of the Rallye holding perimeter amounted to €2,688 million as at December 31, 2008. As at December 31, 2008, the net debt of the Rallye perimeter was covered 1.31 times by the revalued assets. The coverage ratio was 1.96 and 1.84 at December 31, 2007 and 2006, respectively.

Management Report

FINANCIAL REVIEW

RALLYE PARENT COMPANY FINANCIAL STATEMENTS

| Earnings

The parent company reported a €22.1 million operating loss, as against a €25.4 million loss as at December 31, 2007.

As at December 31, 2008, Rallye employed 35 persons.

Rallye generated financial income of €43.9 million, as against €67.0 million as at December 31, 2007. During the year, the main entries were:

- revenue and dividends from subsidiaries and investments, mainly from:
 - Casino: €36.3 million;
 - Parande: €21.4 million;
 - Cobivia: €51.5 million;
 - Omnium de Commerce et de Participations: €3.6 million;
 - Mermoz Kléber: €5.8 million;
- income of €12.4 million from Group cash management;
- a provision reversal of €11.5 million, related to the bond redemption premium of the OCEANE bonds maturing in January 2008.

And, conversely, provisions for:

- the depreciation of Miramont Finance & Distribution shares in the amount of €35.1 million and of Parande shares in the amount of €28 million;
- redemption premiums on bond borrowings in the amount of €5.6 million;
- call options in the amount of €8 million.

Other interest and similar income mainly concern the remuneration of current accounts with subsidiaries, while interest and similar expenses consist mainly of interests on loans.

Net income for the year amounted to €47.5 million, up from €39.4 million as at December 31, 2007.

| Financial structure

Shareholders' equity amounted to €1,582.4 million as at December 31, 2008, compared to €1,625.9 million as at December 31, 2007, as a result of:

- 2008 net income of €47.5 million;

and negative amounts arising from:

- the decrease in capital resulting from the cancellation of 316,452 treasury shares, and from the capital increase resulting from the creation of 24,000 new shares following the exercise of stock options in the net amount of €13.8 million;
- the dividend payment of €77.2 million, including €33.7 million for the interim payment on the 2008 dividend.

DIVIDEND POLICY

Rallye will propose a net dividend of €1.83 per share for fiscal year 2008 at the annual Shareholders' Meeting on June 3, 2009, in line with the net dividend of €1.83 for 2007 and €1.74 for 2006. An interim dividend for 2008 of €0.80 per share was paid on October 3, 2008, reducing the outstanding payment due to €1.03 per share.

Rallye's dividend is expected to vary with the Company's earnings and the dividend paid by Casino. The Company reserves the right to make another interim dividend payment in 2009. Rallye's financial statements for the year ended December 31, 2008 showed a profit of €47,523,453.59, which the Board proposes to allocate as follows, given the fact that the legal reserve requirement of 10% of share capital has been fulfilled:

(In €)	
Net income for the year	47,523,453.59
Retained earnings	57,846,556.03
Profit allocation	105,370,009.62
Dividend	(77,519,056.20)
Balance appropriated to retained earnings	27,850,953.42

The net dividend per share will thus be set at €1.83.

This dividend is fully eligible for a 40% tax rebate, under Article 158-3-2° of the French General Tax Code, unless the option is taken to make a single withholding payment pursuant to Article 117 of the French General Tax Code.

An interim dividend of €0.80 per share was paid on October 3, 2008; the outstanding amount due of €1.03 per share will be paid beginning on June 12, 2009.

Dividends from treasury shares held by the Company as at the dividend payment date will be recognized in retained earnings. The dividends paid out over the last three years and the associated tax credits were as follows:

(In €)	2007	2006	2005
Net dividend	1.83	1.74	1.68

The comparative table of earnings for the past year and the four previous years is provided on page 161 of this report.

Non-deductible expenses incurred by the Company during the financial year under Article 223-4 of the General Tax Code amounted to €14,171.

STOCK MARKET INFORMATION

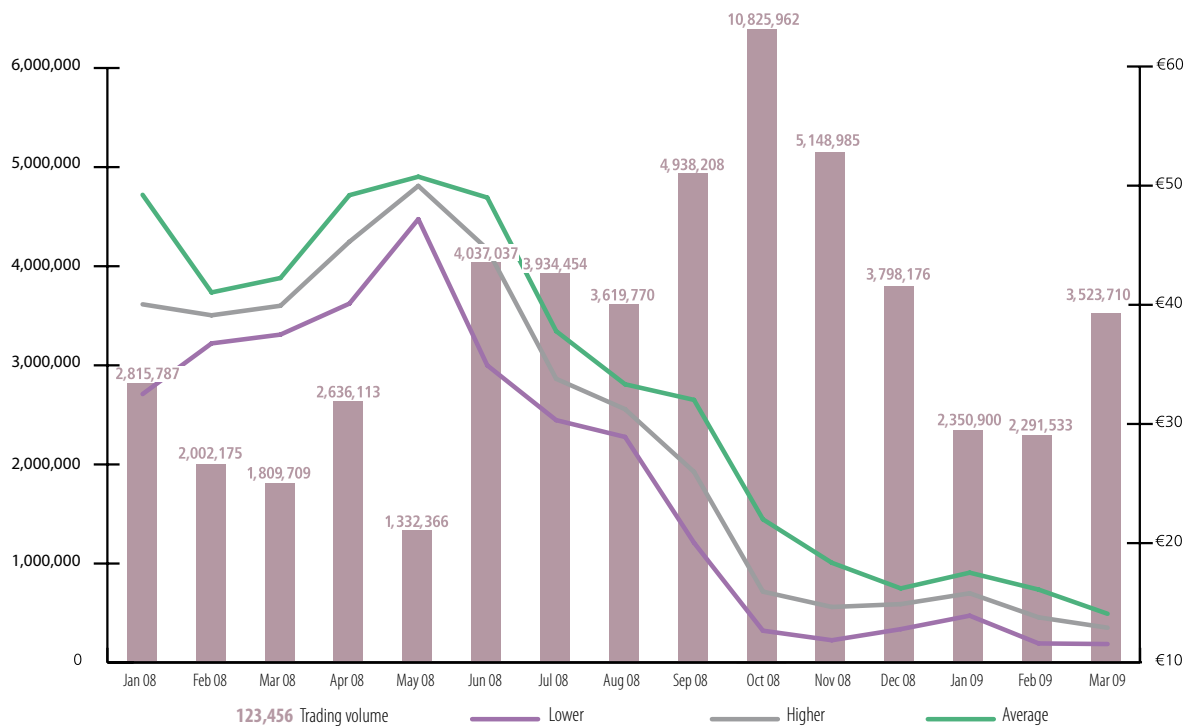
Rallye shares are listed on the Eurolist by Euronext Paris (compartment B).

ISIN : FR0000060618

Highest share price (05/20/2008)	€50.75
Lowest share price (11/21/2008)	€11.85
Share price as at 12/31/2008	€16.10
Number of shares traded in 2008	46,898,742
Volume of capital exchanged in 2008	€1.314 million

As at December 31, 2008, Rallye's market capitalization amounted to €682 million.

| Rallye Share - Monthly changes in share price in 2008 and early 2009



Management Report

RECENT TRENDS AND OUTLOOK

RECENT TRENDS

During the first quarter of 2009, Rallye group's sales reached €6,797.9 million, down 3.3% compared to the first quarter of 2008.

| Casino

As at the first quarter of 2009, Casino consolidated sales totaled €6,624.1 million, down 3.3%, due to the adverse impact of changes in the scope of consolidation (-0.6%) and currency values (-1.3%), the fall in the price of gasoline (-1.2%) and the calendar effect (-1.5%). Excluding gasoline and adjusted for calendar effect, organic growth reached +1.3%, which is satisfactory considering the current business climate.

In France, organic sales excluding gasoline fell by 2.8%. Franprix-Leader Price, Casino Supermarchés and Monoprix recorded satisfactory performance, with non-gasoline sales virtually unchanged. Cdiscount maintained very high growth rates (+18.5%), with its additional sales continuing to offset the drop in non-food sales at hypermarkets. In an increasingly competitive market, Géant Casino maintained its carefully managed promotional strategy over the period.

In international markets, organic growth excluding gasoline remains strong (+4.5%), both in South America (+5.6%), driven by dynamism in Brazil and in Asia (+7.5%), as a result of the sustained store expansion policy in Thailand and continued very strong growth on a same-store basis in Vietnam.

Casino thus benefited in the first quarter from its good business portfolio positioning, with a favorable mix of formats in France – with the predominance of convenience and discount store formats –, its leadership position in non-food e-business and an international presence focused on high potential countries.

| Groupe GO Sport

In the first quarter of 2009, Groupe GO Sport achieved sales of €171.7 million, up by 0.1%, adjusted for changes in exchange rates and in the scope of consolidation, compared to the first quarter of the previous year.

In France, sales at GO Sport rose by 3.0% on a same-store basis (+1.3% on a non-comparable basis) compared to the first quarter 2008, thereby confirming the significantly improved trend begun in the last two quarters of 2008. These good results testify to the pertinence of the action plan established at year-end 2007, and which aimed to bolster the group's sales and profitability. Sales at the Courir banner (excluding Moviesport) fell by 11.6%, on a same-store basis (as against an increase of +11.3% in 2008), or by 10.6% on a non-comparable basis.

International business has experienced very rapid growth,

restated for changes in exchange rates and the scope of consolidation, thanks to the excellent performance recorded in Poland (+9.6% in zlotys, on a like-for-like basis), as well as to the dynamic franchise activity resulting from the increase in the number of stores.

During the first quarter of 2009, Groupe GO Sport opened one GO Sport store in France, one GO Sport store in Poland, and one Courir franchise in New Caledonia.

As at March 31, 2009, Groupe GO Sport store network totaled 373 stores: 167 GO Sport stores including 17 franchised stores, 205 Courir stores, including 24 franchises, and one Moviesport store.

OUTLOOK

| Casino

Casino is in line with its strategic plan, thanks primarily to the improvement of its product mix, both in food and non-food, and to the rapid implementation of cost reduction plans. Casino is therefore confident in its capacity to improve the competitiveness of each of its banners.

Its financial flexibility will be significantly strengthened by improvements in the generation of Free Cash Flow⁽¹⁾ and a €1bn asset disposal program to be implemented by the end of 2010. Casino has thus confirmed its objective to improve its Net financial debt/EBITDA ratio by year-end 2009, and to attain a ratio of less than 2.2 by year-end 2010.

| Groupe GO Sport

Groupe GO Sport, strengthened by the solid performance at GO Sport France, will continue implementing its action plan which is beginning to bear fruit and which includes, *inter alia*, significant cost reductions.

| Rallye

As at March 31, 2009, Rallye enjoys a sound liquidity position, with approximately €900 million of confirmed and available credit lines. Its 2009 bank repayment terms have already been renewed, and the repayment terms for 2010 are currently being negotiated. In addition, Rallye has no bonds maturing before October 2011. Rallye's bank financing is perfectly secure to the extent that there is no covenant linked to the stock market price of its assets or to Casino's rating, and any other covenant related to certain sources of funds are more than complied with.

Rallye confirms its commitment to reduce the level of its net financial debt and to significantly improve its financial structure ratios over the next two years, in particular by continuing its plan to sell its investment portfolio, both in Private Equity, depending on market conditions, and in commercial real estate.

(1) Free Cash Flow = Current operating cash flow before tax – Capital expenditures + Changes in working capital requirement – Taxes paid – Net interest payments.

Management Report

CAPITAL AND SHAREHOLDING INFORMATION

SHARE CAPITAL

As at December 31, 2008, Rallye's share capital amounted to €127,080,420, or 42,360,140 shares with a par value of €3 per share. As at December 31, 2007, the share capital totaled €127,957,776 for 42,652,592 shares.

The change was due on the one hand to the exercise of share subscription options, which gave rise to 24,000 new shares, and on the other hand to the cancellation of 316,452 shares.

SHAREHOLDING STRUCTURE

As at December 31, 2008, Foncière Euris held 57.67% of the Company's share capital and 71.83% of voting rights.

As at December 31, 2008, Rallye held 1,234,945 shares or 2.92% of share capital. Some 195,000 shares were held as part of the AMAFI (French Association of Financial Markets) liquidity agreement entered into with Rothschild et Cie Banque on June 21, 2005.

In addition, Rallye holds call options on its own shares, which it acquired to cover the June 2004 share subscription option plans. Rallye's call options were valued at €1.7 million, allowing to subscribe to 312,050 shares.

To the Company's knowledge, no other shareholder controlled more than 5% of share capital or voting rights as at December 31, 2008.

During 2008, UBS's interest in Rallye's share capital and voting rights successively rose above and fell below:

- the 1% threshold in Rallye capital:
 - below 1% on January 15, 2008;
 - above 1% on March 19, 2008;
 - above 1% on May 8, 2008;
 - below 1% on August 14, 2008;
 - above 1% on September 10, 2008;
 - below 1% on September 15, 2008.
- the 2% threshold in Rallye capital:
 - above 2% on June 20, 2008;
 - below 2% on July 29, 2008.
- the 1% threshold in Rallye voting rights:
 - above 1% on May 2, 2008;
 - below 1% on August 14, 2008.

During 2008, Tocqueville Finance's interest in Rallye's share capital successively rose above and fell below the 2% threshold in Rallye capital:

- below 2% on April 28, 2008;
- above 2% on October 10, 2008.

During 2008, Richelieu Finance's interest in Rallye's share capital successively rose above and fell below:

- the 1% threshold in Rallye capital:
 - below 1% on July 3, 2008;
 - above 1% on September 19, 2008.
- the 1% threshold in Rallye voting rights:
 - below 1% on April 17, 2008.
- the 2% threshold in Rallye capital:
 - below 2% on January 24, 2008.

During 2008, AQR Capital Management's interest in Rallye's share capital successively rose above and fell below the 1% threshold in Rallye capital:

- above 1% on March 28, 2008;
- below 1% on September 17, 2008.

Pursuant to the provisions of Article 223-22 of the French Financial Market Authority (AMF) General Regulation applicable to the trading of Rallye securities by the Company's directors or other related parties, the shareholders are informed of the following transactions:

Informant	Financial instrument	Transaction date	Nature	Weighted-average price	Transaction amount
DIDIER CARLIER ⁽¹⁾	Shares	09/18/2008	Acquisition	€ 23.494	€11,747.00

(1) Director.

The above disclosure was published on the AMF website.

To the Company's knowledge, no other corporate officer carried out transactions on Company shares in 2008.

Management Report

CAPITAL AND SHAREHOLDING INFORMATION

SHARE EQUIVALENTS

| Stock and call option plans

At the extraordinary Shareholders' Meetings of June 9, 2004, June 7, 2006 and June 6, 2007, the shareholders authorized the Board of Directors to allocate stock options to the Group's employees and corporate officers.

As at December 31, 2008, there were 1,151,831 options outstanding, giving the holders the right to subscribe to or buy 1,151,831 shares, based on the following plans:

Date granted	Date from which options may be exercised	Date of maturity	Number of beneficiaries upon initial allocation	Adjusted subscription price ⁽¹⁾	Number of options allocated:		Number of options exercised as at 03/31/2009	Adjusted number of options ⁽²⁾ unexercised as at 03/31/2009
					To corporate officers	To the top ten employee beneficiaries		
04/11/2002	04/11/2005	10/11/2007	45	49.91			13,000	
06/04/2003	06/04/2006	12/04/2008	49	29.51			320,800	
06/09/2004	06/09/2007	12/09/2009	46	41.38	92,850	95,350	17,500	271,250
06/08/2005	06/08/2008	12/07/2010	58	40.16	83,567	47,733		207,001
06/07/2006	06/07/2009	12/06/2011	61	36.84	84,250	74,190		238,807
10/01/2007	01/01/2011	03/31/2013	60	48.73	50,866			179,807
04/23/2008	07/23/2011	10/23/2013	66	43.15	80,234	72,624		254,966

⁽¹⁾ The options are allocated based on the undiscounted market price.

⁽²⁾ Number of options initially allocated, less cancelled options (25,570 options were cancelled during fiscal year 2008, and 37,070 from January 1 to February 28, 2009).

As at December 31, 2008, Rallye's corporate officers held 391,767 unexercised options, giving them the right to subscribe to or purchase 391,767 shares.

| Bonus shares

At the Extraordinary General Meetings of June 8, 2005 and June 4, 2008, the Shareholders authorized the Board of Directors to issue bonus shares to the Group's employees and corporate officers.

As at December 31, 2008, there were 152,009 unacquired bonus shares relating to the following plans:

Date granted	Vesting date of granted shares	Date from which the acquired shares may be sold	Number of beneficiaries	Number of shares allocated		
				To corporate officers	To the top ten employee beneficiaries	Total number of allocated shares, adjusted as at 03/31/2009 ⁽³⁾
06/07/2006	06/07/2009 ⁽¹⁾	06/07/2011	61	10,533	12,061	38,124
10/01/2007	01/01/2011 ⁽¹⁾	01/01/2013	60	6,359	9,204	29,356
04/23/2008	07/23/2011 ⁽¹⁾	07/23/2013	66	10,029	12,159	43,379
09/25/2008	09/25/2010 ⁽²⁾	09/25/2012	9	22,800	5,750	41,150

⁽¹⁾ The vesting of bonus shares granted to the beneficiaries is subject to company performance criteria, which are evaluated on an annual basis. The criterion set by the Board of Directors is that of the cover ratio of the Rallye holding perimeter debt by revalued assets.

⁽²⁾ The vesting of bonus shares granted to the beneficiaries is only subject to a requirement of presence in the company at the vesting date.

⁽³⁾ Number of shares initially granted less rights cancelled following the departure of beneficiaries from the company.

Rallye's corporate officers held 49,721 bonus shares as at December 31, 2008.

COMPANY PURCHASE OF ITS OWN SHARES

As at December 31, 2008, the Company held 1,039,945 treasury shares acquired over the previous fiscal years to cover any share purchase and/or subscription plans or any bonus share allocations granted to employees and corporate officers. These shares represented 2.46% of the Company's share capital for an aggregate acquisition value of €15.8 million and a nominal value of €3.1 million.

As at December 31, 2008, these 1,039,945 treasury shares were entirely assigned to cover the requirements of the bonus share and stock option plans.

The Board of Directors decided on March 19, 2008 on a capital reduction by way of cancellation of 316,452 treasury shares previously assigned to cover stock option plans, which had not been exercised.

On June 21, 2005, the Company implemented a liquidity agreement with Rothschild & Cie Banque to encourage trading of the stock on the market. As such, 195,000 shares remained appropriated to the agreement at December 31, 2008.

This Shareholders' Meeting will be required to approve the renewal of the authorization for the Company to repurchase its own shares, pursuant to Articles L.225-209 et seq. of the French Commercial Code.

The Board of Directors will be authorized, with the option to sub-delegate, to purchase the Company's shares with the following objectives:

- to cover the share purchase and/or subscription option plans granted to employees and corporate officers, in compliance with Articles L.225-177 et seq. of the French Commercial Code, as well as all corporate savings plans and share ownership plans;
- to allocate bonus shares to employees and management in compliance with the provisions of Articles L.225-197-1 et seq. of the French Commercial Code;
- to ensure active trading of the Company's shares under the liquidity agreement signed with an investment service firm, in accordance with the Code of Conduct issued by the AMAFI and approved by the AMF;

- to hold shares to give to holders of securities issued by the Company when the rights attached to them are exercised and require the payment, conversion or exchange, upon the presentation of a warrant or any other instrument with vested rights to shares;
- to hold shares in reserve to use at a later date as a means of exchange or payment in external growth operations in conformity with the market practices authorized by the AMF;
- to cancel shares in connection with a capital reduction program, within the limit of a maximum 10% of the Company's share capital per 24-month period.

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

The Board of Directors may adjust the maximum price if there is a change in the par value per share, a capital increase through the capitalization of retained earnings and a bonus share allocation, a share split or consolidation, a capital amortization or reduction, a distribution of reserves or other assets, and any other operation affecting equity, to reflect the impact of such transactions on the share value.

Under the terms of the authorization, the Company may hold a maximum of 10% of share capital at February 28, 2009. This corresponds to a maximum of 4,236,014 shares for a maximum amount of €318 million.

The aforementioned shares can be acquired, sold, transferred or exchanged by any means and at any time, on the stock market or off, between trading parties or over the counter, including as blocks of shares or through the use of derivatives such as call options. Block share trading is possible for the entire repurchase program.

The shares can also be loaned, in accordance with the provisions of Articles L.432-6 et seq. of the French Financial and Monetary Code.

Shareholders decide in their General Meeting that the Company may continue to implement its repurchase program, even in the event of a takeover bid or public offer on shares, bonds or other securities issued by the Company or at the Company's initiative. The Shareholders' authorization on the share repurchase program will expire at the next Shareholders' Meeting convened to approve the 2009 financial statements and management report, and no later than December 3, 2010.

Management Report

SOCIAL AND ENVIRONMENTAL INFORMATION

(Articles 148-2 and 148-3 of Decree 2002-221 of February 20, 2002)

Rallye's business as a holding company, with 35 employees as at December 31, 2008, had no significant direct social or environmental implications.

The principal corporate social and environmental information concerning the business activities of Rallye and its main subsidiaries is presented below. The subsidiaries specialized in food and sporting goods retailing manage the social and environmental impact of their business. Additional information is provided in the annual reports of the subsidiaries concerned and more specifically in the sustainable development report for 2008 drawn up by Casino.

| Scope

For Casino, the information presented concerns all the entities wholly owned by the group in France, including Casino Guichard-Perrachon, Distribution France Casino (and the subsidiaries Serca, Accos, Casino Vacances, Nazairdis, Kamili), Codim 2, Casino Cafétéria (and the subsidiary Restauration Collective Casino – R2C), Easydis, Immobilière Groupe Casino (and the subsidiary Sudéco), Tout pour la Maison (TPLM), Casino Entreprise (and the subsidiaries Imagica, Komogo), EMC Distribution, Comacas and Casino Services, as well as Monoprix (a subsidiary 50%-owned by the Casino group).

Additional information is available in the 2008 activity and sustainable development report of the Casino group.

For Groupe GO Sport, the information provided below covers all of the consolidated subsidiaries: Groupe GO Sport, GO Sport France, GO Sport International and Courir France.

Through the actions taken in social and environmental terms, the Group aims to promote high quality social relations, solidarity and responsibility in retailing and expresses a commitment to preserve the environment.

PROMOTING QUALITY SOCIAL RELATIONS

| Safeguarding jobs and developing employees' professional skills

The skills and commitment of all of its employees are one of the keys to Casino's success. Since its inception, Casino has been fostering the development of quality relationships based on respect and communication. As a result of the diversity of the businesses and professions it is involved in, Casino offers its employees a great deal of professional mobility and opportunities for advancement: vertical advancement through in-house promotions, as well as horizontal transfers between different branches and chains, access to international positions, etc. In sum, there is a wide variety of career paths available, offering the opportunity to acquire complementary experience, and optimize one's career.

For 2008, Groupe GO Sport's training budget amounted to €1.3 million. During the first half of 2008, more than 104 employees have been able to take the training courses requested in connection with their Individual Right to Education provided by law, for

an aggregate 1,700 training hours (management, communication, fundamentals of merchandising, etc.).

| Promoting health and safety in the workplace

In 2006, Casino conducted a study on health in the workplace and signed a national charter with the French health insurance fund (CNAM) on June 21, 2006. The prevention program begun in 2007 and entitled 'Cap Prévention' went on through 2008 and has yielded positive results, with a continuous trend towards fewer and less serious workplace accidents over the past five years. Agreements were signed with the French salaried workers' health insurance fund (CNAMTS) to set up an accident prevention policy from the outset of store design and renovation.

Groupe GO Sport also strives to constantly improve the health and safety of its employees. New safety training modules are currently being tested in view of being deployed in the near future throughout its network, and hygiene and workplace safety committees have been set up at those establishments which meet the legal requirements in terms of number of employees.

At the Courir banner, an internal safety committee, which was created in 2005, is setting up action plans intended to improve workplace safety. This committee met three times during the year 2008, and continues to promote workplace safety awareness among the employees working at Courir stores in France.

| Commitment to diversity

In 2008, Casino continued to actively participate in the European Community's Initiative "EQUAL LUCIDITÉ⁽¹⁾" which aims to combat racial and sexual discrimination in access to jobs, career development and service relations.

In 2007, a new agreement to promote equal opportunities and combat discrimination was signed with the Ministry of Social Cohesion for 2007-2012.

Casino is also involved in the program entitled EQUAL AVERROES (Action aimed at equality, without distinction of race, religion or origin for jobs and services), the purpose of which is to set up self-assessment tools for companies on diversity.

Casino is also strongly committed to integrating disabled people in the workplace, as reflected in its newly-signed "Handipact" agreement for 2006-2010, aimed at promoting the recruitment, training, and qualifications of disabled people and raising awareness among employees.

In 2008, Groupe GO Sport continued the development of its policy to promote the recruitment, training, and retention of disabled workers. With the support of trade unions, the company has been able to formalize this commitment through the signature, in October 2008, of a group agreement that covers both GO Sport International and GO Sport France. As at December 31, 2008, Groupe GO Sport (including all of its units) employs 55 disabled workers.

(1) Combating discrimination and inequalities in the workplace and company.

Quantitative social data

2008 Social Indicators	Unit	Rallye Holding	Casino ⁽¹⁾	Groupe GO Sport
Number of employees at December 31	No.	35	68,604	4,279
Percentage of women	%	57%	63%	50%
Percentage of part-time workers	%	17%	36%	24%
Number of long-term contracts ⁽²⁾	No.	35	63,279	3,859
Number of short-term contracts ⁽²⁾	No.	0	6,922	420
Average number of hours of training per employee per year	Hours	2	6	23.5
Number of long-term contract recruitments	No.	5	12,092	1,405
Number of short-term contract recruitments	No.	0	39,916	3,989
Number of economic layoffs	No.	0	91	0
Net job creation ⁽³⁾	No.	(7)	(681)	(1,684)
Payroll (salaries, wages and social charges)	€ millions	10	2,168	110
Amount paid to the Works Committee	€ millions		15.5	0.7
Amount of donations (solidarity, sports, culture)	€ millions	0,1	2.9	0.7

(1) Casino social data concern all the entities wholly owned by the group in France, and 100% of Monoprix.

(2) Average annual number of employees at month-end for Casino. Number of employees as at December 31, 2008, for Groupe GO Sport and Rallye.

(3) Long-term contracts recruitments - Long-term contracts layoffs.

SOLIDARITY AND RESPONSIBILITY IN RETAILING

| Promoting product safety and quality, and consumer health

Casino has always made the safety and quality of its products and consumer interests a key concern. Product traceability is ensured by the 'Trace One' solution, a collaborative tool for the management of specifications used by Casino and its suppliers of food products. In addition, this tool guarantees product traceability, and it was used by 96% of its suppliers in 2008.

To ensure a high level of protection of its customers' health, in accordance with Regulation (EC) N° 1907/2006 of the European Parliament, at the end of 2007, Groupe GO Sport laid down new restrictions on the use in its laboratories of substances that are classified as carcinogenic, mutagenic or toxic for reproduction (CMR) and are listed in categories 1 and 2 as defined in Council Directive 67/548/EEC. It has done the same for persistent bioaccumulative and toxic (PBT) and very persistent and very bioaccumulative (vPvB) substances. In 2008, Groupe GO Sport disseminated information on these constraints to all suppliers, requiring them to provide as needed proof that their goods have been produced in compliance with these requirements.

| Ensuring proper ethical and social conditions in product manufacturing

Casino carries out all of its main areas of business in-house, with a negligible amount of outsourcing. The action plan its purchasing department set up in 2000 is intended to promote and monitor respect for human rights in the workplace by its suppliers located in developing countries. The Supplier Ethics Charter, which was prepared in compliance with the fundamental principles of the International Labor Organization (ILO), has been included in 100% of its reference contracts since 2002. In 2004, it was critiqued by Amnesty International. The program of company audits of suppliers located in developing countries was continued through 2008. Eighty-four initial and follow-up audits were performed in China, Bangladesh, Pakistan, Tunisia, Morocco, Egypt, and Thailand. In order to involve its business partners in its sustainable development approach, Groupe GO Sport includes its 'Code of conduct for the sports sector' in the general purchase conditions sent to suppliers and their subcontractors. The code requires respect for the fundamental rights described in the eight recommendations of the International Labor Organization, respect of the fundamental principles of the International Labor Organization, protection of the environment in compliance with law and regulations in force, and promotion of these requirements to its subcontractors.

In addition, Groupe GO Sport is a member of an ethics commission within the FPS ⁽¹⁾, which is responsible for setting out a social and environmental code of conduct ("Collectif de l'éthique sur l'étiquette" – cooperative promoting of ethical labeling).

(1) Professional Federation of Sports companies.

Management Report

SOCIAL AND ENVIRONMENTAL INFORMATION

TAKING ACTION TO PRESERVE THE ENVIRONMENT

In 2008, at Casino, the sixth seminar convening over 35 participants was held, covering a variety of functions and business activities carried out by the group. Major environmental projects under way were discussed, and an environmental action plan for 2008-2010 was delineated.

| Waste management

Casino generates small quantities of non-toxic waste (cardboard, plastic and wood) and industrial waste requiring specific recycling (fluorescent tubes, cooking oil, office automation waste). As well as reducing the quantity of waste produced (developing reusable containers, publishing less leaflets), Casino has made performance in waste sorting and recycling a priority and has set up waste collection and recovery agreements for this purpose.

An eco-design program has been launched for Casino's own brand products along with the eco-labeling of all products on sale in its stores.

Groupe GO Sport is a member of the French organization "Eco-Systèmes" and as such participates in funding the recovery and recycling of end-of-life electrical and electronic equipment. In 2008, in accordance with the law n° 2006-1666, Groupe GO Sport also agreed to contribute financially to recovering and recycling the textile waste generated by the clothing and shoes it sells to its customers. Indeed, in 2008, Groupe GO Sport played an active role in the creation of ECO TLC, of which it has become an associate member.

| Improving the environmental performance of products

Casino raises awareness among its customers of the benefits of sustainable agriculture through its 'Terre et Saveur' product range. The production methods used for this range are demanding both in environmental terms (soil protection, preservation of water resources, waste sorting) and in terms of animal welfare. In order to ensure compliance with best practice, audits are performed regularly on the production sites, product transformation sites and conditioning sites. As a result, the "Casino Bio" range of organic products carry the AB label issued by the French certification body, attesting that the goods have been produced without chemical substances or pesticides and have been tested by an independent government-approved entity.

Casino also encourages the use of wood from sustainable forests for the manufacture of the furniture it retails which is made from exotic wood. It also aims to extend eco-labeling, to promote environmental labeling by creating the "Casino carbon index" tag, which is carried since June 2008 by about a hundred products (measuring the quantity of greenhouse-effect gas emitted along the product life cycle, from production to distribution), to further support fair trade and to protect fishing stock (particularly endangered deep-sea species).

Groupe GO Sport continues to contribute financially each year towards recycling distributed printed paper and packaging, both plastic and cardboard, which customers bring home.

| Contributing to combating climate change and promoting sustainable building

Casino's gas emissions are essentially limited to carbon dioxide from the transportation of goods and the indirect carbon dioxide emissions generated by electricity consumption. Apart from saving energy on this front, the group has also managed to cut down the distances traveled for deliveries, thus saving more than 8.5 million kilometers or the equivalent of almost 8,000 tons of carbon dioxide emissions in 2008. The group has cut down on 20,000 tons of CO₂ emissions over 4 years.

The group participates in international initiatives to combat climate change and in the action initiated by the first carbon assessment "Bilan Carbone" in 2004 on a representative sample of entities. The assessment measures the environmental impact of head offices and employee transportation in terms of greenhouse gas emissions and was first carried out in 2005. The plan to reduce greenhouse gas emissions was set out for the period from 2008 to 2010 (see more details in Casino's 2008 Sustainable Development Report).

Thanks to a railway and waterway freight transportation program, 11% of merchandise is now shipped by rail and waterway.

The fleet of delivery vehicles located in urban areas has been equipped with isothermal containers using cryogenic refrigeration, thus reducing emissions of refrigerant gas and noise pollution, while improving compliance with refrigeration requirements.

Groupe GO Sport is also committed to combating climate change, and focuses particularly on reducing energy consumption and the use of substances of concern. Groupe GO Sport's development strategy both in France and internationally has always consisted in ensuring that all new stores comply with stringent current technical standards and laws and that the stores already in use are constantly renovated to bring them into conformity with the most recent standards.

| Limiting environmental damage

The majority of Casino's stores and warehouses are located in urban areas and their activities are low-risk in terms of pollution of the soil and ecosystems. Gas stations, pyralene transformers, refrigeration towers and air conditioning equipment are monitored closely and a program has been laid down listing those that need priority upgrading to bring them into conformity with current standards:

- in order to limit the risks of soil and groundwater pollution, single membrane fuel containers are systematically being replaced by double membrane containers;
- in 99% of gas stations, refueling gas emissions are recovered. At the end of 2008, all of the 58 retail gas stations dispensing more than 3,000 m³ of fuel were equipped with pipes to recover volatile organic compounds;

- the Casino stores recently built comply with regulatory requirements regarding the recovery and treatment of rainwater in gas stations and supermarket parking areas. All the gas stations operated by the hypermarkets in France are equipped with hydrocarbon separators.

| Improving energy efficiency

Store lighting and food refrigeration are the two highest consumers of energy, which is mainly generated by electricity. In 2008, efforts were made to:

- further raise awareness on the importance of saving energy;

- renovate and improve store lighting, as part of the European Commission's Green Light program;
- work with refrigeration equipment manufacturers on a framework agreement to extend preventive maintenance and equipment renovation to avoid refrigerant gas leakages and the over-consumption of electricity; a "Containment" charter has been drafted and is included in all of our maintenance service contracts;
- further monitor and audit electrical consumption by the group's technical department.

Quantitative environmental data

The main data presented below concern the French business of Casino and Monoprix (aggregated on a 100% basis).

Environmental data of importance to Casino	Unit	2008	2007
Total quantity of waste sorted for recycling ⁽¹⁾	Ton	55,389	43,174
Tonnage of batteries collected from customers	Ton	352	355
Energy consumption by source			
<i>Electricity</i>	MWh	1,599,936	1,570,504
<i>Natural gas</i>	MWh	187,856	167,389
<i>Fuel</i>	MWh	24,173	20,897
Water consumption	m ³	2,543,979	2,410,539
Greenhouse gas emissions related to goods transportation ⁽²⁾	Ton of CO ₂ eq.	152,006	184,905
Number of quality audits of supplier production sites	No.	679	668
Number of quality audits in stores	No.	2,055	2,042
Number of social audits on supplier production sites	No.	149	125

(1) Waste collected under national framework agreements

(2) Calculated based on distances traveled, according to the GhG Protocol methodology (warehouse-store trips).

Casino is regularly in contact with professionals in the socially responsible investment industry (rating agencies, ethical investment funds) who have noted the group's steady progress in this field. In 2008, Casino was again listed in the indexes presenting socially responsible investment products FTSE4Good (Eiris rating agency), ASPI (Vigeo) and in the Ethibel Pioneer® index. In addition, Casino was selected for the first time to be included in the Ethical Index Euro of E. Capital Partners.

Management Report

CORPORATE GOVERNANCE

The Company remains vigilant to ensure the proper implementation of the principles of good corporate governance.

It has adhered to the new recommendations concerning the remuneration of corporate executive officers, as part of the company's corporate governance approach, and it has confirmed that it follows the AFEP/MEDEF code of corporate governance.

It has also proposed to appoint an additional, independent director to the Board.

STRUCTURE AND OPERATION OF THE BOARD OF DIRECTORS

The term of office of all the directors expires at the Ordinary Shareholders' Meeting of June 3, 2009. If the resolutions proposed are adopted, after the meeting, the Board of Directors will comprise thirteen directors:

- Jean-Charles NAOURI, Chairman and Chief Executive Officer,
- André CRESTEY, Vice-Chairman,
- Didier CARLIER, representing Foncière Euris,
- Philippe CHARRIER,
- Jean CHODRON de COURCEL,
- Jacques DERMAGNE,
- Jacques DUMAS,
- Pierre FÉRAUD,
- Jean-Marie GRISARD, representing Finatis,
- Didier LÉVÊQUE, representing Matignon Corbeil Centre,
- Christian PAILLOT,
- Catherine SOUBIE, representing Euris,
- Gilbert TORELLI,
- Jean LEVY, Censor.

As part of its mission, the Appointments and Remunerations Committee examined the membership of the Board of Directors, and in particular the independence of the Directors in light of the recommendations of the "AFEP-MEDEF Code of Corporate Governance".

The members of the Board of Directors were selected on the basis of their skills, experience, and their ability to complement one another.

Four Directors are independent under the meaning of the AFEP-MEDEF code: Jean CHODRON de COURCEL, Jacques DERMAGNE, Christian PAILLOT and Gilbert TORELLI.

The Board of Directors, in accordance with the recommendations of the Appointments and Remunerations Committee, and with a view to promote good governance, has proposed the nomination of Philippe CHARRIER as independent director. The remaining members of Rallye's Board of Directors are either officers or executives from the Rallye parent company or its parent companies.

The Board does not include a director elected by employees.

The rules and modes of operation of the Board of Directors

are as established by law, company by-laws and the Board's internal rules of procedure. They are described in detail below, in the "Chairman's report".

Directors are appointed for one year.

| Censor

Company by-laws allow for the option of appointing one or several censors, chosen from among the shareholders. Appointed for one year, they take part in the meetings of the Board of Directors. In this capacity, they express their observations and opinions, and take part in deliberations with an advisory role. There may not be more than five censors in total.

The re-appointment of Jean LEVY as Censor will be proposed at the Ordinary Shareholders' Meeting of June 3, 2009.

OFFICES AND POSITIONS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

All information relative to the operation of the Board of Directors appears in the Chairman's report on the organization of the Board and the internal control procedures, on page 43 of this annual report.

All directors in office in 2008 were reappointed for a one-year period at the Ordinary Shareholders Meeting of June 4, 2008.

DIRECTORS WHOSE REAPPOINTMENT IS PROPOSED AT THE SHAREHOLDERS' GENERAL MEETING

| Jean-Charles NAOURI

Chairman and Chief Executive Officer

First appointed to the Board of Directors: October 25, 1993.

First appointed as Chairman and Chief Executive Officer: April 2, 1998.

Date of birth: March 8, 1949. Age: 60.

Professional address: 83, rue du Faubourg Saint-Honoré 75008 Paris.

Biography

Jean-Charles NAOURI is an alumnus of the École Normale Supérieure (majoring in science), Harvard University, and ENA, the French National School of Public Administration. An Inspecteur des Finances, he began his career with the Department of the Treasury at the French Ministry of Finance. He was appointed Principal Private Secretary to the Minister of Social Affairs and National Solidarity in 1982, and later to the Minister of the Economy, Finance, and the Budget in 1984. In 1987, he founded Euris.

Other offices and positions held during 2008 and continuing as at March 31, 2009

Within the Euris group:

- Chairman and Chief Executive Officer of Casino, Guichard-Perrachon SA;
- President of Euris SAS;
- Chairman of the Board of Finatis SA (a listed company);
- Vice-President of Fondation Euris;
- Member of the Supervisory Board of Companhia Brasileira de Distribuição (CBD).

Outside the Euris group:

- Director of F. Marc de Lacharrière (Fimalac) SA (a listed company);
- Member of the Supervisory Board of Natixis SA (a listed company);
- Manager of SCI Penthievre Seine and SCI Penthievre Neuilly;
- Member of the Consultative Committee of Banque de France;
- President of the association "Promotion des talents";
- Honorary Chairman and Director of the Institut de l'École Normale Supérieure.

Offices and positions held in the past five years (not including the offices and positions listed above)

- Chairman of the Board of Directors of Euris SA;
- Representative of Casino, Guichard-Perrachon SA (a listed company), President of Distribution Casino France SAS;
- Member of the Supervisory Board of Groupe Marc de Lacharrière SCA and Super de Boer (formerly Laurus);
- Director of Continuation Investment NV and HSBC France SA;
- Managing Partner of Rothschild & Cie Banque;
- Censor of Fimalac SA and Caisse National des Caisses d'Épargne et de Prévoyance (CNCE).

Number of Rallye shares held: 328

| André CRESTEY

Vice-Chairman and Director

First appointed to the Board of Directors: August 14, 1992.

First appointed as Vice-Chairman of the Board of Directors: April 2, 1998.

Date of birth: February 22, 1939. Age: 70.

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

Biography

From 1977 to 1992, André CRESTEY was Chief Executive Officer of Euromarché. In 1992, he entered the Rallye group, where he served first as Chairman of the Management Board, then as Chairman and Chief Executive Officer (1993) and as Vice-Chairman and Chief Executive Officer from 1998 to 2001. Since 2001, he has been Vice-Chairman of the Board of Directors.

Offices and positions held during 2008 and continuing as at March 31, 2009

Within the Euris group:

- Director of Miramont Finance et Distribution SA and Groupe Go Sport SA (a listed company).

Outside the Euris group:

- Statutory president of the FCD.

Offices and positions held in the past five years (not including the offices listed above)

Within the Euris group:

- Director of Foncière Euris SA (a listed company);
- Permanent representative of Omnium de Commerce et de Participations SAS to the Board of Directors of Casino, Guichard-Perrachon SA.

Outside the Euris group:

- President of Perifem.

Number of Rallye shares held: 36,113

| Jean CHODRON de COURCEL

Director

First appointed to the Board of Directors: June 9, 2004.

Date of birth: May 14, 1955. Age: 54.

Biography

Jean CHODRON de COURCEL is a graduate of HEC School of Management and an alumnus of ENA, the French National School of Public Administration. After having held various positions within the Administration and ministerial staff, in 1990, Jean CHODRON de COURCEL joined senior management at the Schneider group, then, in 1997, at Crédit Agricole Indosuez. 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.

Other offices and positions held in 2008 and continuing as at March 31, 2009

None.

Offices and positions held in the past five years (not including the offices and positions listed above)

- Deputy Managing Director of Penauille Polyservices SA;
- Director of Penauille Polyservices SA;
- Chairman and Chief Executive of Globeground North America LLC (GGNA LLC) and of Servisair PLC;
- Censor of Rallye SA.

Number of Rallye shares held: 321.

Management Report

CORPORATE GOVERNANCE

| Jacques DERMAGNE

Director

First appointed to the Board of Directors: June 5, 2002.

Date of birth: November 28, 1937. Age: 71.

Professional address: 9, place d'Iéna – 75016 Paris.

Biography

In 1968, after studying law and literature, Jacques DERMAGNE entered the Conseil National du Commerce, where he became President in 1981. He was Executive Vice-President of the CNPF from 1980 to 1999, then was elected President of the Economic, Social and Environmental Council of the French Republic, and re-elected in 2004. In June 2003, he was appointed President of the International Association of Economic and Social Councils and Similar Institutions.

Other offices and positions held in 2008 and continuing as at March 31, 2009

- President of the Economic, Social and Environmental Council of the French Republic;
- Director of Unibail SA, Cetelem SA and Devanlay SA.

Offices and positions held in the past five years (not including the offices and positions listed above)

- President of Comité Français des Expositions et Conventions;
- Member of the Supervisory Board of DMC SA;
- Censor of France Convention SA.

Number of Rallye shares held: 500.

| Jacques DUMAS

Director

First appointed to the Board of Directors: July 19, 1990.

Date of birth: May 15, 1952. Age: 57.

Professional address: 83, rue du Faubourg Saint-Honoré – 75008 Paris.

Biography

Jacques DUMAS, who has a Master's Degree in Law, and is an alumnus of the Institut d'Études Politiques de Lyon, began his career as a lawyer, and then became Administrative Director at the Compagnie Française de l'Afrique Occidentale – CFAO (from 1978 to 1986). In 1987, he was appointed Deputy Company Secretary at the Rallye group, then Director of Legal Affairs at the Euris group (1994). He is now Deputy Managing Director at Euris, and Advisor to the Chairman of Casino.

Other offices and positions held in 2008 and continuing as at March 31, 2009

Within the Euris group:

- Deputy Managing Director of Euris SAS;
- Advisor to the Chairman of Casino, Guichard-Perrachon SA (a listed company);
- Chairman of the Board of SAAD;
- Director of Mercialis SA (a listed company);

- Member of the Supervisory Board of Franprix Holding SA;
- Vice-Chairman of the Supervisory Board of Geimex SA;
- Chairman of the Supervisory Board of Leader Price Holding SA;
- Permanent representative of Distribution Casino France SA to the Board of Directors of Baud SA;
- Permanent representative of Germinal SNC, President of Théiadis SAS (as from February 11, 2008);
- Permanent representative of R.L.P.I, Director of Vilette Discount SA;
- Permanent representative of R.L.P.I, Director of Clignan-court Discount SA;
- Permanent representative of Société de Distribution Parisienne (SDP), Director of Gregorim Distribution SA.

Outside the Euris group:

- Manager of SCI Cognacq-Parmentier.

Offices and positions held in the past five years (not including the offices and positions listed above)

Within the Euris group:

- Director of Legal Affairs of Euris SA;
- Permanent representative of Asinco SA to the Board of Directors of Cafige SA and Financement Gestion Administration et Contrôle – F.I.G.E.A.C. (in 2008);
- Chairman and Chief Executive Officer of La Bruyère SA;
- Director of Miramont Finance et Distribution – MFD SA and Carpinienne de Participations SA (a listed company), Groupe Go Sport SA (a listed company), Cdiscount SA and Monoprix SA;
- Permanent representative of Euris SA to the Board of Directors of Casino, Guichard-Perrachon SA (a listed company) and Foncière Euris SA (a listed company), of Parcade SAS to the Board of Directors of Casino, Guichard-Perrachon SA (a listed company);
- President of Al pétrol SAS and Kerrous SAS;
- Permanent representative of L'Habitation Moderne de Boulogne SAS to the Board of Directors of Colisée Finance SA and to the Board of Directors of Colisée Finance II SA;
- Permanent representative of Distribution Casino France SAS, Member of the Supervisory Board of Cofilead SAS;
- Director of Fondation Euris SA.

Number of Rallye shares held: 1,192

| Pierre FÉRAUD

Director

First appointed to the Board of Directors: June 16, 1995.

Date of birth: September 28, 1940. Age: 68.

Professional address: 83, rue du Faubourg Saint-Honoré – 75008 Paris.

Biography

A graduate of HEC School of Management and of the Institut d'Études Politiques de Paris, Pierre FÉRAUD held various positions related to real estate development financing, as well as to the active management of real estate assets, mainly

within the companies UIC-SOFAL and GMF. He joined Euris in 1991 and was appointed Chairman of Foncière Euris in 1992.

Other offices and positions held in 2008 and continuing as at March 31, 2009

Within the Euris group:

- Manager of Parande SAS;
- Chairman and Chief Executive Officer of Foncière Euris SA (a listed company);
- Chairman of the Board of Directors of Carpinienne de Participations SA (a listed company);
- President of Mermoz Kléber SAS;
- Director of Mercialis SA (a listed company);
- Permanent representative of Euris SA to the Board of Directors of Finatis SA (a listed company);
- Permanent representative of Foncière Euris SA (a listed company) to the Board of Directors of Casino, Guichard-Perrachon SA (a listed company);
- Permanent representative of Foncière Euris SA (a listed company), President of Marigny Belfort SAS, Marigny Elysées SAS, Marigny Expansion SAS, Marigny Foncière SAS, Matignon Abbeville SAS, Matignon Bail SAS and Matignon Corbeil Centre SAS;
- Representative of Matignon Abbeville SAS, President of Mat-Bel 2 SAS;
- Manager of Centrum NS Sarl, Alexanderplatz Voltairestrasse GmbH, Alexa Holding GmbH, Alexa Shopping Centre GmbH, Einkaufszentrum am Alex GmbH, Guttenbergstrasse BAB5 GmbH, HBF Königswall, Loop 5 Shopping Centre, SCI Le Parc Agen Boe, SCI Le Parc Alfred Daney, SCI Caserne de Bonne, SCI Les Deux Lions, SCI Les Halles de Bord de Loire, SCI Palais des Marchands, SCI Ruban Bleu Saint-Nazaire and SCI Apsys Robert de Flers, SCI Le Parc Soyaux, SCI Parc de la Marne, SCI Les Halles Neyrpic, SCI L'Amphithéâtre, SCI Cité Villette, SCI Les Rives de l'Orne and SCI Moulins Place d'Allier;
- Representative of Foncière Euris SA (a listed company), Manager of SCI Sofaret, SCI Les Herbiers and SNC Alta Marigny Carré de Soie;
- Representative of Marigny Elysées SAS, Co-Manager of SCCV des Jardins de Seine 1, SCCV des Jardins de Seine 2 and SNC Centre Commercial du Grand Argenteuil;
- Representative of Marigny Foncière SAS, Co-Manager of SNC Centre Commercial Porte de Châtillon and Manager of SCI Pont de Grenelle;
- Representative of Matignon Abbeville SAS, Manager of Centrum K Sarl, Centrum J Sarl and Centrum Z Sarl.

Outside the Euris group:

- Vice-Chairman of the Supervisory Board of Les Nouveaux Constructeurs SA.

Offices and positions held in the past five years (not including the offices and positions listed above)

Within the Euris group:

- Chairman of the Board of Directors of Marigny Belfort SAS;
- President of Matignon Marne La Vallée;
- Permanent representative of Matignon Diderot SAS to the Board of Directors of Euris SA;
- Representative of Foncière Euris SA (a listed company), President

of Centre Commercial de l'Île-Saint-Denis, Matignon Meylan Marigny Percier, Matignon Moselle, Marigny Participations, Marigny Valbréon, Marigny Tours, Les Moulins à Vent and Marigny-Concorde;

- Manager of Centrum Development, Centrum Gdynia, Centrum Wrocław and Centrum Poznań;
- Representative of Foncière Euris SA (a listed company), Manager of SCI des Boudes de Seine, SCI Ile Saint-Denis Développement, SCI Hôtel d'Arc 1800, SCI Pont de Grenelle;
- Representative of SNC Foncière Cézanne Mermoz, Manager of SCI Alta Saint Georges;
- Representative of SNC Marigny Garonne, Co-Manager of SNC Foncière Cézanne Mermoz, SNC Altaréa Les Tanneurs, SCI Alta Matignon, SNC Bordeaux Sainte-Eulalie;
- Representative of Marigny-Foncière, Co-Manager of SCI Palais des Marchands;
- Representative of Marigny Valbréon, Co-Manager of Société d'Aménagement Valbréon SNC.

Outside the Euris group:

- Permanent representative of Foncière Euris to the Board of Directors of Marignan Consultants and Foncière Euris SA (a listed company) to the Board of Directors of Apsys International.

Number of Rallye shares held: 2,825

| Christian PAILLOT

Director

First appointed to the Board of Directors: April 15, 2004.

Date of birth: September 9, 1947. Age: 61.

Biography

Christian PAILLOT has spent most of his career in manufacturing and distribution of photographic, video, and hi-fi equipment. He built and developed the French businesses of Akai, Konica and Samsung. He is now Vice-Chairman of the French Federation for Equestrian Sports.

Other offices and positions held in 2008 and continuing as at March 31, 2009

- Manager of Ecurie du Haras de Plaisance SARL, SCI Parim.

Offices and positions held in the past five years (not including the offices and positions listed above)

- Chairman and Chief Executive Officer of Konica France SA;
- President of Konica France SAS;
- Chairman and Chief Executive Officer of Konica Photos Services SA;
- Censor of Rallye SA;
- Advisor to the Chairman of Konica Minolta France;
- Director of FG Marine SA.

Number of Rallye shares held: 300.

Management Report

CORPORATE GOVERNANCE

| Gilbert TORELLI

Director

First appointed to the Board of Directors: June 13, 2000.

Date of birth: August 21, 1936. Age: 72.

Biography

Gilbert TORELLI has spent his entire career at Moulinex, where he was successively in charge of sales, marketing, and distribution in France and abroad. He was Chief Executive Officer from 1990 to 1993 and Chairman of the Supervisory Board from 1994 to 1998.

Other offices and positions held in 2008 and continuing as at March 31, 2009

None.

Offices and positions held in the past five years (not including the offices and positions listed above)

None.

Number of Rallye shares held: 250.

| FINATIS

French Public Limited Company (SA) with share capital of €84,852,900

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

712 039 163 RCS Paris

Director

First appointed to the Board of Directors: June 2, 1998.

Other offices held in 2008 and continuing as at March 31, 2009

- Director of Carpinienne de Participations SA (a listed company), Casino, Guichard-Perrachon SA (a listed company) and Foncière Euris SA (a listed company).

Offices held in the past five years (not including the offices listed above)

- Director of Euris SA.

Number of Rallye shares held: 253

Permanent representative:

Jean-Marie GRISARD

Date of birth: May 1, 1943. Age: 66.

Professional address: 83, rue du Faubourg Saint-Honoré – 75008 Paris.

Biography

A graduate of HEC School of Management, Jean-Marie GRISARD began his career with the mining group Penarroya-Le-Nickel-Imétal, where he held various positions in Paris and

London. He was appointed Finance Director of Paris Orléans in 1982. From 1998 to 2008, Jean-Marie GRISARD held offices of Company Secretary within the Euris group.

Other offices and positions held in 2008 and continuing as at March 31, 2009

Within the Euris group:

- President of Matimmob 1 SAS;
- Director of Finatis SA (a listed company), Foncière Euris SA (a listed company), Carpinienne de Participations SA (a listed company), Euris Limited, Euris North America Corporation - (ENAC), Euris Real Estate Corporation - (EREC), Euristates and Park Street Investments International Ltd;
- Permanent representative of Matignon Diderot SAS to the Board of Directors of Casino, Guichard-Perrachon SA (a listed company);
- Director and Treasurer of Fondation Euris.

Outside the Euris group:

- Manager of Frégatinvest SARL;
- Member of the Executive Committee of the association "Promotion des talents".

Offices and positions held in the past five years (not including the offices and positions listed above)

- Company Secretary of Euris SA;
- Company Secretary of Euris SAS;
- Chief Executive Officer of Euris SA, and Finatis SA (a listed company);
- President of Eurdev SAS, Matignon Rousseau SAS and Matignon Diderot SAS;
- Director of Green Street Investments International Ltd;
- Permanent representative of Foncière Euris SA (a listed company) to the Board of Directors of Marigny Belfort SAS, of Euris to the Board of Directors of Casino, Guichard-Perrachon SA (a listed company), of Euris to the Board of Directors of Euris SA.

| FONCIERE EURIS SA

French Public Limited Company (SA) with share capital of €149,648,910

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

702 023 508 R.C.S. PARIS

Director

First appointed to the Board of Directors: October 25, 1993.

Other offices held in 2008 and continuing as at March 31, 2009

- President of Matignon Abbeville SAS, Matignon Corbeil Centre SAS, Marigny-Elysées SAS,
- Marigny Expansion SAS, Marigny Foncière SAS, Matignon Bail SAS and Marigny Belfort SAS;

- Director of Casino, Guichard-Perrachon SA (a listed company);
- Manager of SCI Sofaret and SCI Les Herbiers;
- Co-Manager of SNC Alta Marigny Carré de Soie.

Offices held in the past five years (not including the offices listed above)

- President of Centre Commercial de l'Île Saint-Denis; Matignon Moselle SAS; Marigny Percier SAS and Marigny Concorde SAS;
- Director of Marigny Belfort SA, Marigny Consultants and Apsys International;
- Manager of SCI Pont de Grenelle.

Number of Rallye shares held: 24,430,858

Permanent representative:

Didier CARLIER

Date of birth: January 5, 1952. Age: 57

Professional address: 83, rue du Faubourg Saint-Honoré – 75008 Paris.

Biography

Didier CARLIER is a graduate of the École Supérieure de Commerce de Reims (Reims Management School) and a certified public accountant. He started his career in 1975 with Arthur Andersen, rising to the position of Manager. He subsequently served as Company Secretary at Équipements Mécaniques Spécialisés and as Chief Financial Officer at Hippopotamus. He joined the Rallye group in 1994, as Chief Financial Officer, and was appointed Deputy Managing Director in 2002.

Other offices and positions held in 2008 and continuing as at March 31, 2009

Within the Euris group:

- Deputy Managing Director of Rallye SA (a listed company);
- Chairman and Chief Executive Officer of Miramont Finance et Distribution SA, Colisée Finance II SA and La Bruyère SA;
- President of Alpétrol SAS, Kerrous SAS, Les Magasins Jean SAS, L'Habitation Moderne de Boulogne SAS, Parande SAS, Parande Développement SAS, Cobivia SAS, Omnium de Commerce et de Participations SAS, Matignon Sablons SAS, MFD Finances SAS, Genty Immobilier et Participations SAS, Soparin SAS, Colisée Finance III, Colisée Finance IV SAS;
- Chairman and Chief Executive Officer of MFD Inc USA;
- Managing Director of Club Sport Diffusion SA and Limpart Investments BV;
- Representative of Parande SAS, President of Pargest SAS, Pargest Holding SAS, Parinvest SAS;
- Permanent representative of Omnium de Commerce et de Participations SAS to the Board of Directors of Groupe Go Sport SA (a listed company);

- Permanent representative of Euris SAS to the Board of Directors of Casino, Guichard-Perrachon SA (a listed company);
- Manager of SCI de Kergorju, SCI des Sables, SCI des Perrières.

Outside the Euris group:

- Manager of SC Dicaro.

Other offices and positions held in the past five years (not including the offices and positions listed above)

Within the Euris group:

- Chairman and Chief Executive Officer of Ancar SA;
- Chairman of the Board of Directors of Miramont Finance et Distribution SA;
- Chairman and Chief Executive Officer of Colisée Finance SA;
- President of Syjiga SAS and Parcade SAS;
- Director of The Athlete's Foot Group Inc.;
- Manager of SCI de Periaz, SCI des Îles Cordées;
- Representative of Parande SAS, President of Sybellia SAS and Matignon Neuilly SAS;
- Director of Clearfringe Ltd.

| EURIS

French Simplified Public Limited Company (SAS) with share capital of €169,806

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

348 847 062 R.C.S. Paris

Director

First appointed to the Board of Directors: June 8, 2005.

Other offices held in 2008 and continuing as at March 31, 2009

- Director of Finatis SA (a listed company), Foncière Euris SA (a listed company) and Casino, Guichard Perrachon SA (a listed company).

Offices held in the past five years (not including the offices listed above)

- Director of Euris SA.

Number of Rallye shares held: 304

Permanent representative:

Catherine SOUBIE

Date of birth: October 20, 1965. Age: 43.

Professional address: 83, rue du Faubourg Saint-Honoré – 75008 Paris.

Management Report

CORPORATE GOVERNANCE

Biography

A graduate of the École Supérieure de Commerce de Paris (ESCP), Catherine SOUBIE began her career in 1989 with Lazard in London, then in Paris, where she was, among other positions, Manager in charge of Financial Affairs. She then joined Morgan Stanley in Paris, where she held the office of Managing Director. In 2005, she became Deputy Managing Director of Rallye.

Other offices and positions held in 2008 and continuing as at March 31, 2009

Within the Euris group:

- Deputy Managing Director of Rallye SA (a listed company);
- Director of Mercalys SA (a listed company);
- Permanent representative of Matignon Sablons SAS to the Board of Directors of Groupe Go Sport SA (a listed company), Finatis SA (a listed company) to the Board of Directors of Casino, Guichard-Perrachon SA (a listed company);
- Permanent representative of Casino, Guichard-Perrachon SA (a listed company) to the Board of Directors of Banque du Groupe Casino SA;
- Director of Fondation Euris.

Outside the Euris group:

- Manager of Eurl Bozart.

Other offices and positions held in the past five years (not including the offices and positions listed above)

Within the Euris group:

- Chairman of the Board of Directors of Groupe Go Sport SA (a listed company);
- Permanent representative of Miramont Finance et Distribution SA, Director of Groupe Go Sport SA (a listed company).

Outside the Euris group:

- Managing Director of Morgan Stanley.

| MATIGNON CORBEIL CENTRE

French Simplified Public Limited Company (SAS) with share capital of €57,420,000
Registered office: 83, rue du Faubourg Saint-Honoré – 75008 Paris
392 679 247 RCS Paris

Director

First appointed to the Board of Directors: June 4, 2008.

Other offices held in 2008 and continuing as at March 31, 2009

None.

Offices held in the past five years

None.

Number of Rallye shares held: 250

Permanent representative:

Didier LÉVÊQUE

Date of birth: December 20, 1961. Age: 47.

Professional address: 83, rue du Faubourg Saint-Honoré – 75008 Paris.

Biography

A graduate of HEC School of Management (1983), Didier LÉVÊQUE held an executive position at the Finance Department of the Roussel-Uclaf group from 1985 to 1989. He joined the Euris group in 1989 as Deputy Company Secretary. He now holds the position of Company Secretary.

Other offices and positions held in 2008 and continuing as at March 31, 2009

Within the Euris group:

- Company Secretary of Euris SAS;
- Chairman and Chief Executive Officer of Euris North America Corporation (ENAC), Euristates Inc, Euris Real Estate Corporation (EREC);
- Chairman of Parande Brooklyn Corp.;
- President of Montech (SAS), Parantech (SAS), Par-Bel 2 (SAS), Matignon Diderot (SAS);
- Chief Executive Officer of Carpinienne de Participations SA (a listed company) and Finatis SA (a listed company);
- Director of Carpinienne de Participations SA (a listed company), Park Street Investments International Ltd and Euris Limited;
- Permanent representative of Finatis SA (a listed company) to the Board of Directors of Foncière Euris SA (a listed company), L'Habitation Moderne de Boulogne SAS to the Board of Directors of Colisée Finance II SA, Omnium de Commerce et de Participations SAS to the Board of Directors of Casino, Guichard-Perrachon SA (a listed company), Matignon Diderot SAS to the Board of Directors of Finatis SA (a listed company).

Other offices and positions held in the past five years (not including the offices and positions listed above)

Within the Euris group:

- Deputy Company Secretary of Euris SAS;
- President of Montech Expansion SAS, Compagnie d'Investissements Trans-Européens - CITE SAS, Parinvest SAS, Dofinance SAS, Euristech SAS, Par-Bel SAS, Parantech Expansion SAS, Montparnet SAS, Matignon-Tours SAS;
- Chief Executive Officer of Montech Expansion SAS;
- Director of Green Street;
- Permanent representative of Carpinienne de Participations SA (a listed company) to the Board of Directors of Marigny-Belfort SA, Euris to the Board of Directors of Foncière Euris SA (a listed company), L'Habitation Moderne de Boulogne SAS to the Board of Directors of Colisée Finance SA;
- Representative of Euristech, President of Marigny-Artois SAS;
- Representative of Parinvest, President of Parfonds SAS.

Outside the Euris group:

- Manager of EMC Avenir.

DIRECTOR HAVING RESIGNED IN 2008**| MATIGNON DIDEROT**

French Simplified Public Limited Company (SAS) with share capital of €3,038,500
Registered office: 83, rue du Faubourg Saint-Honoré – 75008 Paris
433 586 260 RCS Paris

Director

First appointed to the Board of Directors: June 4, 2008.

Other offices held in 2008 and continuing as at March 31, 2009

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

Other offices held in the past five years

- Director of Euris SA.

DIRECTOR WHOSE APPOINTMENT IS SUBMITTED TO THE SHAREHOLDERS' MEETING OF JUNE 3, 2009**| Philippe CHARRIER**

Date of birth: August 2, 1954. Age: 54
Professional address: 59, boulevard Exelmans – 75016 PARIS

Biography

After graduating from the HEC School of Management, Philippe CHARRIER joined the Finance Department of Procter & Gamble where he led most of his career, as VP Finance in France, VP Marketing in France, CEO in Morocco, and finally Chairman and CEO in France. He has been Vice-president and CEO of Oenobiol since 2006.

Offices and positions held in 2008 and continuing as at March 31, 2009

- Vice-president, Chief Executive Officer of Laboratoires Oenobiol SAS;
- Chairman of the Supervisory Board of the Spotless Group;
- Chairman of the Board of Directors of Dental Emco SA;
- Chairman of the Board of Directors of Alphident SA;
- Director of Lafarge SA (a listed company);
- Director of Fondation Nestlé pour la Nutrition;
- President of Entreprise et Progrès until March 31, 2009;
- Founding member of the business club Entreprise et Progrès.

Other offices and positions held in the past five years (not including the offices and positions listed above)

- Chairman and Chief Executive Officer of Procter & Gamble in France.

CENSOR**| Jean LEVY**

Director

First appointed to the Board of Directors: June 23, 1994

Date of birth: November 9, 1932. Age: 76

Biography

After graduating in economics from the Institut d'Études Politiques de Paris and in international economics from Yale, Jean LÉVY spent most of his career at L'Oréal (1960–1987), where he was Vice-President for consumer products. He then joined Sanofi, where he was a member of the management committee from 1987 to 1992. Since 1991, as an independent counselor and company Director, he has held the offices of Chairman of AFCOHT (the French Association of Duty Free Commerce). He is an honorary member of *Conseillers du Commerce Extérieur de la France*.

Other offices and positions held in 2008 and continuing as at March 31, 2009

- Director of Interparfums Inc, Interparfums France, Price-Minister SA, Axxess SA;
- Director of Mont-Blanc SAS.

Offices and positions held in the past five years (not including the offices and positions listed above)

- Chairman of the Board of Directors of Histoire d'Or SA and Financière d'Or SA;
- President of Institut du Libre Service;
- Director of Zannier SA, Ophthalmic;
- Director of Escada Beauté Group (Germany);
- Director of Vivactis SAS.

Number of Rallye shares held: 1

There are no family ties between the members of the Board of Directors. In compliance with the new provisions of the General Regulation of the Autorité des Marchés Financiers, which result from the transposition of the EU Prospectus Directive, it is stated that, to the Company's knowledge, none of the members of the Board of Directors have been found guilty of fraud or associated with bankruptcy, receivership or liquidation in the past five years. Furthermore, no judgment or official public sanction has been expressed against them by any statutory or regulatory authority, and no court of law has prevented them from acting as members of an administrative, managing or control body of a listed company, nor from taking part in the management or supervision of a listed company's affairs.

Management Report

CORPORATE GOVERNANCE

EXECUTIVE MANAGEMENT

The duties of Chairman of the Board of Directors and of Chief Executive Officer are unified under a joint office carried out by Jean-Charles NAOURI.

At the end of the Ordinary Shareholders' Meeting of June 3, 2009, the Board of Directors will be asked to hand down a decision regarding the renewal of the offices of Chairman and CEO.

The CEO is vested with full powers to act in all circumstances on behalf of the Company. He exercises these powers within the limits of the Company's stated purpose, and subject to those powers that the law expressly grants to Shareholders' Meetings and to the Board of Directors. He acts on the Company's behalf in third-party relations.

However, in conformity with the internal rules of procedure, any decision likely to affect the Group's overall strategy must be previously authorized by the Board of Directors.

Catherine SOUBIE and Didier CARLIER, who are both salaried employees, are Deputy Managing Directors (Deputy CEOs).

COMPENSATION RECEIVED BY EXECUTIVES AND CORPORATE OFFICERS

Remuneration paid to executives and corporate officers by Rallye, by all companies controlled by Rallye, and by the companies that control Rallye, is as follows:

The method and the amount of executives' fixed and variable remuneration are determined by the Board of Directors on the basis of recommendations made by the Appointments and Remunerations Committee. The Board of Directors also determines the number and the issue price of company share purchase or subscription options, as well as the number of bonus shares that may be allocated to them.

| Compensation received by the Chairman and Chief Executive Officer

The compensation allocated and paid by Rallye to Jean-Charles NAOURI in his office of Chief Executive Officer during 2007 and 2008 were as follows:

	2007		2008	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation				
Variable compensation				
Exceptional compensation				
Director's fees	€10,000	€10,000	€10,000	€10,000
Benefits in kind				
TOTAL	€10,000	€10,000	€10,000	€10,000

In 2008, Jean-Charles NAOURI received no remuneration or benefits from the Company, other than the Director's fees received for the office of Director.

Jean-Charles NAOURI is not part of any supplementary pension

scheme and will not benefit from any premium on terminating his office. He has not been given any share subscription or purchase options, bonus shares in Rallye, or in the companies controlled by Rallye, or in the companies that control Rallye.

| Summary of the compensation received by the Chairman and Chief Executive Officer

Summary of the compensation as well as options and bonus shares allocated to the Chairman and Chief Executive Officer, in connection with his office, by Rallye, the companies controlled by Rallye, or the companies in control of Rallye and the companies over which they exercise control.

	2007	2008
Compensation paid for the fiscal year	€2,648,912 ⁽¹⁾	€ 2,530,600 ⁽²⁾
Valuation of options granted during the fiscal year	None	None
Valuation of bonus shares granted during the fiscal year	None	None
TOTAL	€ 2,648,912	€ 2,530,600

(1) Compensation and/or Director's fees paid by Casino, Guichard-Perrachon (€1,179,167), Rallye (€10,000), Finatis (€19,745) and Euris (€1,440,000).

(2) Compensation and/or Director's fees paid by Casino, Guichard-Perrachon (€1,348,100), Rallye (€10,000), Finatis (€2,500) and Euris (€1,170,000).

Compensation received by the Deputy Managing Directors

The aggregate compensation received by the Deputy Managing Directors, who are also Board Members, comprises a fixed

part and a performance-based part dependent on the extent to which they contributed to meeting the year's targets and implementing and managing the financial operations of the Company and its subsidiaries.

Catherine SOUBIE

	2007		2008	
	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾
Fixed compensation ⁽¹⁾	€330,000	€330,000	€350,000	€350,000
Variable compensation ^{(1) (2)}	€350,000	€330,000	€367,500	€350,000
Exceptional compensation				
Director's fees	€10,000	€10,000	€10,000	€10,000
Benefits in kind				
TOTAL	€690,000	€670,000	€727,500	€710,000

Catherine SOUBIE received no remuneration from the controlled companies or the companies in control of Rallye, other than the Director's fees for her office as director, i.e., the sum of €51,995.

Catherine SOUBIE is also permanent representative of Euris, a director and the parent company of Rallye. In 2008, Euris received from the companies it controls consulting and assistance fees as well as Director's fees for a total sum of €3,856,250, of which €1,913,600 were received from Rallye.

Didier CARLIER

	2007		2008	
	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾	Amounts due ⁽³⁾	Amounts paid ⁽⁴⁾
Fixed compensation ⁽¹⁾	€287,000	€287,000	€310,000	€310,000
Variable compensation ^{(1) (2)}	€105,200	€97,500	€113,500	€105,200
Exceptional compensation		€300,000		
Director's fees	€10,000	€10,000	€8,800	€8,800
Benefits in kind				
TOTAL	€402,700	€694,500	€432,300	€424,000

Didier CARLIER received no remuneration from the controlled companies or the companies in control of Rallye, other than the Director's fees for his office as director, i.e., the sum of €45,500.

Didier CARLIER is also permanent representative of Foncière Euris, a director of Rallye. Foncière Euris did not receive any fees or Director's fees from companies it controls or that control it.

Compensation received by other corporate officers

The Shareholders' Meeting, held on June 8, 2005, set the total amount of Director's fees allocated to members of the Board of Directors and Committees at a maximum of €290,000. On the basis of recommendations from the Appointments and Remunerations Committee, the rules governing the distribution of Director's fees and the remuneration received by the Censor were set by the Board of Directors and are detailed in the Chairman's report.

The total amount of Directors' fees and remuneration paid out in June 2008 for the previous year to Directors, to the Censor, and to members of the specialized committees totaled €270,400, as against €280,400 and €270,800 the years before.

(1) Gross compensation before taxes.

(2) The basis for the determination of the variable compensation is detailed in the Chairman's Report, page 45.

(3) Compensation granted for the year 2008, no matter the payment date.

(4) Total amount of remuneration paid by the company during 2008.

Management Report

CORPORATE GOVERNANCE

The total amount of remuneration and Director's fees paid out to company officers, other than the Chairman and CEO and the Deputy Managing Directors, by the Company, the companies it controls or the companies in control of Rallye, is as follows:

(In €)	Director's fees and compensation paid out in 2007	
	Director's fees	Other compensation ⁽¹⁾
Jean CHODRON de COURCEL	20,000	
André CRESTEY	50,000	79,214
Jacques DERMAGNE	40,000	
Jacques DUMAS	20,000	584,708
Pierre FÉRAUD	10,000	530,931
Jean-Marie GRISARD	10,000	522,507
Jean LÉVY	30,000	
Didier LÉVÊQUE		299,587
Christian PAILLOT	26,800	

(In €)	Director's fees and compensation paid out in 2008			
	Directors		Committees	Other compensation ⁽¹⁾
	Fixed	Variable		
Jean CHODRON de COURCEL	4,000	16,000		
André CRESTEY	24,000 ⁽²⁾	6,000	20,000	87,325
Jacques DERMAGNE	4,000	16,000	20,000	
Jacques DUMAS	4,000	6,000	10,000	585,861
Pierre FÉRAUD	4,000	4,800		559,188
Jean-Marie GRISARD	4,000	4,800		380,602 ⁽³⁾
Jean LÉVY	4,000	16,000	10,000	
Didier LÉVÊQUE				338,277
Christian PAILLOT	4,000	16,000	10,000	

(1) Director's fees and/or compensation and benefits of all kind paid by the companies controlled by Rallye or in control of Rallye.

(2) An additional Director's fee of €20,000 was paid to André CRESTEY in connection with his office as Vice-Chairman of Rallye.

(3) Not including an indemnity of €241,873.50 for retirement and €116,610 in consulting fees.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS AND BONUS SHARES GRANTED TO CORPORATE OFFICERS, AND OPTIONS EXERCISED

In 2008, stock options granted to corporate officers by the Company were as follows:

Officers	Date granted	Date from which options may be exercised	Date of maturity	Number of options granted	Exercise price ⁽¹⁾
Didier CARLIER	04/23/2008	07/23/2011	10/22/2013	16,667	€43.15
Jacques DUMAS	04/23/2008	07/23/2011	10/22/2013	5,000	€43.15
Pierre FÉRAUD	04/23/2008	07/23/2011	10/22/2013	11,900	€43.15
Didier LÉVÊQUE	04/23/2008	07/23/2011	10/22/2013	16,667	€43.15
Catherine SOUBIE	04/23/2008	07/23/2011	10/22/2013	30,000	€43.15

(1) The exercise price is higher than the stock market price as at December 31, 2008.

In 2008, stock options granted to corporate officers by controlled companies were as follows:

By Groupe GO Sport

Officers	Date granted	Date from which options may be exercised	Date of maturity	Number of options granted	Exercise price ⁽¹⁾
Didier CARLIER	07/01/2008	09/30/2011	12/31/2013	3,000	€36.90
Jacques DUMAS	07/01/2008	09/30/2011	12/03/2013	3,000	€36.90
Catherine SOUBIE	07/01/2008	09/30/2011	12/03/2013	3,000	€36.90

(1) The exercise price is higher than the stock market price as at December 31, 2008.

By Casino, Guichard Perrachon

Officer	Date granted	Date from which options may be exercised	Date of maturity	Number of options granted	Exercise price ⁽¹⁾
Jacques DUMAS	04/14/2008	10/14/2011	10/13/2013	10,000	€76.72

(1) The exercise price is higher than the stock market price as at December 31, 2008.

In 2008, bonus shares allocated to corporate officers by the Company were as follows:

Officer	Date granted	Vesting date of granted shares	Date from which the shares may be sold	Number of bonus shares granted	Value per bonus share granted
Didier CARLIER	04/23/2008	07/23/2011	07/23/2013	2,083 ⁽¹⁾	€43.15
	09/25/2008	09/25/2010	09/25/2012	6,000 ⁽²⁾	€27.76
Jacques DUMAS	04/23/2008	07/23/2011	07/23/2013	625 ⁽¹⁾	€43.15
Pierre FÉRAUD	04/23/2008	07/23/2011	09/25/2012	1,488 ⁽¹⁾	€43.15
Didier LÉVÊQUE	04/23/2008	07/23/2011	07/23/2013	2,083 ⁽¹⁾	€43.15
	09/25/2008	09/25/2010	09/25/2012	6,000 ⁽²⁾	€27.76
Catherine SOUBIE	04/23/2008	07/23/2011	07/23/2013	3,750 ⁽¹⁾	€43.15
	09/25/2008	09/25/2010	09/25/2012	10,800 ⁽²⁾	€27.76

(1) The vesting of bonus shares granted to the beneficiaries is subject to a requirement of presence in the company at the vesting date as well as company performance criteria, which are evaluated on an annual basis. The criterion set by the Board of Directors is that of the cover ratio of the Rallye holding perimeter net debt by revalued assets.

(2) The vesting of bonus shares granted to the beneficiaries is subject to a requirement of presence in the company at the vesting date.

Management Report

CORPORATE GOVERNANCE

In 2008, bonus shares allocated to corporate officers by controlled companies were as follows:

By Casino, Guichard-Perrachon

Officer	Date granted	Vesting date of granted shares	Date from which the shares may be sold	Number of bonus shares granted	Value per bonus share granted
Jacques DUMAS	04/14/2008	10/14/2011	10/14/2013	2,000 ⁽¹⁾	€76.72
	10/29/2008	10/29/2010	10/29/2012	3,000 ⁽²⁾	€51.46

(1) The vesting of bonus shares granted to the beneficiaries is subject to a requirement of presence in the company at the vesting date as well as company performance assessed over two years by the change in organic growth of sales (on a same-store basis) of the French business entities that are fully or proportionately consolidated, including Franprix-Leader Price and Monoprix but excluding Vindemia.

(2) The vesting of bonus shares granted to the beneficiaries is subject to the sole requirement of presence in the company at the vesting date.

In 2008, the corporate officers did not exercise any share subscription or purchase options.

In 2008, bonus shares allocated to corporate officers by the Company vested as follows:

Officers	Date granted	Vesting date of shares	Number of bonus shares initially granted	Number of bonus shares finally acquired ⁽¹⁾	Date from which the shares may be sold
Didier CARLIER	06/08/2005	06/08/2008	2,083	2,083	06/08/2010
Jacques DUMAS	06/08/2005	06/08/2008	1,042	1,042	06/08/2010
Pierre FÉRAUD	06/08/2005	06/08/2008	1,488	1,488	06/08/2010
Didier LÉVÊQUE	06/08/2005	06/08/2008	2,083	2,083	06/08/2010
Catherine SOUBIE	06/08/2005	06/08/2008	3,750	3,750	06/08/2010

(1) The vesting of bonus shares granted to the beneficiaries was subject to company performance criteria, which were evaluated on an annual basis. The criterion set by the Board of Directors is that of the cover ratio of the Rallye holding perimeter net debt by revalued assets.

In 2008, bonus shares allocated to corporate officers by controlled companies vested as follows:

By Casino, Guichard-Perrachon

Officer	Date granted	Vesting date of shares	Number of bonus shares initially granted	Number of bonus shares finally acquired ⁽¹⁾	Date from which the shares may be sold
Jacques DUMAS	26/05/2005	26/05/2008	900	180	26/05/2010

CONFLICTS OF INTERESTS AMONG ADMINISTRATIVE BODIES AND EXECUTIVE MANAGEMENT - REGULATED AGREEMENTS

The Company, as part of the Group's day-to-day management, keeps a constant relationship with all of its subsidiaries.

The Company also benefits from the advice of Euris, the ultimate controlling company, in which Jean-Charles NAOURI is majority shareholder. The Company entered in 2003 into an agreement with Euris for the provision of strategic advisory services (see page 166).

Jean-Charles NAOURI, Didier CARLIER, André CRESTEY, Jacques DUMAS, Pierre FÉRAUD, Jean-Marie GRISARD, Didier LÉVÊQUE and Catherine SOUBIE, members of the Board or permanent representatives of companies pertaining to the Rallye and Euris groups, hold executive offices and/or are members of executive bodies within the companies of the Rallye and Euris groups, and as such, receive remuneration and/or Director's fees.

Besides these connections, there is no conflict of interests, regarding the Company, between the duties of the members of the Board of Directors and executive management and their private interests.

The missions granted to the Audit Committee and the Appointments and Remunerations Committee prevent conflicts of interest and ensure that majority shareholding control is not exercised in an abusive manner.

The Statutory Auditors' special report on regulated agreements signed between the Company and the Chairman and CEO, one of the Board members or one of the shareholders owning over 10% of the voting rights, or, in the case of a company holding over 10% of the voting rights, the company that controls such shareholder, and which are not ordinary operations carried out under normal conditions, is presented on page 163 of the present document.

There are no loans or guarantees granted or outstanding, made by the Company to members of the Board of Directors.

STATUTORY AUDITORS

In compliance with legal provisions, Rallye has two Statutory Auditors and two Deputy Statutory Auditors:

| Statutory Auditors

ERNST & YOUNG et Autres

Signing partner: Henri-Pierre NAVAS (since financial year 2004).

Date of first office: June 1st, 1999.

End of last office: at the end of the 2011 Annual General Meeting of Shareholders.

KPMG

Signing partner: Catherine CHASSAING (since financial year 2004).

Date of first office: June 29, 1993.

End of last office: at the end of the 2013 Annual General Meeting of Shareholders.

| Deputy Statutory Auditors

Patrick-Hubert PETIT

KPMG Deputy.

Date of first office: June 6, 2001.

End of last office: at the end of the 2013 Annual General Meeting of Shareholders.

Philippe PEUCH-LESTRADE

ERNST & Young et Autres Deputy.

Date of first office: June 9, 2004.

End of last office: at the end of the 2011 Annual General Meeting of Shareholders.

These auditing firms also serve as Statutory Auditors for the Company's main subsidiaries.

**FEES PAID TO STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS BY THE GROUP
IN 2008 AND 2007**

(In €)	Ernst & Young				KPMG			
	Amount		%		Amount		%	
	2008	2007	2008	2007	2008	2007	2008	2007
Audit								
Statutory audit, certification, inspection of individual and consolidated accounts								
Issuer	165,273	208,750	3	5	182,050	207,250	17	39
Fully consolidated subsidiaries	4,855,821	3,254,079	89	81	816,225	248,121	78	46
Additional assignments								
Issuer								
Fully consolidated subsidiaries	439,574	524,976	8	13	15,500		1	
Subtotal	5,460,668	3,987,805	99	98	1,013,775	455,371	96	85
Others services rendered by the networks to fully consolidated subsidiaries								
Legal, tax, social	16,320	10,216		1	25,890	26,631	3	5
Other (to be detailed if > 10% audit fees)	49,160	51,500	1	1	11,693	52,083	1	10
Subtotal	65,480	61,716	1	2	37,583	78,714	4	15
TOTAL	5,526,148	4,049,521	100	100	1,051,358	534,085	100	100

Report from the Chairman

OF THE BOARD OF DIRECTORS

In conformity with the provisions of Article L.225-37 of the French Commercial Code, the present report has been prepared by the Chairman of the Board of Directors.

This report is intended to present corporate governance as applied by the Board of Directors and by the Executive Management, and to describe the Company's internal control and risk management procedures.

This report is attached to the management report prepared by the Board of Directors describing the activities of the Company and its subsidiaries during the year ending December 31, 2008. It is made available to the shareholders before the Annual General Meeting.

By virtue of Article L.225-235 of the French Commercial Code, the Statutory Auditors have prepared a report on the internal control procedures concerning the preparation and processing of accounting and financial information, as well as a statement on the preparation of other necessary information.

CODE OF CORPORATE GOVERNANCE

In accordance with the Company's good governance policy, the Board of Directors adheres to the new joint recommendations of AFEP (the French Association of Private Enterprise) and MEDEF (the French Business Confederation) dated October 6, 2008 on the remuneration of executive corporate officers. It has, therefore, sought to comply with the AFEP/MEDEF code of corporate governance as completed and consolidated in December 2008, in particular, in the preparation of the present report.

The code is available for consultation on the Company's website: www.rallye.fr

BOARD OF DIRECTORS

I Composition of the Board of Directors

A list of the members making up the Board of Directors is presented on page 28.

I Preparation and organization of the Board of Directors' work

The requirements governing the preparation and organization of the work of the Board of Directors are defined by law, as well as by the Company by-laws, the Board's rules of procedure, and those of the specialized committees it includes.

Organization and operation of the Board of Directors

The joint office of Chairman of the Board and Chief Executive Officer is held by Jean-Charles NAOURI.

The organization and operation of the Board of Directors are governed by rules of procedure as adopted in April 2003 and amended by the Board of Directors' meetings of April 21, 2005 and March 21, 2007. The by-laws bring together and specify the various rules which apply to the Company, whether by

law, or by the Company rules and by-laws. They also include principles of 'corporate governance' and prescribe their implementation.

The rules of procedure describe the *modus operandi*, as well as the powers and attributions of the Board of Directors and of its specialized committees, namely the Audit Committee and the Appointments and Remunerations Committee.

The rules of procedure set out the rules of ethics applicable to members of the Board of Directors, in particular the obligations of confidentiality under Article L.465-1 of the French Monetary and Financial Code and by Articles 621-1 et seq. of the regulations of the French Financial Markets Authority (AMF) relative to insider trading, as well as the abstention obligation concerning all transactions with the Company's shares during the fifteen-day period preceding the publication of the Company's annual and interim financial statements.

They also mention the registration of directors on the list of permanent insiders drawn up by the Company as part of the regulatory provisions intended to better preventing insider trading and breaches.

The rules of procedure also include provisions governing declarations that officers, their equivalent and individuals having close personal ties to them must make regarding their transactions in Company shares.

The rules of procedure set out the principle of formal and regular assessments of the Board of Directors' operations.

They also spell out the terms and conditions for its meetings and deliberations and allow directors to attend Board meetings by videoconference or telecommunication.

The office of Censor was created in 2002 to encourage qualified individuals to become members of the Board of Directors. The Censor attends Board meetings, expresses his observations and opinions and takes part in the proceedings, with consultative powers.

Missions and powers of the Board of Directors and the Chairman and CEO

- In compliance with the provisions of article L.225-35 of the Commercial Code, the Board of Directors lays down guidelines for the Company's business and ensures that these guidelines are implemented. Subject to the powers expressly attributed to the Shareholders' Meetings, and within the limits of the Company's purpose of business, the Board of Directors deals with all issues that concern the Company's operations. Through its proceedings, it resolves the issues confronting the Company. It also carries out all the verifications it deems necessary. The Board of Directors notably reviews and closes the consolidated financial statements and the parent company financial statements, both annual and interim. It presents reports on the activities and performance of the Company and its subsidiaries. It reviews the Company's management forecasts. It determines the amount of senior executive compensation, and decides whether to grant share purchase or subscription options and bonus shares.
- The Chairman of the Board of Directors organizes and manages the work of the Board of Directors. He convenes the meetings of the Board of Directors and is in charge of setting the agenda and producing the minutes of these

Report from the Chairman

OF THE BOARD OF DIRECTORS

meetings. He ensures that the Company's management bodies are functioning and, in particular, that the directors are in a position to fulfill their mission.

- The Chief Executive Officer, in compliance with article L.225-56 of the Commercial Code, has the broadest powers to act on behalf of the Company in every circumstance. He exercises these powers within the limits of the Company's purpose of business and subject to the powers expressly attributed by law to the Shareholders' Meetings and to the Board of Directors. He represents the Company with respect to third parties. However, in application of the rules of procedure, any transaction liable to have an impact on the group's strategy, financial structure, or business must be previously approved by the Board of Directors.

Independence of the Directors

As part of its mission, the Appointments and Remunerations Committee is in charge of monitoring the situation of each of the Directors in light of the relationship that may exist, if applicable, with the Company or companies in the Group, which might compromise a director's free judgment or lead to potential conflicts of interest with the Company.

Therefore, each year the Committee carries out an annual inspection of the makeup of the Board of Directors, and, in particular, of the independence of the Directors in light of the assessment criteria laid down by the AFEP and MEDEF code of corporate governance.

Board activities over the past year

In 2008, the Board of Directors met six times. The attendance rate was 93%.

Approval of the financial statements – the business of the Company and its subsidiaries

The Board of Directors examined the provisional and final statements for the year ended December 31, 2007, and the final statements for the first semester 2008, as well as the management forecasts. It also established the reports and the text of the resolutions brought to the Ordinary and Extraordinary General Meeting held on June 4, 2008.

The Board took note of the Group's activity for each quarter, its number of employees, level of debt, and available sources of funds.

The Board of Directors approved different operations subject to its authorization. This included, in particular, the provision of guarantees on behalf of the Company's subsidiaries when financial or real estate operations were being carried out. It also looked into lines of credit set up by the Company and its subsidiaries.

The Board also took stock of « private equity » financial asset disposals made by the group.

The Board of Directors decided to pay out an interim dividend.

Compensation

The Board of Directors, after consulting with the Appointments and Remunerations Committee, set the fixed and variable remuneration for the Deputy Managing Directors.

It also examined the Directors' and Censor's fees, as well as the remuneration paid to the members of the technical committees. It decided on the issuance of stock options and bonus shares, subject to performance criteria, to executives and employees of the Group and its affiliates. It decided on the exceptional issuance of stock options and bonus shares, subject to presence requirements, to executives of the Group.

Corporate governance

The Board of Directors also examined its own situation in terms of the principles of corporate governance: the composition and organization of the Board of Directors and technical committees, and the independence of directors.

The Board of Directors has approved the implementation of a new evaluation of its organization and operation, the conclusions of which are presented below, on page 46.

The Board of Directors examined then decided to adhere to the new AFEP and MEDEF code issued in October 2008.

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

Board Committees

The Board of Directors is assisted by two specialized committees created in 2000: the Audit Committee and the Appointments and Remunerations Committee.

The Board of Directors appointed the members of the Committees and defined the committees' powers and rules of operation.

THE AUDIT COMMITTEE

Composition

The Audit Committee is made up of three members: two directors, including one independent director, André CRESTEY (Chairman) and Christian PAILLOT, and Jean LEVY, Censor.

The appointment of a new independent director to the Audit Committee is under consideration.

Missions

The Audit Committee's mission is notably to help the Board of Directors in its task of reviewing and closing the annual and interim financial statements. It also assists the Board whenever an event occurs that is likely to have a significant impact on the situation of the Company or its subsidiaries in terms of commitments and/or risk. It provides assistance on issues relating to compliance with the legal and regulatory framework and on the major disputes underway.

The rules governing the organization and operation of the Audit Committee, as well as the Committee's powers and missions, have been defined by the Board of Directors and are included in the rules of procedure of the Board. They were detailed and completed in a charter adopted in April 2004.

Activities in 2008

The Audit Committee met twice in 2008, with all members in attendance at each meeting.

When the interim and annual financial statements were

closed, the Audit Committee verified the closing process and took note of the comments and conclusions of the statutory auditors concerning consolidation procedures and the Company's accounts.

The Committee also reviewed off-balance-sheet commitments, risks and accounting decisions on provisions as well as the relevant changes in the legal and accounting framework.

The Committee reviewed prevention documents and the Chairman's report on internal control procedures in force within the Company.

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

THE APPOINTMENTS AND REMUNERATIONS COMMITTEE

Composition

The Appointments and Remunerations Committee is made up of three members, including two independent directors: Jacques DERMAGNE (Chairman), Jacques DUMAS and Gilbert TORELLI, who have been appointed for the duration of their terms as directors.

The Chairman and CEO is entitled to attend the committee's meetings as a non-voting member, to present his proposals notably concerning senior executive compensation and stock option and bonus share allocations.

Missions

The Appointments and Remunerations Committee is notably in charge of helping the Board of Directors to review applications for senior management positions, select new directors, define and check executive compensation and stock subscription or purchase option and bonus share policies. If necessary, it reviews benefits and other forms of compensation for executives.

The Appointments and Remunerations Committee has drafted a charter, adopted in 2004, confirming its powers and missions, notably as regards verifying that the corporate governance principles and the code of ethics, notably in the Board of Directors' rules of procedure, are respected and applied.

Activities in 2008

The Appointments and Remunerations Committee was convened four times in 2008, with an attendance rate of 100%.

The Appointments and Remunerations Committee focused its recommendations on the proposed renewal of the term of office of the Chairman and Chief Executive Officer, the Vice-Chairman, the Directors and the Censor, as well as the composition of the technical committees.

The Committee also examined the independence of the members of the Board in light of the recommendations included in the AFEP and MEDEF corporate governance report.

The Committee issued a favorable opinion on the methods for setting the fixed and variable remuneration of the Deputy Managing Directors.

The Committee examined the executive management's proposal on the issuance of stock options and bonus shares to executives and employees of the Company and of related companies, as well as the directors' fees to be allocated to Members of the Board, the Censor, and to the members of the technical committees.

The Appointments and Remunerations Committee examined the recommendations concerning the compensation of executive officers as published by AFEP/MEDEF on October 6, 2008 and amended by the Council of Ministers release of October 7, 2008. The Committee has evaluated Rallye's implementation thereof.

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

Principles and rules determining compensation and benefits granted to corporate officers.

The means and the amount of officers' compensation are determined by the Board of Directors on the basis of recommendations made by the Appointments and Remunerations Committee.

Thus, the Board of Directors determines the compensation of the two Deputy Managing Directors; the Chairman and CEO does not receive compensation from the Company.

The compensation paid to the two Deputy Managing Directors includes both a fixed and variable portion. The basis for their determination is decided on each year by the Board of Directors, after consulting with the Appointments and Remunerations Committee, and if necessary, after examining studies carried out by external consultants.

The Board of Directors set the variable portion of compensation paid to the Deputy Managing Directors for 2008, on the basis of an overall evaluation of the implementation and management of the financial affairs of the company and its subsidiaries.

The Board of Directors, after consulting with the Appointments and Remunerations Committee, sets the rules for the distribution of director's fees to be paid to Directors and to the Censor as well as compensation to be paid to the members of technical committees, as follows:

- Director's fees include a flat fee of €4,000 and a variable payment of €16,000 based on attendance at Board Meetings, noting that director's fees for directors, senior managers, and those in charge of the Group have been reduced by half and that the variable payment foregone by absent directors is not re-allocated;
- the Vice-Chairman receives an additional flat fee of €20,000;
- additional Director's fees are paid to committee members, at a flat fee of €10,000. The fee is double this amount for each committee chairman.

Report from the Chairman

OF THE BOARD OF DIRECTORS

Information given to the Directors

In compliance with Article L.225-35 of the French Commercial Code, the Chairman and Chief Executive Officer provides each member of the Board with all of the documents and information necessary for the accomplishment of his mission.

Therefore, all the necessary information pertaining to the issues to be examined by the Board is provided to the members prior to each Board meeting. Each member receives an information file containing all the documents and information pertaining to the subjects inscribed on the agenda for the meeting.

The Board of Directors is also informed by the Senior Management once every quarter of the state of business for the Company and its main subsidiaries. The information includes sales, income trends, debt and the position of credit lines that the Company and its main subsidiaries can draw on, as well as a summary table of the workforce employed by the Company and its main subsidiaries.

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

Assessment of the conditions in which the Board of Directors operates

Pursuant to the code of corporate governance, the rules of procedure provide for an annual discussion and a regular evaluation of the operation of the Board of Directors, to be performed by the Appointments and Remunerations Committee, with the help, if necessary, of an external consultant.

A new evaluation of the organization and operation of the Board of Directors was implemented at the end of 2008, through a questionnaire sent to each director.

The evaluations and observations made by the members of the Board of Directors indicate that the organization and operation of the Board is entirely satisfactory with respect to the ethics and principles of corporate governance.

The Directors have expressed the desire to appoint an additional independent director and an additional member of the Audit Committee, and for an additional Board meeting to be held at year-end.

PARTICIPATION IN SHAREHOLDERS' MEETINGS

Information concerning the modalities of participation of shareholders at Shareholders' Meetings is detailed in Articles 25, 27, and 28 of the corporate by-laws (see page 189). This information is repeated in the official convening notice which the Company publishes prior to each Shareholders' meeting.

(1) Committee Of Sponsoring Organizations of the Treadway Commission.

(2) Recommendations of the French Association for Private Enterprise (Association française des entreprises privées, AFEP) and of MEDEF, the French Confederation of Business Enterprises (Mouvement des entreprises de France), dated December 17, 2003 and entitled, "The application of the provisions of the Law on financial security governing the internal control procedures set in place by the Company".

ISSUES WHICH MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

The Company's capital structure and any direct or indirect interests in the Company's capital structure of which it is aware by virtue of Articles L.233-7 and L.233-12 of the French Commercial Code are described beginning on page 21.

There are no statutory restrictions to the exercise of the voting rights and transfers of shares, nor are there any agreements of which the Company is aware under Article L.233-11 providing for preferential terms of sale or acquisition of shares, nor are there, to the Company's knowledge, any agreements between shareholders which might restrict the transfer of shares or the exercise of voting rights.

The Company has not issued any share with extraordinary control rights attached, and there is no control mechanism provided for in any employee share plan, when the latter does not exercise its control rights.

The rules which apply to the appointment and replacement of the members of the Board of Directors, as well as to the modification of Company by-laws are described beginning on page 44.

The powers of the Board of Directors are described on pages 44 and 188. With respect to the issue of shares, the delegations conferred to the Board of Directors are indicated on page 167, and as regards the repurchase of shares, the powers of the Board of Directors are described on page 23.

Any agreements entered into by the Company which are modified or come to an end in the event of a change in the control of the Company are mentioned on pages 205 *et seq.*

In addition, there are no agreements providing for compensation of the members of the Board of Directors or of employees should they resign or be dismissed without just cause or if their position is made redundant as a result of a public offer.

INTERNAL CONTROL PROCEDURES SET IN PLACE BY RALLYE

The information below was obtained from all those responsible for implementing Rallye's internal control procedures. Based on this information validated by senior management, a factual description of the control environment and procedures is given.

I Definition and objectives of internal control procedures

Framework

Rallye has adopted the internationally-accepted definition set out by the COSO⁽¹⁾, which is compatible with the definition used by the AFEP and MEDEF⁽²⁾ in France: internal control is a process, effected by an entity's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

The internal control procedures applied by the Group are thus designed:

- on the one hand, to ensure that the Company's affairs are conducted in accordance with applicable laws and regulations, internal policies laid down by the governance bodies, corporate values, standards and rules, and the strategy and objectives set forth by senior management;
- on the other hand, to ensure that the accounting, financial and management information reported to the governance bodies provides a true image of the operations and position of the Company and Group.

The main objective of the internal control system is to identify, prevent and manage risks resulting from the Company's operations and particularly the risks of errors or fraud in accounting and financial information, in order to ensure the effectiveness and efficiency of the entity and the high quality of its accounting system and financial reporting.

As is the case with all control systems, however, it can only provide a reasonable assurance, rather than an absolute guarantee, that risks have been eliminated or brought under complete control.

Control environment

The control environment within the Company consists mainly of the corporate governance principles and the Group's organization principles. It has been designed carefully and is applied scrupulously, so that all types of risk can be managed as a whole and so as to provide a reasonable assessment of potential risks of any kind facing the Group.

Description of control procedures in place

The scope of internal control over accounting and financial information comprises the parent company and the operating subsidiaries included in the Group's consolidated financial statements (the latter use an internal audit department to manage their own internal control).

General organization of internal control

The internal control procedures are part of the general policy framework laid down by the Board of Directors and implemented under the direct responsibility of the Company's management.

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

Senior management and the administration and finance department

Rallye's administration and finance department, which reports back to senior management, supervises all of the staff departments: controlling, accounting, cash management and legal affairs.

The Board of Directors and the Audit Committee

Given their missions as defined in the Company by-laws and the rules of procedure, the Board of Directors and the Audit Committee take part in the internal control process by expressing opinions and making recommendations to senior management and through the analyses and investigations that they carry out or commission.

Statutory auditors and independent consultants

The Statutory Auditors give their opinion on the individual and consolidated financial statements, in conformity with legal and regulatory requirements, on an annual basis. They also examine the Company's interim consolidated financial statements and verify the information given in the interim report. They are consulted regularly regarding the accounting treatment of ongoing operations. As part of their mission, the Statutory Auditors also examine how the internal control procedures are organized and applied in practice. If necessary, they are asked to make recommendations.

As part of its investment or financing projects, the Company often employs independent consultants in economic, financial, organizational, and legal matters.

Dissemination of information within the Group

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

With a view to providing reliable financial information and communication, Rallye ensures that the organization as a whole complies with the following references in carrying out its functions: the manual of accounting and consolidation procedures, the French general chart of accounts, the code of ethics outlined in the Board of Directors' rules of procedure; the Audit Committee charter and the Appointments and Remunerations Committee charter.

Identification and assessment of risks

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

In the course of its business, the Group is exposed to a range of risks.

These risks and the systems designed to manage them are partially described in note 23 "Financial risk management objectives and policies" of the Notes to the consolidated financial statements for the year ended December 31, 2008. Note 23 mentions the main risks associated with the Group's financial instruments: interest rate, foreign exchange, credit, liquidity and share price risk.

The operational risks related to business operations, the legal risks and the description of the insurance policies are detailed in the Company's Reference Document in the chapter entitled "Other information – information on Rallye's activity".

Report from the Chairman

OF THE BOARD OF DIRECTORS

Control activities

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

Within the Company, internal control procedures are centralized. Because Rallye is a holding company, its procedures are aimed mainly at drafting and processing financial and accounting information to ensure that the consolidated financial statements are reliable and to monitor the subsidiaries.

In the operating subsidiaries:

Each subsidiary of Rallye has its own internal audit department whose mission is to assess internal control activities and procedures in order to obtain a reasonable assurance that the subsidiary's own risks are under control.

The Group controls the quality of the information supplied by the subsidiaries, notably by appointing the same person to several executive bodies, but also through the meetings of the Audit Committees and Appointments and Remunerations Committees. The committees, together with senior management, receive the support of the staff departments in the subsidiaries.

Information is also verified when Rallye's central controlling department monitors the subsidiaries' information systems. It is also verified at monthly meetings with the operating subsidiaries.

The Company's financial communication and that of its subsidiaries rely increasingly on shared software to generate quantitative data. The security of the subsidiaries' IT systems is taken into account from the design stage and is implemented through constant monitoring.

Six years ago, Rallye also set up a legal auditing department, which provides assistance to the Company and its subsidiaries, and carries out specific reviews and investigations as needed, to prevent and detect legal anomalies and problems in the Group's management.

The legal department and the legal auditing department regularly update senior management and the administration and finance department on the main legal disputes underway and on the attendant risks.

At Rallye:

> Monitoring operating risks:

• *Cash, financing and expenditures*

The cash management team, within the administration and finance department, is in charge of drafting financial forecasts (e.g., financing and investment policy proposals, financing plans and cash budgets), of managing and verifying the group's cash position on a daily basis, and of monitoring the banking terms previously negotiated.

Company cash must only be invested in instruments whose maturity is in keeping with the planned duration of the investment and must never be invested in speculative or risky instruments.

Senior management receives weekly reports of cash movements during the week and the positions of the credit lines, along with the respective terms and conditions.

Financing arrangements can optimize management of the balance sheet and of financial debt, and enhance the Group's financial structure. They must be approved by the Board of Directors depending on their level of complexity (e.g., bilateral lines, bond issues, structured financing...). Independent consultants validate the legal, technical and accounting aspects of structured financing as necessary. All expenditures must follow a formal authorization procedure, so as to facilitate and reinforce the control of Company spending, from financial investments to general administrative expenses. Invoices must be authorized at the appropriate management level before the payment can be made.

• *Market risks monitoring*

The Company's market risk monitoring policy is described in the Reference Document in the chapter "Other information – Information on Rallye's activity". In light of the priorities it uncovers, managers regularly adapt the corresponding control measures.

• *Investment portfolio*

Investment and divestment projects require prior approval to ensure that they comply with the Group's strategy and profitability criteria. Changes in the investment portfolio are reported to senior management on a weekly basis.

• *Payroll and compensation*

The administration and finance department is in charge of payroll organization and management.

The legal department regularly monitors changes in legal and social data that may affect payroll management.

The Appointments and Remunerations Committee reviews compensation for senior executives, which is then submitted for approval to the Board of Directors. Compensation for all other employees is validated by senior management.

• *IT system security*

In order to ensure the effectiveness of the internal control procedures, as well as the security and the integrity of all of its data and their processing, as well as its ability to deal with possible major damage to its systems, whether accidental or due to acts of malfeasance, the entire system is secured by the following:

- a system providing authorization and protected access to the network;
- sites which are physically secured (through access checks, and fire detection systems, for instance);
- daily data backups to off-site electronic storage media.

> Producing and processing financial and accounting data:

• *Production of the individual and consolidated financial statements*

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 accounting department implements a standard internal accounting system in compliance with accounting procedure manuals, using "Agresso" software to produce the parent company financial statements, and "Equilibre" software to produce the consolidated financial statements. The accounting department is also in charge of ensuring that the methods employed are consistent, reliable and homogenous and that accounts closing schedules are respected, in line with deadlines set by the Board of Directors and its Committees.

Each subsidiary has a monthly budget, which is sent to central controlling at Rallye. The monthly statements are analyzed and compared with accounting and consolidated forecasts.

Consolidation of the financial statements is performed every six months, as a centralized procedure, carried out 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 which includes all the restatements and eliminations made, and documents the checks performed, thereby ensuring traceability.

In addition, the Consolidation Department is in charge of the update of the consolidation procedures, the inclusion of the subsidiaries in the scope of consolidation, the information processing and the maintenance of the consolidation instruments.

In the course of their mission to give an opinion on the individual and consolidated financial statements, the Statutory Auditors prepare a report intended for the Group shareholders, in which they certify that the financial statements are accurate, truthful, and faithful. For the year 2008, the Statutory Auditors found no significant weakness or major deficiency in the internal control system.

Finally, the financial statements are reviewed by senior management prior to examination by the Audit Committee, in preparation for the deliberation by the Board of Directors which gives the final approval to the financial statements.

The Group regularly monitors the off-balance-sheet commitments, which are provided in detail in the Notes to the consolidated financial statements. The list of such commitments linked to current and exceptional operations is included in a report every semester, to determine whether there is a need to make a provision for risks incurred as a result of such commitments.

The assets of the holding company, as well as its level of debt, are monitored on a weekly basis. In this process, the value of the holding company's assets, at both market and investment value, is compared to its net financial debt.

• **Controlling**

This department reports to the Chief Financial Officer.

The department's mission is to:

- monitor key business indicators for the Company and its subsidiaries;
- monitor action plans, control budgets and analyze differences;
- produce monthly Group management and financial reports for senior management;
- help prepare the financial statements;
- elaborate the budget and the three-year plan.

• **Financial communication**

The financial communication department is in charge of fulfilling the obligations of periodic dissemination of financial information to the market and to stock market regulatory bodies. It communicates the Company's strategy and performance to the financial markets.

From January 20, 2007, in compliance with Article L.451-1-2 of the French Monetary and Financial Code, which results from the transposition of the so-called EU "Transparency" Directive (Directive 2004/109/EC), Rallye is making a "Regulated Information" section available on its website:

<http://www.rallye.fr/en/investors/statutory-information> and is transmitting this information electronically to a professional news distributor that fulfills the AMF requirements. In this section, the documents relating to published regulated information from 2007 onwards are published and archived during 5 years.



STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMPANY LAW (CODE DE COMMERCE), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF RALLYE COMPANY, ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION YEAR ENDED DECEMBER 31, 2008

To the Shareholders,

In our capacity as Statutory Auditors of Rallye, and in accordance with Article L.225-235 of the French Code of Commerce, we hereby present our report on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Code of Commerce for the year ended December 31, 2008.

It is incumbent upon the Chairman to draw up and submit to the Board of Directors for their approval a report on the internal control and risk management in place within the Company, and to provide therein other information as required by Article L.225-37 of the French Commercial Code concerning, in particular, its provisions on corporate governance.

It is our duty to:

- inform you of our observations on the information contained in the Chairman's Report, with respect to the internal audit procedures concerning the preparation and processing of accounting and financial information; and
- attest that the report contains other information required as per Article L.225-37 of the French Code of Commerce, having specified that we are not required to verify the truthfulness of the said other information.

We have performed our task in accordance with the professional guidelines applicable in France.

INFORMATION CONCERNING THE INTERNAL CONTROL PROCEDURES PERTAINING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Professional guidelines require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information, to support the information as set out in the Chairman's report, and perusing the existing documentation;
- obtaining an understanding of the work performed to prepare this information and perusing the existing documentation;
- determining whether any significant weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information, which we may have found during our engagement, have been appropriately disclosed in the Chairman's report.

On the basis of these procedures, we have no matters to report in connection with the information on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Company Law (*Code de commerce*).

OTHER INFORMATION

We certify that the Chairman of the Board's report includes the other information required by article L.225-37 of the French Company Law (*Code de commerce*).

Paris La Défense and Neuilly-sur-Seine, April 27, 2009

KPMG AUDIT
Département de KPMG S.A.
Catherine CHASSAING
Partner

ERNST & YOUNG et Autres
Henri-Pierre NAVAS
Partner

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CONSOLIDATED BALANCE SHEET

ASSETS

(in € millions)	NOTES	2008	2007
Goodwill	3	7,207	7,230
Intangible assets	4	722	570
Property, plant and equipment	5	6,122	5,891
Investment property	6	1,145	1,187
Interests in associated companies	8	137	279
Non-current financial assets	11	915	1,015
Non-current hedging financial assets	22	123	66
Deferred tax assets	15	128	190
Total non-current assets		16,499	16,428
Inventories	12	2,860	2,638
Trade receivables	13	1,601	1,665
Other assets	14	1,311	1,243
Current tax credit		83	47
Other current financial assets	16	163	455
Cash and cash-equivalents	17	2,311	2,727
Assets held for sale	18	237	2
Total current assets		8,566	8,777
TOTAL ASSETS		25,065	25,205

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CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

(in € millions)	NOTES	2008	2007
Share capital		127	128
Reserves and net income, Group's share		1,382	1,814
Shareholders' equity, Group's share		1,509	1,942
Minority interests		4,509	4,466
Total shareholders' equity	19	6,018	6,408
Provisions	20	366	310
Non current financial liabilities	22	7,457	7,394
Other non current liabilities	24	93	63
Deferred tax liabilities	15	397	423
Total shareholders' equity		8,313	8,190
Provisions	20	248	227
Trade payables		4,708	4,582
Current financial liabilities	22	2,782	2,914
Current taxes due		24	124
Other current liabilities	25	2,845	2,760
Liabilities related to assets held for sale	18	127	
Total current liabilities		10,734	10,607
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,065	25,205

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CONSOLIDATED INCOME STATEMENT

(In € millions)	NOTES	2008	2007
Continuing operations			
Net sales	26	29,448	25,736
Full cost of goods sold	27	(21,937)	(18,895)
Gross margin		7,511	6,841
Other income	28 - 29	240	235
Selling costs	28 - 29	(5,336)	(4,834)
General and administrative expenses	28 - 29	(1,132)	(981)
Current operating income		1,283	1,261
Other income and expenses from operations	30	(127)	161
Operating income		1,156	1,422
Cost of net financial debt	31	(577)	(468)
Other financial income	32	182	211
Other financial expenses	32	(268)	(207)
Income before tax		493	958
Income tax expense	33	(213)	(296)
Income from associated companies	34	13	18
Net income – continuing operations		293	680
<i>of which, Group's share</i>		<i>(78)</i>	<i>216</i>
<i>of which, minority interests</i>		<i>371</i>	<i>464</i>
Discontinued operations			
Net income – discontinued operations	35	(16)	154
<i>of which, Group's share</i>		<i>(8)</i>	<i>72</i>
<i>of which, minority interests</i>		<i>(8)</i>	<i>82</i>
Net income		277	834
<i>of which, Group's share</i>		<i>(86)</i>	<i>288</i>
<i>of which, minority interests</i>		<i>363</i>	<i>546</i>
Net income, Group's share (in €)			
Before dilution	36	(2.05)	7.37
After dilution	36	(2.05)	7.34
Net income – continuing operations, Group's share (in €)			
Before dilution	36	(1.85)	5.51
After dilution	36	(1.85)	5.49
Net income – discontinued operations, Group's share (in €)			
Before dilution	36	(0.20)	1.86
After dilution	36	(0.20)	1.86

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CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES

(In € millions)	2008	2007
Translation adjustments	(485)	38
Actuarial gains and losses ⁽¹⁾	4	9
Change in fair value of available-for-sale financial assets ⁽¹⁾	(44)	16
Hedge accounting ⁽¹⁾	(12)	
Change in fair value of previously held assets and liabilities ⁽¹⁾		90
Income and expenses recognized directly in shareholders' equity	(537)	153
Net income for the year	277	834
Total income and expenses recognized for the period	(260)	987
<i>of which, Group's share</i>	<i>(342)</i>	<i>379</i>
<i>of which, minority interests</i>	<i>82</i>	<i>608</i>

(1) Net of tax.

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STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In € millions)	Share capital	Premiums	Treasury shares	Net income recognized directly in equity	Reserves and consolidated net income	shareholders' equity Group's share	Minority interests	Total shareholders' equity
As at December 31, 2006	118	1,192	(8)	140	30	1,472	3,721	5,193
Income and expenses recognized directly in shareholders' equity					91	91	62	153
Consolidated net income for 2007 ⁽¹⁾					288	288	546	834
Total recognized income and expenses					379	379	608	987
Transactions on capital	10	130		14	13	167	9	176
Transactions on treasury shares			(11)			(11)	(7)	(18)
Dividends paid					(71)	(71)	(172)	(243)
Changes in scope ⁽²⁾							359	359
Miscellaneous changes ⁽³⁾					6	6	(52)	(46)
As at December 31, 2007	128	1,322	(19)	154	357	1,942	4,466	6,408
Income and expenses recognized directly in shareholders' equity					(256)	(256)	(281)	(537)
Consolidated net income for 2008 ⁽¹⁾					(86)	(86)	363	277
Total recognized income and expenses					(342)	(342)	82	(260)
Transactions on capital	(1)	(13)				(14)	34	20
Transactions on treasury shares				(6)		(6)	10	4
Dividends paid					(79)	(79)	(185)	(264)
Changes in scope ⁽⁴⁾							122	122
Miscellaneous changes					8	8	(20)	(12)
As at December 31, 2008	127	1,309	(19)	148	(56)	1,509	4,509	6,018

(1) Minority interests are mainly from the Casino group, in which the Group holds a 48.60% interest.

(2) Changes in minority interests were mainly due to the materialization of minority interests in Exito following its full consolidation for €450 million, the deconsolidation of minority interests relating to the disposal of Casino USA for (€113 million), the increase in the Group's interest in Casino for (€70 million) and the new minority interests in Fonds Immobilier Promotion (FIP) of Poland for €56 million.

(3) The decrease in minority interests was mainly due to the reclassification made in the framework of the purchase commitments given to minority interests as part of the Asinco puts for €35 million (see note 1.25).

(4) The decrease in minority interests is related to the full consolidation of Super de Boer for €50 million, the capital increase within Fonds Immobilier Promotion (FIP) of Poland for €70 million and the sale by the Group of Mercialis securities for €17 million.

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CASH FLOW STATEMENT

Cash flows relating to discontinued operations are described in note 26.

(In € millions)	NOTES	2008	2007
Net income, Group's share		(86)	288
Minority interests		363	546
Total consolidated net income		277	834
Depreciation and amortization		753	644
Provisions / Reversals		51	71
Unrealized gains and losses from changes in fair value		53	31
Calculated income and expenses relative to stock options and assimilated instruments		11	11
Other calculated income and expenses		40	79
Depreciation, amortization, provisions and other non-cash items		908	836
Income from asset divestments		(57)	(451)
Income from associated companies		(13)	(18)
Dividends from associated companies		16	17
Cash flow		1,131	1,218
Cost of net financial debt (changes in fair value and amortization excluded)		526	419
Income tax expense (including deferred tax)		210	311
Cash flow before cost of net financial debt and income tax		1,867	1,984
Tax paid		(279)	(255)
Change in the working capital requirement ⁽¹⁾		78	(81)
Net cash provided by operating activities	(A)	1,666	1 612
Purchase of property, equipment and intangible assets		(1,306)	(1,155)
Sale of property, equipment and intangible assets ⁽²⁾		214	791
Purchase of financial investments		(70)	(67)
Sale of financial investments		20	51
Changes in loans and advances granted		(3)	(7)
Changes in scope of consolidation ⁽³⁾		(408)	(529)
Net cash used in investing activities	(B)	(1,553)	(916)
Dividends paid to shareholders of the parent company		(77)	(71)
Dividends paid to minority shareholders of consolidated companies		(182)	(172)
Dividends paid to TSSDI – perpetual super subordinated securities holders		(71)	(45)
Cash decrease/increase in capital		121	221
Cash received on stock options exercise		18	28
Purchase and sale of treasury stock		(71)	(18)
Purchase and sale of financial securities		78	(22)
Debt issuance		2,294	2,169
Debt redemption		(1,974)	(1,768)
Net financial interest paid		(486)	(433)
Net cash used in financing activities	(C)	(350)	(111)
Impact of currency fluctuations	(D)	(42)	(16)
Change in cash and cash-equivalents	(A+B+C+D)	(279)	569
Net opening balance		2,154	1,571
Net opening balance of assets held for sale			14
Net opening balance of continuing operations	(E)	2,154	1,585
Reclassification of cash and cash-equivalents	(F)	(3)	
Net closing balance		1,872	2,154
Net closing balance of continuing operations	(G)	1,872	2,154
Change in cash and cash-equivalents	(G-E-F)	(279)	569

(1) Change in the operating working capital requirement

Consolidated financial statements

CASH FLOW STATEMENT

(In € millions)	2008	2007
Merchandise inventories	(125)	(188)
Real estate inventories	(132)	(51)
Trade payables	165	468
Trade receivables and related accounts	134	(49)
Receivables from the banking business	(67)	(83)
Financing of the banking business	41	50
Other	62	(228)
Change in the operating working capital requirement	78	(81)

(2) Including the sale of assets to AEW Immo commercial and Immocio OPCI funds for €376 million and €259 million in 2007, respectively, and to two OPCI funds including AEW Immo commercial for a total amount of €103 million (see note 5).

(3) Impact of changes in the scope of consolidation.

(In € millions)	2008	2007
Easydis Service	3	
Mercialys	38	
CBD (change in percentage)	19	
Casino USA group		297
Far eastern Geant (FEG)		17
Leader Price Polska		10
Mercialys		95
Sale price (a)	60	419
Exito	(12)	(358)
CBD (AIG put on Sendas and call exercise)*	(84)	(35)
Franprix-Leader Price sub-group (entries in scope)	(77)	
Franprix-Leader Price sub-group (changes in scope)	(95)	(207)
Monoprix sub-group (acquisition of Naturalia)	(32)	
Mercialys sub-group	(58)	
Cedif, Pavois Distribution	(24)	
Super de Boer (formerly Laurus)	(58)	
AEW	(11)	
Intexa	(7)	
Disco/Lanin		(10)
Carulla		(108)
Latic		(80)
Vindémia		(107)
CDiscout		(14)
Vegas Argentina		(63)
Vindémia sub-group		(15)
Acquisition of Casino securities		(110)
Other	(23)	(39)
Purchase price (b)	(481)	(1,146)
Franprix-Leader Price sub-group	12	(21)
Super de Boer	(4)	
CBD (change in percentage of proportionate consolidation)	2	
Intexa	2	
Far Eastern Geant (exit of bank loans)		17
Exito		135
Carulla		19
Casino USA		(33)
Latic		81
Other	1	
Cash balance of acquired or sold subsidiaries (c)	13	198
Impact of changes in the scope of consolidation (a-b+c)	(408)	(529)

* Of which €29 million corresponding to the fair value of the call at the exercise date in 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. ACCOUNTING PRINCIPLES AND METHODS

1.1. General information

Rallye is a corporation registered in France and listed on the Euronext Paris stock exchange, compartment B. The company and its subsidiaries are hereafter designated as "the Group", or "the Rallye group".

As at March 19, 2009, the Board of Directors has approved and authorized the publication of the consolidated financial statements of the Rallye group for the year ended December 31, 2008. They shall be submitted to the shareholders' meeting for approval on June 3, 2009.

1.2. Declaration of compliance

Pursuant to European regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements of the Rallye group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and adopted and made mandatory by the European Union as at the closure of the accounts.

The accounting standards are available on the European Commission website (http://ec.europa.eu/internal_market/accounting/ias_fr.htm) and include the international accounting standards (IAS and IFRS) and the interpretations issued by the Standing Interpretation Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC).

1.3. Basis of preparation of the consolidated financial statements

The consolidated financial statements were prepared according to the historical cost method, except for:

- land from companies within Casino's "centralized" perimeter (historical, core companies in France), Monoprix, and the Asinco warehouses (Franprix-Leader Price), for which the fair value as at January 1, 2004 was used as the presumed cost. The resulting revaluation was booked to shareholders' equity;
- certain asset revaluations carried out by Super de Boer (formerly Laurus) during the transition to IFRS, which were retained in the Group financial statements; and
- derivative financial instruments, available-for-sale financial assets and the securities portfolio, which were valued at fair value.

The consolidated financial statements for the year ended December 31, 2006 are included for reference.

The accounting methods described below were applied consistently to all the periods presented in the consolidated financial statements, taking into account or with the exception of the new standards and interpretations listed hereafter.

1.3.1. New standards and interpretations applicable in 2008

The application of the following revised or new standards and interpretations has become mandatory for the financial year 2008:

- IAS 39 and IFRS 7 amendments – Reclassification of Financial Assets;
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions;
- IFRIC 12 – Service Concession Arrangements;
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

These newly published IASB standards, whose application has become mandatory in 2008, did not have any impact on the Group's financial statements.

1.3.2. New standards and interpretations approved by the European Union as at December 31, 2008 and applicable in future periods

- IFRS 8, Operating Segments (applicable to annual reporting periods opening as from January 1, 2009);
- Revised IAS 1, Presentation of Financial Statements (applicable to annual reporting periods opening as from January 1, 2009);
- IFRIC 13, Customer Loyalty Programs (applicable to annual reporting periods opening as from July 1, 2008);
- Amendment IAS 23, Borrowing Costs (applicable to annual reporting periods opening as from January 1, 2009);
- Amendment IFRS 2, Vesting Conditions and Cancellations (applicable to annual reporting periods opening as from January 1, 2009).

The Group did not opt for early application of any of these standards and interpretations. Except for the amendment to IAS 23, whose potential impact is currently being assessed, the application of the other new standards and interpretations listed above will not have any significant effect on the Group's financial position.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.3.3. New standards and interpretations not yet adopted by the European Union as at December 31, 2008, which will be applicable in the future

- Revised IFRS 3, Business Combinations (applicable to business combinations involving an acquisition date during the first financial year as from July 1, 2009);
- Revised IAS 27, Consolidated and Separate Financial Statements (applicable to annual reporting periods opening as from July 1, 2009);
- IFRIC 15, Agreements for the Construction of Real Estate (applicable to annual reporting periods opening as from January 1, 2009);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (applicable to annual reporting periods opening as from October 1, 2008);
- IFRIC 17, Distributions of Non-cash Assets to Owners (applicable to annual reporting periods opening as from July 1, 2009);
- Amendment IAS 1 / IAS 32 (*), Puttable Financial Instruments and Obligations Arising on Liquidation (applicable to annual reporting periods opening as from January 1, 2009);
- Amendment IAS 39, Eligible Hedge Items (applicable to annual reporting periods opening as from July 1, 2009);
- Improvements to International Financial Reporting Standards 2008 (May 22, 2008) (*), applicable to annual reporting periods opening as from January 1, 2009.

(*) These standards were adopted by the European Union after December 31, 2008.

The assessment by the Group of the potential impacts of the application of these new standards and interpretations, which had not been adopted by the European Union as at December 31, 2008, on the income statement, the balance sheet, the cash flows and the contents of the notes to the financial statements is currently under way.

1.4. Use of estimates

The preparation of consolidated financial statements demands that senior management use estimates and assumptions that may have an impact on the assets, liabilities, income, and expense figures included in the financial statements, as well as on some of the data included in the Notes to the financial statements. Estimates and assumptions relate to matters that are inherently uncertain and actual results could differ from those estimates. The Group regularly revises its estimates and assumptions in order to take into account past experience and to include factors deemed to be relevant in light of prevailing economic conditions.

The estimates and assumptions made on the basis of available information as at the date accounts were closed relate, in particular, to:

- trade cooperation;
- depreciation of inventories and doubtful accounts;
- provisions;
- commitments to buy back minority interests and earn-out agreements on the acquisition of companies;
- impairment of non current assets and goodwill;
- impairment of investments in associates accounted for under the equity method;
- valuation of options purchased to cover employee share purchase plans;
- deferred taxes;
- the fair value of investment property, as disclosed in the Notes, as well as the accounting treatment of the acquisition of investment property: for each transaction, based on its assets and existing business, the Group examines whether the acquisition should be analyzed as a business combination or as the acquisition of an isolated asset;
- fair value of derivatives, in particular those related to hedge instruments;
- financial assets available for sale.

Notes 7, 20 and 22 provide data on the sensitivity of valuations performed with respect to goodwill, provisions and purchase commitments.

1.5. Change in the presentation of previously published financial statements

Given international practice in the retail industry and to provide more comparable financial information, the Group has changed the presentation of its consolidated income statements to present items by function. Details of expense items presented by nature are provided in note 28. The presentation of the comparative consolidated income statement for the 12-months period ended December 31, 2007 has also been altered (see note 29).

The new aggregates or those that have been re-defined are as follows:

- the definition of the "full cost of goods sold" is equivalent to the previously used term "cost of sales";
- "logistics costs" are the costs of the business managed or subcontracted by the Group, the cost of storage, handling and transport, before or after the goods are first received at one of the Group's sites, stores or warehouses. The costs invoiced by suppliers of goods (for instance Delivery Duty Paid) are presented under "purchase costs". The costs of services subcontracted (even if sub-contracted to goods suppliers) are recognized under "logistics costs";
- "gross margin" now excludes "other income";
- "other income" comprises brand fees, royalties, and income from sub-leases;
- "selling costs" comprises the costs incurred at sales outlets;
- "general and administrative expenses" comprise general and administrative costs of support services, particularly the purchasing and supplies, sales and marketing, IT and finance departments.

1.6. Accounting policies applied by the Group in the absence of any specific authoritative guidance under IFRS

Certain accounting policies are pending the outcome of ongoing IFRIC and IASB analysis. In the absence of applicable standards and interpretations for the cases listed below, the Group opted for the accounting policies it deemed most appropriate. They are described in more detail in the note on accounting principles and relate to:

- the acquisition of minority interests (note 1.8);
- firm or conditional commitments to purchase minority interests (notes 1.8 and 22.4).

1.7. Methods of consolidation

Subsidiaries, joint companies and associates under the direct or indirect control of the parent company, or over which the latter exercises control, joint control or significant influence, are consolidated. Control exists when the Company has the power to govern, directly or indirectly, the financial and operating policies of the entity in order to gain benefits from its business activities. Control is determined based on the percentage of existing and potential voting rights. Special-purpose entities are integrated based on a review of the Group's exposure to the risks and rewards of ownership of the entity and may be consolidated as a result, even in the absence of voting rights.

Companies over which the Group exercises joint control, shared with a limited number of partners under a contractual arrangement, are consolidated under the proportionate method. Associates over which the Group exercises significant influence are accounted for under the equity method. Goodwill related to these entities is included in the carrying amount of the investment.

1.8. Business combinations

When a company enters the scope of consolidation, its assets, liabilities and contingent liabilities that meet IFRS accounting criteria are recorded at their fair value as at the date of acquisition, except for assets held for sale, which are accounted for at their fair value less costs to sell. Only identifiable liabilities satisfying the recognition criteria in the acquired company's financial statements are accounted for upon the combination. Thus, a restructuring program is not booked as a liability for the acquired company if the said company does not have an obligation, on the date of acquisition, to implement the said program. Adjustments in the value of assets and liabilities for acquisitions that are accounted for on a provisional basis (because expert assessments are being carried out, or additional information is expected) are accounted for as retroactive adjustments to goodwill, provided that they are made within twelve months of the acquisition date. Beyond this date, the effect of any adjustments is recognized directly in the income statement unless it involves the correction of an error. And finally, minority interests are accounted for at the fair value of the net assets acquired.

The acquisition of minority interests is not currently covered by the applicable IFRS system of reference. The Group uses the pre-existing French rules. In the event that the Group acquires an additional interest in a subsidiary, the difference between the purchase price and the book value of the newly acquired minority interests, as recorded in the Group's consolidated financial statements before the acquisition, is recorded as goodwill.

Conversely, sales of minority interests without loss of control are recorded as transactions with third parties and give rise to the recognition in income of the difference between proceeds from the sale and the net carrying amount of the interests sold.

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1.9. End of fiscal year

With the exception of certain minor subsidiaries and Cdiscount, whose fiscal year ends on March 31, all companies included in the consolidation scope have a fiscal year ending December 31.

1.10. Consolidated companies pertaining to a different business segment

The individual accounts of Banque du Groupe Casino have been prepared in accordance with standards applicable to financial institutions, those of Casino Ré in accordance with standards applicable to insurance companies. In the consolidated financial statements, they are classified according to the general IFRS standards.

Customer loans are included in "Trade receivables", refinancing of customer loans in "Other current liabilities" and banking revenue in "Net sales".

1.11. Translation of financial statements denominated in foreign currencies

The financial statements of foreign subsidiaries are translated into euros as follows:

- assets and liabilities are translated at the exchange rate prevailing at year-end;
- income and expense items are translated at the average exchange rate for the period, when this rate is close to the exchange rates prevailing on the transaction dates;
- cash flows are translated at the average rate of exchange rate prevailing for the period, when this rate is close to the exchange rates prevailing on the transaction dates.

Translation differences (foreign exchange unrealized gains and losses) included in consolidated shareholders' equity result from:

- the impact of the difference between previous and current year-end exchange rates, on shareholders' equity;
- the impact of the difference between the average exchange and closing exchange rates on income and changes in shareholders' equity for the period.

1.12. Goodwill and intangible assets

Recognition criteria for intangible assets include:

- identifiability and separability;
- the existence of future economic benefits; and
- control over those benefits.

Assets acquired as part of a business combination, which do not meet these criteria, are deemed to be goodwill.

1.12.1. Goodwill

At the acquisition date, goodwill is valued at cost: any excess of the cost of the acquisition of the shares of consolidated companies over the interest of the acquirer in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity is recognized in goodwill.

Goodwill is allocated to each of the cash generating units or groups of units that benefit from the effects of the business combination, depending on the level at which corporate management monitors the profitability of the investment.

Goodwill is not amortized; it is tested for impairment annually, or whenever there is an indication that it might be impaired. Impairment losses on goodwill may not be reversed.

The method used by the Group to test goodwill for impairment is described in the section entitled "Impairment of assets".

Negative goodwill, corresponding to the negative differences between the cost of acquisition and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity, are recorded directly in income for the year of acquisition.

1.12.2. Intangible assets

Intangible assets acquired separately by the Group are initially measured at acquisition cost, and those acquired through a business combination are recognized at fair value. Intangible assets consist mainly of purchased software, the cost of software developed for internal use, trade marks, patents, and entry fees paid upon the signature of lease contracts.

Trademarks that are created and developed internally are not recognized on the balance sheet.

Intangible assets are depreciated on a straight-line basis over their expected useful lives determined for each type of asset:

Type of assets	Amortization period
Development costs	3 years
Software	3 to 8 years
Acquired trademarks	-
Lease Premiums	-

Intangible assets with indefinite useful lives are not amortized; they are tested annually for impairment or when an indication of impairment exists.

As lease premiums and trademarks can be renewed indefinitely, their useful lives cannot be determined and they are therefore not amortized.

1.13. Property, plant and equipment

Property, plant and equipment are measured at cost, less any accumulated depreciation and impairment losses.

Subsequent costs are capitalized if they meet IAS 16 recognition criteria. The criteria are assessed before the costs are incurred.

Property, plant and equipment (excluding land, which is not depreciated) are depreciated over the estimated useful lives of each type of asset, with a residual value of zero:

Type of assets	Depreciation period
Land	-
Buildings (building structure and brickwork)	20 to 40 years
Roof waterproofing and shell fire protection systems	15 years
Land fittings and improvements	10 to 20 years
Building fittings and improvements	5 to 10 years
Technical installations, machinery and equipment	3 to 10 years
Transportation equipment	5 years
Furniture, office and computer equipment	3 to 8 years

"Roof waterproofing and shell fire protection systems" components are only identified as separate Property, plant and equipment items in the case of major renovations. In other cases, they are included in the "Building structure and brickwork" component.

1.14. Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially most of the risks and rewards inherent to ownership of the leased assets to the lessee, whether or not ownership is transferred at the term of the lease.

At the beginning of the lease term, the leased assets are recognized as tangible assets at the lower of fair value or the present value of the minimum lease payments.

Assets held by the Group under finance leases are recognized as assets in the consolidated balance sheet and income statement as if they had been acquired on credit. Consequently, the amounts originally financed by the lessor are included in property, plant and equipment and offset by a "loan" recorded as a liability. The amounts financed are recorded at the lower of the fair value of the leased asset or the present value of the minimum future lease payments under the terms of the lease.

Rental costs are eliminated in the income statement, and replaced by:

- a depreciation allowance for the leased assets; and
- a financial expense on the loan.

Assets held under finance leases are depreciated on a straight-line basis over their expected useful lives on the same basis as other similar assets, or, if the duration of the contract is shorter, they are depreciated over the period of the lease, unless there is a purchase option on the leased assets which is likely to be exercised.

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1.15. Investment property

Investment property is real estate property held by the Group to earn rental income and/or for capital appreciation. Investment property is accounted for and valued in accordance with the provisions of IAS 40.

Shopping malls owned by the Group are recognized as investment property. After initial recognition, investment property is measured at cost less accumulated depreciation and any impairment losses. Their fair value is disclosed in the Notes. The depreciation methods and periods applied to investment property are identical to those used for property, plant and equipment.

The shopping malls held by Mercialis are subjected to appraisal by experts, in compliance with the real estate assessors' code of ethics set forth by the Royal Institution of Chartered Surveyors (RICS). Accordingly, each asset is appraised separately based on its fair value, using the valuation methods recommended by the June 2006 Charte de l'expertise en évaluation immobilière (3rd edition) and the 2000 report of the joint working group of the French securities and exchange commission (COB) and the French national accounting board (CNC) on the valuation of the property assets of publicly-traded companies. All of the assets making up Mercialis' holdings are subject to expert appraisal on a rotating basis, one-third per year, with the remaining two-thirds being discounted. Pursuant to the COB/CNC 2000 report, two approaches are implemented to determine the market value of each asset.

- The first, the income capitalization approach, consists of estimating the total real estate value and multiplying this value with the rate of return from rental income, obtained by comparing the property's rental price with market prices for similarly rated property (account being taken of the selling area, the configuration, competition, mode of ownership, its potential for rental and expansion, and its comparability with recent transactions) and taking into account the actual rental amounts with respect to market prices and vacancy rates. From this amount is deducted the amount of expenses and sunk costs.
- The second approach, referred to as the discounted cash flow approach, is used to discount prospective future income, taking into consideration, year after year, expected rent increases, vacancy rates, and other projected factors, such as time to market and investments borne by the lessor.

The discount rate used covers the market riskless rate of return (TEC 10, i.e. the yield-to-maturity rate of a fictitious OAT French government bond with a maturity of exactly 10 years) to which is added a premium for risk and real estate market liquidity, as well as any applicable risk premiums to cover obsolescence and rental risk.

Smaller assets are valued by comparison with the selling price of comparable assets.

1.16. Cost of fixed assets

Expenditures (before tax) directly incurred to acquire assets are included in the acquisition cost of these assets. For tangible and intangible assets and investment property, these incidental costs increase the value of assets, and are accounted for in the same manner.

Borrowing costs directly attributable to the acquisition of property, plant and equipment are expensed in the period in which they are incurred.

1.17. Impairment of assets

IAS 36 sets out the procedures to be followed to ensure that the carrying amount of a company's assets does not exceed their recoverable amount, which is the amount that would be recovered through the use or sale of such assets.

Except for goodwill and intangible assets with an indefinite useful life, which must be tested for impairment at least once a year, the recoverable amount of an asset is reassessed whenever there is an indication that the asset may have lost some of its value.

Available-for-sale financial assets are tested for impairment at each reporting date. The Group recognizes an impairment loss whenever an impairment indicator is found.

1.17.1. Impairment indicators

In addition to the external information usually used by the Group in the monitoring process (the business environment, the market value of assets, etc.), various impairment indicators are looked at by the Group, depending on the type of asset:

- for real-estate assets (land and buildings): loss of rental income or termination of the lease;
- for operating assets related to on-going businesses (assets belonging to a cash generating unit): the ratio of the net book value of store assets over gross sales exceeding a threshold set according to the type of store;
- for assets related to support activities (headquarters and warehouses): termination of operations on the site or obsolescence of the production equipment used at the site.

1.17.2. Recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset under normal market conditions, in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The recoverable amount of each asset is determined separately. When this is not possible, the recoverable amount of the cash generating unit (CGU) to which the asset belongs is estimated.

1.17.3. Value in use

Value in use is the present value of the future cash flows expected to be derived from the continued use of an asset and from its ultimate disposal at the end of its useful life.

It is determined using:

- the estimated future cash flows based on budgets or forecasts for a maximum five-year period, extrapolated by applying a constant or declining growth rate; the result of that calculation is discounted using the weighted average cost of capital of each cash generating unit;
- the terminal value, discounted using the same rate.

1.17.4. Cash generating units (CGU)

The Rallye group has defined its main subsidiaries as cash generating units, in line with its internal control structure.

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.

1.17.5. Impairment loss

An impairment loss is immediately recognized whenever the carrying amount of the asset, or of the CGU to which it belongs, exceeds its recoverable amount. Impairment losses are recorded as expenses under "Other income and expenses from operations".

Impairment losses recognized for an asset 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 recognized. However, the increased carrying amount of an asset due to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Impairment losses on goodwill cannot be reversed.

1.18. Financial assets

Financial assets are classified in four categories according to their type and intended holding period:

- held-to-maturity investments
- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets.

All normal purchases and sales of financial assets are recorded on their settlement dates.

1.18.1. Held-to-maturity investments

They are exclusively fixed income securities that the Group intends to hold to maturity. They are valued at amortized cost using the effective interest method. Amortized cost is calculated for the period from the acquisition of an investment to its maturity date, taking into account any premium or discount at the acquisition. Gains and losses are recognized in profit or loss when the assets are de-recognized or impaired and also through the amortization process.

These assets are tested for impairment when there is an indication that the assets may have lost some of their value. An impairment loss is recognized if the carrying amount exceeds the estimated recoverable amount.

1.18.2. Financial assets at fair value through profit or loss

They are financial assets held for trading. That is, they have been acquired for the purpose of being sold in the short run. They are measured at fair value and gains and losses arising from changes in fair value are recognized in income. Some assets may be classified on purpose in this category.

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1.18.3. Loans and receivables

They are financial assets issued or acquired by the Group in exchange for cash, goods or services to a debtor. They are measured at amortized cost using the effective interest method. Long-term loans and receivables that are non-interest-bearing or that bear interest below the market rate are discounted when the amounts involved are material.

These assets are tested for impairment when there is an indication that the assets may have lost some of their value. An impairment loss is recognized if the carrying amount exceeds the estimated recoverable amount.

Trade receivables are recognized and measured at their initial invoice value, less appropriate allowances for irrecoverable amounts. They are booked as assets unless and until all the risks and rewards related to them are transferred to a third party.

1.18.4. Available-for-sale financial assets

They are financial assets that do not meet the criteria for classification in any of the other categories, and consist mainly of interests in non-consolidated companies and securities in the investment portfolio. They are stated at fair value. Changes in fair value are recognized in equity until the asset is disposed of, collected, or de-recognized in any other way, or until there is evidence that there has been a sustained and significant loss in the value of the asset. In such an event, the profit or loss that had been recognized directly in equity is removed from equity and recognized in profit or loss.

For the portfolio of financial investments, which mainly consists in interests in unlisted, private equity funds, the Group uses the following impairment indicators:

- a fall of ca. 50% in the value of a security as compared with the previous trading day;
- a 30% decrease continuing for a duration of over 24 months.

If the asset available for sale is an equity instrument, an impairment loss cannot be reversed. Subsequent increases in fair value are recognized directly in equity.

If the available-for-sale financial asset is a debt instrument, any subsequent increases in fair value are recognized in the income statement, up to a maximum in the amount of the impairment previously recognized.

1.18.5. Derecognition

A financial asset is de-recognized in the two following cases:

- the contractual rights to the cash flows of the asset have expired; or
- the contractual rights have been transferred to a third party, under certain conditions.

If the assignor transfers substantially all the risks and rewards to a third party, the asset is fully de-recognized. If the assignor retains almost all the rights to the said risks and rewards, then the asset remains fully recognized. In other cases, the situation is analyzed to determine whether or not the assignor has transferred control:

- if control of the asset is not retained, it is de-recognized completely;
- if control over the transferred asset is retained, a portion of the transferred asset is recognized in the balance sheet to reflect the continuing involvement along with the associated liability.

The Group mobilizes receivables to raise funds from financial institutions. It is assumed that there is no dilution risk attached to the corresponding receivables initially recognized in the balance sheet (risk of cancellation of the receivable due to credit notes issued or payments made in compensation). The assigned receivables relate to invoices issued for services rendered under contract between the Group and its suppliers, based on the amount of business it does with each supplier, respectively. The other risks and rewards attached to these receivables have been transferred to the assignee. Consequently, as substantially all of the risks and rewards had been transferred to the assignee at the balance sheet date, the receivables have been de-recognized.

1.19. Inventories

Inventories are stated at the lower of cost and net realizable value, determined in the Group by the first-in first-out (FIFO) method. Inventories comprise purchase costs, costs of conversion and other costs that have been incurred in bringing the inventories to their current location and condition. Accordingly, logistics costs and supplier discounts recognized in cost of goods sold are included in the valuation of inventories.

For its real estate business, the Group records property under construction as inventories.

1.20. Cash and cash-equivalents

Cash and cash-equivalents comprise cash and short-term investments. To qualify as cash and cash equivalents in accordance with IAS 7, investments must fulfill four conditions. They must be:

- short-term;
- highly liquid;
- readily convertible to known amounts of cash;
- subject to insignificant risk of changes in value.

1.21. Assets and liabilities held for sale

The Group must classify a non current asset, in the framework of the sale of a single asset (or a group of current and non current assets and liabilities, in the case of the disposal of a business activity), as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuous use.

When the assets held for sale comply with the principles set out in IFRS 5, the Group recognizes them at the lower of their carrying amount and fair value less costs to sell. Depreciation of these assets is then discontinued. Assets and liabilities held for sale are reported on a separate line of the balance sheet.

If such assets are investments in joint ventures or associated companies, the Group will cease to recognize its share of profit or loss in the entities once the investment is reclassified under "Assets held for sale".

1.22. Shareholders' equity

1.22.1. Equity instruments and hybrid instruments

The accounting classification of equity instruments and hybrid instruments issued by the Group depends on an analysis of their specific characteristics.

When a financial instrument is made up of different components, the issuer must classify the various components separately based on whether they have the characteristics of debt or equity. Therefore, options allowing the bearer to convert debt into the issuer own equity instruments are classified in shareholders' equity in the consolidated balance sheet, as long as they relate to a fixed price and a fixed number of shares. Note that options that allow the bearer to convert debt into the shares of a fully consolidated subsidiary follow the same accounting treatment.

Allocation of the par value among the various components must be made at the time of issue. The value of the equity portion is calculated as the difference between the par value and the debt component, which equals the market value of a debt with similar characteristics but which may not be converted or exchanged.

An instrument that is redeemable at the Group's discretion, and in which remuneration is contingent on the payment of a dividend, is classified as an equity instrument.

1.22.2. Transaction costs on shareholders' equity

External and internal costs (when eligible) that may be imputed directly to capital or equity instruments transactions are recorded, net of tax, against shareholders' equity. Other costs are recorded as current year expenses.

1.22.3. Treasury stock

Shares repurchased by the Group are deducted from equity at cost. The proceeds from the sale of treasury stock are credited directly to equity so that the capital gains and losses, net of the related tax effect, have no impact on profit or loss for the period.

1.22.4. Share-based payments

Group executive officers and certain employees are granted stock options and bonus shares. In accordance with IFRS 2 "Share-based payments", the fair value of the options at the grant date is recognized as personnel expenses in the income statement over the option vesting period.

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The Group uses the Black & Scholes and trinomial option pricing models to determine the fair value of options, based on the characteristics of the plan, market data at the grant date, and assumptions concerning the probability that grant recipients remain within the Group until the options vest. The Group has carried out the valuation of all the options granted after November 7, 2002, which have not yet been vested. Since the options are settled in shares, they are recognized in equity.

With respect to bonus shares, the fair value is also based on the characteristics of the corresponding plan, market data at the grant date, and an assumption concerning the presence of grant recipients within the Group at the close of the vesting period. If a plan does not stipulate conditions for acquisition, then the full amount is expensed upon the granting of the plan; otherwise, the expense is recognized over the vesting period, depending on the realization of conditions.

1.23. Provisions

1.23.1. Pension and other post-employment benefit obligations

The Group has set up various pension plans for employees. Its pension plans and other post-employment benefits are classified as defined benefit plans, whereby the Group agrees to guarantee the payment of a defined amount or level of benefit. These obligations are recognized in the balance sheet at their net present value, at each balance sheet date, less the fair value of the assets dedicated to the given plan. Payments made to defined benefit plans, to which the Group has no obligation beyond the payment of contributions, are recognized as an expense in the period in which they are incurred.

The corresponding provision recorded in the consolidated balance sheet has been determined primarily by the projected unit credit method, and includes related payroll taxes.

Actuarial gains and losses arise due to discrepancies between the previous actuarial assumptions used and actual results, or due to the effects of changes in assumptions used in the calculation of commitments and dedicated assets:

- employee turnover rate;
- rate of expected future salary increases;
- discount rate;
- mortality rate;
- expected yield on assets.

In accordance with the option chosen when the IAS 19 amendment was adopted, the change in actuarial gains and losses on post-employment benefits is fully recorded in shareholders' equity.

Awards payable to active employees for years of service (work medal awards) are provisioned. The amount of the provision is determined based on the probability that an employee completes the required years of service for each award, and is discounted.

1.23.2. Other provisions

A provision is recorded when the Group has a present obligation (legal or implicit) as a result of a past event, the amount of the obligation can be reliably estimated, and when 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 to cover the cost of providing after-sales service for equipment sold under warranty. The provision represents the expected cost of repairs to be performed during the warranty period, estimated on the basis of actual costs incurred in prior years. Each year, the provision is reversed to offset the actual repair costs recognized in expenses.

Provisions for restructuring costs are recognized whenever an implicit commitment has been made to third parties as a result of a management decision that has been formalized in a detailed restructuring plan and communicated to the parties concerned before the balance sheet closing date.

Other provisions correspond to specifically identified contingencies and expenses.

Contingent liabilities correspond to possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the entity's control, or present obligations whose settlement is not expected to require an outflow of resources. Except for those arising from a business combination, contingent liabilities are not recognized in the balance sheet, but are disclosed in the Notes to the financial statements.

1.24. Financial liabilities

The valuation of financial liabilities depends upon their classification under IAS 39.

1.24.1. Financial liabilities recognized at amortized cost

Borrowings and other financial liabilities are generally recognized at amortized cost using the effective interest rate method. In addition, in the case of hedge accounting (see note 1.25), the hedged portion of the borrowing is reassessed at fair value.

The fees and issue premiums, as well as the redemption premiums, are part of the amortized cost of borrowings and financial debts. They are stated as decreases or increases in the corresponding borrowings and, depending on the case, amortized on an actuarial basis.

1.24.2. Financial liabilities recognized at fair value through profit or loss

These are financial liabilities that are held for trading, that is, with a view to be settled in the short run. They are measured at fair value and gains and losses arising from changes in fair value are recognized in income.

1.25. Derivative financial instruments and hedge accounting

All derivative instruments (e.g. swaps, collars, floors and options) are recognized in the balance sheet at fair value. Subsequent changes in fair value are recognized in profit or loss.

In accordance with IAS 39, the Group uses hedge accounting for:

- fair value hedges (e.g. swaps to convert fixed rate to floating rate debt). In this case, the debt is measured at fair value, up to the amount of the risk covered, with gains and losses arising from subsequent measurement at fair value recognized in profit or loss on a symmetrical basis with the loss or gain on the hedge derivative. 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 (e.g., swaps to convert floating rate to fixed rate debt). The effective portion of the change in the fair value excluding accrued interest of the derivative is recognized in equity and reclassified in profit or loss on a symmetrical basis with the recognition of the hedged cash flows, and the ineffective portion is recognized in profit or loss.

Hedge accounting applies if:

- the hedging relation is clearly defined and documented on the date it is set up; and,
- the effectiveness of the hedge can be demonstrated from its inception and while it is in place.

1.26. Put options granted to minority shareholders

The Group has granted put options on shares held by minority shareholders of some of its fully consolidated subsidiaries.

In accordance with IAS 32, these options are recognized as "financial liabilities".

"Fixed-price" puts are recorded as financial liabilities at present value, and "variable-price" puts are recorded at fair value.

At the time of initial recording, since the put does not immediately transfer the economic benefits associated with ownership of the underlying shares, the following method is applied: the liability is valued at the exercise price of the shares under commitment, and the purchase of additional shares is anticipated.

In the current absence of specific authoritative guidance on the offsetting entries for these financial liabilities, the Group has applied the following method. Minority interests are reclassified as debt, and the difference between the present/fair value of these financial liabilities and the carrying value of the minority interests is recorded in goodwill, consistent with the method used by the Group to account for the repurchase of minority interests.

Changes in subsequent periods in the fair value of these financial liabilities as a result of revised estimates and assumptions are reflected in the financial statements.

The amount recorded in goodwill will be adjusted each year for changes in the option exercise price and in minority interests. This accounting treatment, which would be applied if the options were exercised today, best reflects the substance of the transaction. However, it may be changed if an interpretation or new standard is issued requiring the application of a different approach.

1.27. Definition of fair value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, under normal market conditions.

The fair value of publicly traded financial instruments is determined on the basis of their market price on the date the accounts were closed. The fair value of unlisted financial instruments, for which there exist listed instruments of similar nature and maturity date, is determined by referring to the market price of these instruments and making any necessary adjustments. For other unlisted instruments, fair value is determined by using valuation techniques, such as:

- the valuation models used for options;
- the discounted cash flow method, with models using assumptions based on market data;
- or by reference to recent transactions.

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1.28. Classification of assets and liabilities as current or non-current

Assets that are to be liquidated, consumed or disposed of within a normal operating cycle or within twelve months following the balance sheet date, as well as assets held for sale, or cash and cash-equivalents, are classified as "current assets". All other assets are classified as "non current assets". Liabilities to be paid within a normal operating cycle or within the expenses of the month following the balance sheet date are classified as "current liabilities". The Group's normal operating cycle is 12 months long. Deferred taxes are always recognized as non current assets or liabilities.

1.29. Revenue

Revenue is made up of two items: "Net sales" and "Other income".

"Net sales" includes sales by the Group's stores, self-service restaurants and warehouses, as well as financial services revenues, rental income and various services performed by the business units.

Other income consists of incidental revenues and revenues from secondary activities, including commissions for the sale of travel packages, franchise payments and income from sub-leases.

1.30. Gross margin

Gross margin is the difference between "Net sales" and "Full cost of goods sold".

The "Full cost of goods sold" comprises the cost of purchases, net of discounts and trade cooperation payments, changes in inventory and logistics costs.

Trade cooperation payments are measured based on suppliers' contracts. They are billed in installments over the year. At year-end, the services rendered during the period are evaluated and compared with the installments billed, to determine the amount of invoices or credit notes to be issued.

Changes in inventory include positive and negative changes after taking depreciation into account.

Logistics costs are the direct or subcontracted costs of the Group's logistics, storage, handling and transportation costs incurred after the first delivery of goods to one of the Group's sites, stores or warehouses. The transportation costs invoiced by suppliers of goods (for instance Delivery Duty Paid) are presented under "purchase costs". The costs of subcontracted transportation are recognized under "logistics costs".

1.31. Selling costs

"Selling costs" comprises the costs incurred at sales outlets.

1.32. General and administrative expenses

"General and administrative expenses" comprise general and administrative costs of support services, particularly the purchasing and supplies, sales and marketing, IT and finance departments.

1.33. Pre-opening and post-closure costs

Whenever they cannot be defined as assets, costs incurred prior to opening or after closure are recognized as operating expenses when they arise.

1.34. Other income and expenses from operations

This category records the impact of major events which took place during the accounting period, and which are likely to distort the understanding of the performance of the company's recurring business. Specifically, this refers to a limited number of transactions, which are unusual, abnormal, or infrequent, and which represent significant amounts.

1.35. Cost of net financial debt

The cost of net financial debt is comprised of interest from the financial debt, revenues and gains and losses on the sale of cash-equivalents, gains and losses on related interest- or exchange-rate hedges, and the changes in the fair value of derivatives used in fair value hedge accounting for the debt and recognized as assets and liabilities.

1.36. Other financial income and expenses

This item corresponds to financial income and expense that is not a component of net financial debt, and does not qualify as operating income or expense. It consists mainly of dividends from non-consolidated companies, gains and losses arising from changes in the fair value of financial assets other than cash and cash-equivalents, and of derivatives not qualifying for hedge accounting, gains and losses on the sale of financial assets other than cash and cash-equivalents, gains and losses from discounting adjustments (including on provisions for pensions), and foreign exchange translation gains and losses on items other than the components of net financial debt.

Cash discounts are recognized in financial income for the portion corresponding to the normal market interest rate and as a deduction from cost of goods sold for the remaining balance.

1.37. Income tax

Income tax expense corresponds to the sum of the current tax due by the various Group companies, as adjusted for deferred tax.

Consolidated French subsidiaries that qualify for the common tax treatment of parent companies and their subsidiaries are generally included at various tax consolidation levels.

The sum of current tax payable corresponds to the tax due by the parent companies of the tax groups and tax due by all other companies that are not members of the tax group.

Deferred tax assets correspond to tax calculated and deemed recoverable on temporary differences, tax loss carry forwards and certain consolidation adjustments.

Deferred tax liabilities are recognized for:

- taxable temporary differences, except where the deferred tax liability results from the recognition of a non-deductible impairment loss on goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit, nor taxable profit, nor tax loss;
- taxable temporary differences on investments in subsidiaries, associates and joint ventures, except where the Group controls the timing of the repayment of the difference and where it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred taxes are recognized for temporary differences between the book value of assets and liabilities and their tax base. In accordance with IAS 12, they are not discounted. The amount of tax calculated above may be affected by changes in the value of the tax asset or liability, which may arise from subsequent changes in the corporate income tax rate (variable carry-forward method), from one year to another.

1.38. Discontinued operations

A discontinued operation is a "component" that has either been disposed of, or is classified as "held for sale" by the Group and represents a separate major activity or geographical area of operations.

As indicated in note 1.21, the amortization of assets and the recognition of the share of net income in joint ventures or associated companies will cease upon reclassification of those assets or investments under "Assets held for sale".

1.39. Earnings per share

Earnings per share before dilution are calculated on the basis of the average number of ordinary shares outstanding, weighted according to the issue date during the period, less shares issued as dividends and treasury stock.

Diluted earnings per share are calculated using the treasury stock method, by which the denominator of the EPS ratio is adjusted to account for the dilution impact of options and warrants. The method assumes that the proceeds from the exercise of the options and warrants are used by the firm to repurchase ordinary shares on the open market, at the average market price for the period. The market price used in the calculation is the average stock price over the financial year.

Share equivalents are only included in the above calculation if they have a dilution effect on earnings per share.

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1.40. Segment reporting

In compliance with IAS 14, the Group has determined that its primary segment reporting format is its business segments with secondary information reported geographically. This presentation is based on the Group's internal reporting systems and management structure. Business segments correspond to the three main businesses operated by the Group – food and general retailing, sporting goods retailing and other business.

Segment assets include goodwill, intangible assets, property, plant and equipment, and financial assets (with the exception of "Interests in associated companies" for which separate information is provided), investment property, inventories, trade receivables, outstanding discounts receivable, and prepaid expenses.

Segment liabilities include trade payables, pension commitments, provisions for contingencies and charges, as well as other debt.

Segment net income includes goodwill depreciation, but does not include other income and expenses from operations.

II. COMMENTS ON THE CONTENTS OF THE FINANCIAL STATEMENTS

Figures in the tables below are denominated in euros and rounded to the nearest million. Calculations based on rounded figures may differ slightly from reported aggregates and sub-totals.

| Note 1. Scope of consolidation

During 2008, the following changes in the scope of consolidation took place:

1.1. Main entries

Company name	Activity	Country	Operation	Consolidation method
Intexa (listed company) ⁽¹⁾	None	France	Acquisition	Full
Naturalia ⁽²⁾	Retailing	France	Acquisition	Proportionate

(1) In July and September, the Casino group purchased off-market 97.91% of the share capital of International Textiles Associés (Intexa) from the majority shareholders, through a simplified takeover bid, for an aggregate amount of €7 million. The acquisition yielded goodwill of €5 million; it was made in the framework of the Group's intention to hold a listed vehicle that may be used to carry future development projects.

(2) On July 3, 2008, Monoprix acquired Naturalia, a specialized organic food retailer, for an amount of €63 million. The resulting goodwill amounts to €59 million, of which €30 million for Casino's share. Naturalia, like Monoprix, is consolidated under the proportionate method, and the Group's consolidated financial statements include 50% of these financial flows.

In addition, the Group acquired companies holding one or several stores in the Franprix-Leader Price group. While, taken individually, these acquisitions were not significant in size, they add up to €72 million and generated additional goodwill of €68 million.

Finally, the Group acquired investment property holding companies within Mercialis for €58 million, which did not generate any additional goodwill, as well as various companies within the centralized perimeter, including Cedif and Pavois Distribution for €24 million (generating goodwill of €24 million).

1.2. Main variations in ownership percentage with change in the consolidation method

Company name	Activity	Country	Variation in stake percentage	Consolidation method
Super de Boer (listed company) ⁽¹⁾	Retailing	Netherlands	Increase (12.01%)	Equity-> Full
Pro Distribution ⁽²⁾	Retailing	France	Decrease (11%)	Full-> Equity
Sarjel ⁽²⁾	Retailing	France	Decrease (11%)	Full -> Equity

(1) See note 2.1 on business combinations about Super de Boer

(2) Pro Distribution and Sarjel are included in the Asinco sub-group (Franprix-Leader Price)

On December 23, 2008, the Franprix-Leader Price sub-group signed new agreements with its partners at Pro Distribution and Sarjel, thereby reducing its interest in the capital of these companies. The Casino group as at December 23, henceforth has only a notable influence over these companies. As a result, these companies are contributed under the equity method, and have led to a reduction in financial debt in the amount of €100 million.

1.3. Main variations in ownership percentage without change in the consolidation method

Company name	Activity	Country	Variation in stake percentage	Consolidation method
Mercialys ⁽¹⁾	Real estate	France	Decrease (1.81%)	Full
CBD ⁽²⁾	Retailing	Brazil	Increase (0.72%)	Proportionate
Exito	Retailing	Colombia	Increase (0.62%)	Full
Cdiscount ⁽³⁾	e-business	France	Increase (2.43%)	Full

(1) As at December 31, 2008, Casino directly or indirectly owns 59.67% of Mercialis. On April 3, 2008, the Casino group carried out an off-market sale of 1,357,962 Mercialis shares at the price of €27.75 per share, or a total amount of €38 million, thereby generating capital gains of €22 million. This transaction enabled Casino to bring its interest in Mercialis down from 61.48% to 59.67%, in accordance with the legal requirements for SIIcs - real estate investment companies that are listed on the stock market (a provision which allows SIIc tax treatment only for companies in which the majority shareholder owns less than 60% of the capital and voting rights of a company of this kind).

(2) On July 24, 2008, the Casino group paid €52 million in exchange for 5.6 million CBD common shares with voting rights, making up 2.4% of the company's capital. This acquisition, which was made at the price of 22.9 BRL per share, results from the exercise of the share purchase option held by Casino since June 2005 vis-à-vis the Diniz family and which had reached maturity. Goodwill resulting from this transaction totaled €13 million. This transaction enabled Casino to increase its ownership of CBD to 35.3% of its capital.

In the month of December 2008, blocks of shares were sold. This transaction, in the amount of €14.9 million, covered 1.4 million shares, reducing Casino's ownership to 34.72%. CBD's code of governance remained unchanged and the company remains consolidated under the proportionate method.

(3) On September 29, 2008, the Group fully subscribed to a capital increase of €22 million in Cdiscount (i.e., a 2.43% increase in ownership). This transaction led to the creation of additional goodwill in the amount of €6 million.

The Group also acquired minority interests in the Franprix-Leader Price sub-group (Sportes, Leadis, Letellier) for an amount of €86 million. Goodwill was generated in the amount of €83 million.

The main consolidated companies are listed at the end of the Notes.

| Note 2. Business combinations

2.1. Super de Boer (formerly Laurus)

On January 1, 2008, Laurus changed its name to Super de Boer.

Since the Casino group held a sale commitment on 6.24% of the capital of Super de Boer, to be exercised as from January 1, 2008 and up to March 31, 2009, these potential voting rights are included in the assessment of the power to lead its financial and operational policies as from January 1, 2008. In compliance with IAS 27, the conditions for obtaining control of the Super de Boer group having been fulfilled (the Casino group owns 45% of Super de Boer and 51% of potential voting rights), Super de Boer is consolidated under the proportionate method in the Group's financial statements, henceforth from this date.

The takeover of Super de Boer was booked at historical cost. With respect to the inclusion of potential rights resulting from the sale commitment in estimating control, the cost of acquisition is therefore nil as at January 1, 2008, and full consolidation applies on the basis of 45%, with the remaining 55% being analyzed as minority interests.

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The fair value of Super de Boer's assets, liabilities, and potentially identifiable liabilities as at the date of the takeover is summarized below.

(In € millions)	Net book value *	Fair value adjustment	Fair value recognized at the acquisition date
Goodwill	20	(20)	
Intangible assets	6	101	107
Property, plant and equipment	114		114
Investment property	24		24
Non-current financial assets	17		17
Deferred tax assets	13	11	24
Non-current assets	194	92	286
Inventories	57		57
Trade receivables	59		59
Other assets	6		6
Current tax credit	17		17
Cash and cash-equivalents	10		10
Current assets	149		149
Long-term provisions	39		39
Financial liabilities	73		73
Deferred tax liabilities	13	26	39
Non-current liabilities	125	26	151
Short-term provisions	34		34
Trade payables	103		103
Current financial liabilities	21		21
Other current liabilities	10		10
Current liabilities	168		168
Net identifiable assets and liabilities	50	65	115
Net identifiable assets and liabilities, acquired portion	22	30	52
Goodwill			126
Value of shares			178

* Net book values were measured in accordance with IFRS just before the acquisition.

On February 19 and March 17, 2008, the Casino group also acquired additional shares in Super de Boer (6% and 6%) for a cost of, respectively, €27 and €31 million. These additional acquisitions were analyzed as acquisitions of minority interests and, in compliance with accounting principles in use at the Casino group, have resulted in additional goodwill booked in the amounts of €20 and €24 million.

As at December 31, 2008, goodwill recognized in the Group's accounts on behalf of Super de Boer totaled €169 million. It consists in, on the one hand, goodwill existing prior to the takeover and that had previously been included in the interest accounted for by the equity method, and, on the other hand, goodwill subsequent to the takeover. In addition, let it be pointed out that the Casino group continues to hold a sale commitment covering 6.24% of the capital of Super de Boer.

The impact on the Group's cash position is as follows:

(In € millions)	
Net cash in the acquired company as at January 1, 2008	(4)
Payments made for the two blocks acquired in February and March 2008	(58)
Net cash outflow	(62)

2.2. CBD

As at December 31, 2008, goodwill on interests acquired in Rossi and Assai by the CBD group dated, respectively, August 2, 2007 and November 1, 2007, have not led to significant changes subsequent to the analysis of the fair value of assets, liabilities, and potential liabilities.

2.3. EXITO

The additional interests acquired in Almacenes Exito and Carulla that were booked during the first half of 2007 did not give rise to any adjustments in goodwill during the course of the period of one year, as required under IFRS 3.

| Note 3. Goodwill

3.1. Breakdown

(In € millions)	2008			2007
	Gross	Impairment losses	Net	Net
Food and general retailing	7,194	(5)	7,187	7,209
France	5,276	(4)	5,272	5,181
South America	1,497	(1)	1,495	1,764
Argentina	38		38	40
Brazil	962	(1)	961	1,169
Colombia	382		382	435
Uruguay	84		84	92
Venezuela	30		30	28
Asia	71		71	88
Thailand	68		68	79
Vietnam	4		4	9
Others	350		350	176
Netherlands	170		170	3
Indian Ocean	178		178	173
Poland	1		1	
Miscellaneous	1		1	
Sporting goods retailing	21		21	22
France	21		21	22
TOTAL	7,212	(5)	7,207	7,230

Comments on goodwill impairment are provided under note 7.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2. Changes

(In € millions)	2008	2007
As at January 1st, net accumulated value	7,230	6,588
Goodwill recorded for the year ⁽¹⁾	468	872
Impairment losses ⁽²⁾	(5)	(7)
Exit from consolidation scope ⁽³⁾	(25)	(37)
Impact of foreign exchange gains and losses ⁽⁴⁾	(274)	58
Changes related to put options granted to minority shareholders ⁽⁵⁾	(57)	(260)
Reclassifications and other entries ⁽⁶⁾	(130)	16
As at December 31, net accumulated value	7,207	7,230

(1) The full consolidation, as from January 1, 2008, of Super de Boer, and the increase in the percentage ownership in this company contributed €169 million to the variation which occurred during the period (see note 2.1). This variation concerned the acquisition of stores, in particular at CBD (€18 million), Franprix-Leader Price (€68 million), Monoprix (€30 million) and Distribution Casino France (€62 million). The balance consists in the increase in the percent holding in Cdiscount, thereby generating new goodwill in the amount of €6 million, and in additional interests taken in the Franprix-Leader Price sub-group, generating goodwill in the amount of €83 million.

(2) See note 7.2.

(3) Companies exiting the consolidation perimeter consist mainly in the deconsolidation of Pro Distribution and Sarjel (see note 1.2).

(4) The impact of exchange rate variations recorded during 2008 results mainly from the appreciation of the Euro with respect to Brazilian and Colombian currencies.

(5) The change found in 2008 concerns mainly the put granted by Exito to Carulla in the amount of - €36 million. The variation reflected in 2007 mainly concerns the Asinco sub-group puts in the amount of - €223 million, of which - €154 million following the exercise of the Sofigep and Distrileader puts and the payment of the balance of the Vindemia put, in the amount of €35 million.

(6) Other changes in 2008 consist mainly in the changes in the consolidation method of Pro Distribution and Sarjel, subsequent to the Group's loss of control.

| Note 4. Intangible assets

4.1. Breakdown

(In € millions)	2008			2007		
	Gross	Depr./ impairment losses ⁽¹⁾	Net	Gross	Depr./ impairment losses ⁽¹⁾	Net
Concessions, trademarks, patents, banners	360	(26)	334	274	(22)	252
Lease premiums	147	(4)	143	137	(3)	134
Software	321	(189)	132	247	(121)	125
Other intangible assets	149	(36)	113	84	(26)	58
Intangible assets	977	(255)	722	742	(172)	570

(1) Accumulated impairment losses amounted to €6 million in 2008 and €11 million in 2007.

4.2. Changes

(In € millions)	Concessions, trademarks, patents, banners	Lease premiums	Software	Other intangible assets	Total
As at January 1, 2007, net accumulated value	8	118	104	65	295
Change in scope	269	3	10	(1)	281
Increases and other acquisitions	38	18	12	27	95
Internally generated assets				19	19
Assets de-recognized in the year	(6)	(5)	(27)	(23)	(61)
Amortization provisions (continuing operations)	(6)		(31)	(9)	(46)
Impairment losses (continuing operations)			(5)		(5)
Impact of foreign exchange gains and losses	(9)		(1)	2	(8)
Reclassifications and other entries	(41)		62	(21)	
As at December 31, 2007, net accumulated value	252	134	125	58	570
Change in scope ⁽¹⁾	102	(5)	6		103
Increases and other acquisitions	4	16	11	69	100
Internally generated assets			16		16
Assets de-recognized in the year	(1)	(1)		(2)	(4)
Amortization provisions (continuing operations)	(9)		(46)	(4)	(59)
Net impairment losses (continuing operations)		(1)		2	1
Impact of foreign exchange gains and losses	(15)		(1)	(4)	(20)
Reclassifications and other entries			21	(6)	15
As at December 31, 2008, net accumulated value	334	143	132	113	722

(1) See note 2 for the main acquisitions.

| Note 5. Property, plant and equipment

5.1. Breakdown

(In € millions)	2008			2007		
	Gross	Depr./ impairment losses ⁽¹⁾	Net	Gross	Depr./ impairment losses ⁽¹⁾	Net
Land and fittings	1,431	(65)	1,366	1,419	(58)	1,361
Buildings and fittings	3,554	(1,180)	2,375	3,323	(988)	2,335
Other property, plant and equipment	5,226	(2,845)	2,381	4,850	(2,655)	2,195
Property plant and equipment	10,211	(4,090)	6,122	9,592	(3,701)	5,891

(1) Impairments of €92 million and €80 million were recognized respectively as at December 31, 2008 and 2007.

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5.2. Changes

(In € millions)	Land and fittings	Buildings and fittings	Other property, plant and equipment	Total
As at January 1, 2007, net accumulated value	1,183	1,927	1,917	5,027
Change in scope	269	602	244	1,115
Increases and other acquisitions	33	187	744	964
Assets de-recognized in the year	(117)	(212)	(189)	(518)
Amortization provisions (continuing operations)	(8)	(138)	(417)	(563)
Impairment losses (continuing operations)	(6)	(3)	(13)	(22)
Impact of foreign exchange gains and losses	(3)	4	(5)	(4)
Reclassifications and other entries	11	(30)	(87)	(106)
Classification as "Assets held for sale"		(2)		(2)
As at December 31, 2007, net accumulated value	1,361	2,335	2,195	5,891
Change in scope ⁽¹⁾	23	119	28	170
Increases and other acquisitions	53	227	860	1,140
Assets de-recognized in the year	(36)	(105)	(39)	(180)
Amortization provisions (continuing operations)	(6)	(151)	(448)	(605)
Impairment losses (continuing operations)	(6)	(5)	(10)	(21)
Impact of foreign exchange gains and losses	(54)	(139)	(54)	(247)
Reclassifications and other entries	31	93	(138)	(14)
Classification as "Assets held for sale"			(13)	(13)
As at December 31, 2008, net accumulated value	1,366	2,375	2,381	6,122

(1) See note 2 for the main acquisitions.

On December 22, 2008, the Casino group sold the premises of fourteen small supermarkets and twenty-eight supermarkets located in and around urban areas, for the amount of €72 million to the OPCI (Real Estate Investment Fund) AEW Immo commercial with assets valued at €69 million. The Casino group analyzed the criteria for deconsolidation specified in the provisions of IAS 17 on leases and of SIC 12 concerning the control of assets. Subsequently, assets included in the transaction were deconsolidated and the resulting net, before-tax capital gain of €19 million was recognized. (see note 30).

The Casino group also sold to a third party four store premises with an asset value of €32 million, resulting in a net, before-tax capital gain of €12 million (see note 30).

5.3. Information on lease financing

(In € millions)	2008			2007		
	Gross	Depreciation	Net	Gross	Depreciation	Net
Land and fittings	80	(2)	78	81	(2)	79
Buildings and fittings	288	(121)	167	293	(119)	174
Other property, plant and equipment	700	(549)	151	669	(534)	135
Lease-financed fixed assets	1,068	(672)	396	1,043	(655)	388

| Note 6. Investment property

6.1. Changes

(In € millions)	Gross	Depreciation	Impairment losses	Net
As at January 1, 2007	1,074	(163)	(37)	874
Change in scope	66	(1)		65
Increases and other acquisitions	112	(35)		77
Assets de-recognized in the year	(25)	2		(23)
Impairment losses (net)				
Impact of foreign exchange gains and losses	9	(2)	(2)	5
Reclassifications and other entries ⁽¹⁾	189			189
Classification as "Assets held for sale"				
As at December 31, 2007	1,425	(199)	(39)	1,187
Changes in scope ⁽²⁾	87	(6)		81
Increases and other acquisitions	61	(27)		34
Assets de-recognized in the year	(4)	1		(3)
Impairment losses (net)		(6)		(6)
Impact of foreign exchange gains and losses	(30)	5	5	(20)
Reclassifications and other entries	16	(5)		11
Classification as "Assets held for sale"	(145)	6		(139)
As at December 31, 2008	1,410	(230)	(34)	1,145

(1) Of which €141 million are related to the opening of the Alexanderplatz shopping center.

(2) See note 2 for the main acquisitions.

Investment property is valued at cost less accumulated amortization and potential losses in value. Its fair value as at December 31, 2008 totaled €2,891 million (€2,853 million as at December 31, 2007). This fair value is determined, for most investment buildings, on the basis of evaluations made by independent experts. The assessment is performed on the basis of the open market value, supported by market indicators in accordance with international standards of valuation.

The value of investment buildings totaled €1,145 million as at December 31, 2008, of which approximately 77% covered Mercialys (or approximately €882 million).

The data presented below concerns the determination of the fair value of investment buildings of Mercialys.

Fair value of Mercialys' investment property

As at June 30, 2008, experts at AtisReal Expertise and Galtier had updated their valuation of the assets of Mercialys. AtisReal Expertise (for the hypermarket sites) and Galtier (for the remainder) valued the assets of four sites and updated the evaluations made in the second semester 2007 for the remaining 160 sites, three of which, located in La Réunion, had seen their fair value readjusted directly by Mercialys.

As at December 31, 2008, the AtisReal Expertise and Galtier experts revised all of the expert assessments that they had previously made. Icade was charged with updating the assessments performed in 2007 at the time of the acquisition of the Savanna Saint-Paul, Saint-Pierre and Le Port Sacré-Cœur sites in La Réunion. The acquisitions of the last quarter were recorded at their historical cost.

Assets acquired during the period were valued as follows:

- by expert firms (Narbonne, Istres, Pau Lons, Tarbes, Agen Boe, Quimper Ergue, Quimper, Sables d'Olonne, Montceau les Mines, Valence 2);
- at historical cost, corresponding to their fair value, for acquisitions made during the last quarter (Villeneuve d'Ornon, Paris Saint Didier, Auxerre, Exincourt, Chenove, Valence Sud);
- by capitalizing rental income at the rate applicable to the existing portion of the gallery, for the extensions at Lanester and Le Puy.

On this basis, total assets are valued at €2,061 million, rights included as at December 31, 2008, whereas the valuations dated June 30, 2008 and December 31, 2007 totaled, respectively, €2,074 million and €1,914 million.

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Restated for changes in the scope of consolidation, the fair value of the assets of Mercialis grew by €68 million, i.e., +3.5% between December 31, 2007 and December 31, 2008.

The rates of return used by the experts in capitalizing rents depend on the nature of the site, and range from 5% to 8.5% for hypermarket sites, and from 6% to 8.5% for other sites.

For the discounted cash flows method, the discount rates used by the experts range from 5.5% to 7% on the entire portfolio. Finally, it is pointed out that rights make up 5.8% of total asset value as at December 31, 2008.

Average capitalization rates deriving from expert assessments can be summarized as follows:

	December 31, 2008	June 30, 2008	December 31, 2007
Large shopping centers	5.4%	5%	5.1%
Local convenience centers	6.3%	6.1%	6.1%
Entire portfolio	5.8%	5.5%	5.5%

Based on the assumption of annual rental income of €119 million and a capitalization rate of 5.8%, the incidence of a 0.5% decrease in the capitalization rate on rental income would result in an increase in the fair value of buildings in the amount of €196 million. A 0.5% increase in this rate would decrease the fair value of Mercialis' real estate assets by €165 million.

The impact of a 10% increase or decrease in rental income would be approximately €206 million.

On the basis of these assessments, no depreciation was recorded in the accounts as at December 31, 2008 on Mercialis' investment property.

6.2. Net rental income

(In € millions)	2008	2007
Rental income from investment property	204	175
Direct operating expenses for investment property which did not generate rental income during the period	(11)	(6)
Net rental income	193	168
Direct operating expenses on investment property which did generate rental income during the period	(42)	(38)

| Note 7. Asset impairment

In accordance with IAS 36 "Asset impairment", goodwill and other non-financial assets were tested for impairment as at December 31, 2008 based on the method described in note 1.17 of "Accounting principles and methods".

7.1. Goodwill impairment at holding level

The cash generating units (CGU) used are the Group's operating subsidiaries.

The values in use of the CGUs were calculated by discounting the after-tax expected future cash flows at the rates mentioned below.

No impairment was recognized on the recoverable value of the CGUs.

The parameters used to calculate the present value of future cash flows are as follows:

Business segment	Perpetuity growth rate	Value of the firm (x 2014 EBITDA)	Discount rate ⁽¹⁾
Food and general retailing	2%	6.9	8.3%
Sporting goods retailing	2%	6.7	6.8%

(1) The terminal value is calculated on a "perpetuity with growth" basis, using a cash flow forecast to which a growth rate of 2% has been applied.

7.2. Impairment in the operating subsidiaries

The CGUs used for the Group's businesses are the stores or banners. Impairment losses recognized on these CGUs were maintained at the holding level in order to reflect the Group's intrinsic value.

For all the assets, the management made the best possible estimate of the recoverable values or values in use. The assumptions used to calculate these estimates are given below.

The impairment tests performed in 2008 by the operating subsidiaries led to the recognition of impairment losses on non-financial assets totaling €20 million, of which €5 million were allocated to goodwill and a net amount of €15 million was allocated to intangible and tangible assets.

Goodwill impairment in the operating subsidiaries

The goodwill recorded for the subsidiaries mainly concerns the food and general retailing business. The values in use were determined by discounting the after-tax expected future cash flows at the rates mentioned below.

Parameters used to calculate the present value of future cash flows:

	Growth rate	Terminal value (x EBITDA) ⁽¹⁾	Discount rate ⁽²⁾
Food and general retailing business			
France	1.6 - 3.6%	9	7%
Argentina	11%	9.5	16.5%
Colombia	12.8%	9.5	12.9%
Uruguay	6%	9.5	12.5%
Venezuela	26%	9.5	30%
Asia	3%	9.5	7.2 and 13.2%
Indian Ocean	4.3%	9	7.0 to 13.2%
Other business			
France ⁽³⁾	1.6 to 3%	8	7.5 to 12.5%

(1) Except for the e-business, the terminal value is calculated on the basis of a multiple of EBITDA (current operating income + operating depreciation and amortization), as measured for comparable transactions.

(2) The discount rate used is the average cost of capital for each country.

(3) For e-business, the terminal value was determined on a "perpetuity with growth" basis, assuming a 3% annual growth of sales.

The 2008 annual goodwill impairment test, which was finalized in January 2009, led to recognize an impairment loss in the amount of €5 million as at December 31, 2008. This included a loss of €3 million on the Casino Restauration cash generating unit; the balance results from isolated tests (goodwill directly attached to an asset).

In light of the existing excess of the value in use over the carrying amount, the Casino group has deemed that, on the basis of events that can reasonably be expected to take place, any changes affecting the key assumptions mentioned above will not lead to the recognition of an impairment. In particular, a 100-point increase in the discount rate or a 1-point decrease in the EBITDA multiple would not have caused a loss in value to be recorded.

External auditors assessed the companies CBD and Super de Boer during the months of December 2008 and January 2009. These assessments concluded that there had been no impairment loss during the course of the year ended December 31, 2008.

The main assumptions and modes of assessment can be summarized as follows:

- The estimated value in use of Super de Boer is calculated based on discounted future cash flows, and supported by a multi-criteria analysis (stock market price and transaction multiples of retained comparable transactions). The discounted future cash flow method was deemed to be the most relevant in the valuation of Super de Boer. Super de Boer utilizes expected cash flows established on the basis of financial forecasts approved by the Board, for a period of four years. Cash flows beyond this period are extrapolated over a period of three years before determining terminal value. Key assumptions include, in particular, the discount rate (8.4%) and the perpetual income (1.5%) and EBITDA growth rates used in calculating terminal value (determined by infinitely discounting standard cash flow). As at December 31, 2008, a discount rate that is 130 points higher than that used would bring the value in use back down to book value. In addition, the use of zero perpetual growth in the calculation of terminal value or a reduction of 50 basis points in long-term EBITDA would not have resulted in the recognition of an impairment loss.

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- The estimated value in use of CBD is based on discounted future cash flows and supported by a multi-criteria analysis (stock market price and transaction multiples of retained comparable transactions). The discounted future cash flow method was deemed to be fundamental in valuing CBD. CBD uses cash flow projections prepared on the basis of financial forecasts approved by the Board, for a period of three years with a discount rate of 10.2%. Cash flows beyond this period were extrapolated over a period of two years, before determining terminal value. Key assumptions include, in particular, sales growth rates, the discount rate, and the EBITDA multiple (9x) used in calculating terminal value. As at December 31, 2008, a discount rate 460 points higher than that used or a 1.2-point reduction of the EBITDA multiple would reduce the value in use to the level of the carrying amount.

In 2007, the annual goodwill impairment test had led to record a loss of €7 million as at December 31, 2007. This impairment covered the following CGU: Vindémia (€3 million), Geimex (€2 million) and Distribution Casino France (€2 million).

| Note 8. Interests in associated companies

8.1. Breakdown

(In € millions)	2008	2007
Associated companies of the CBD group	10	12
Super de Boer (formerly Laurus)		177
Associated companies of the Franprix-Leader Price group	75	59
Easy Holland BV	2	10
AEW Immocommercial	25	18
Associated companies of the Cdiscount group	2	
Easy Colombia	9	
Pont de Grenelle	14	
Other companies	1	2
TOTAL	137	279

8.2. Changes in interests in associated companies

(In € millions)	Opening	Impair. loss	Net income for the year	Payment of dividends	Change in scope and foreign exchange	Closing
Changes in 2007						
Associated companies of the CBD group	8		(4)		8	12
Exito	210		7	(8)	(210)	
Super de Boer (formerly Laurus)	159	14	4			178
Associated companies of the Franprix-Leader Price group	59		9	(10)	1	59
Easy Holland BV			1		9	10
AEW Immocommercial					18	18
Other companies	2		1			3
TOTAL	438	14	18	(18)	(174)	279
Changes in 2008						
Associated companies of the CBD group	12				(2)	10
Super de Boer (formerly Laurus)	178				(178)	
Associated companies of the Franprix-Leader Price group	59		12	(12)	16	75
Easy Holland BV	10				(8)	2
AEW Immocommercial	18		3	(2)	6	25
Associated companies of the Cdiscount group			(1)		3	2
Easy Colombia			(1)		9	9
Pont de Grenelle					14	14
Other companies	3			(2)		1
TOTAL	279		13	(16)	(140)	137

Changes found in the interests in associated companies correspond essentially to changes in scope and concern mainly Super de Boer in the amount of €178 million (see note 2.1).

The Casino group owns 20% of the OPCI fund AEW Immocommercial and, as such, has its own representative on the Board of Directors, which is made up of eight members. Given the characteristics of the agreements in force between the Group and the OPCI (simple rental contracts were signed, with no particular clauses leading to advantages for the Group), and the aim of the OPCI, which is to manage and acquire commercial real estate (not necessarily from Casino), the Casino group has considerable influence. As a result, the OPCI AEW Immocommercial is contributed under the equity method in the Group's financial statements as at December 31, 2008. Transactions with associated companies are reported in note 39.2.

These associated companies are unlisted private entities. Consequently, a listed share price cannot be used to determine their fair value.

8.3. Share in contingent liabilities

As at December 31, 2008, there are no contingent liabilities in the associated companies.

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| Note 9. Interests in joint ventures

The companies or sub-groups Monoprix, Distridyn, Régie Média Trade, Dunnhumby France, Geimex, as well as some real estate subsidiaries in which the Group has a 50% interest, are proportionately consolidated, since the Group exercises joint control over them.

The companies or sub-groups Banque du Groupe Casino, Grupo Disco de Uruguay, Wilkes and the CBD group are proportionately consolidated, since Agreements between partners and the Casino group provide for joint control of their activities.

9.1. Summary financial statements of major joint ventures restated under IFRS

(In € millions)	Total 2008	Of which CBD ⁽¹⁾	Of which Monoprix	Total 2007 ⁽²⁾	Of which CBD	Of which Monoprix
Share of capital held		34.72%	50%		34%	50%
Revenue	5,892	2,358	1,841	5,296	1,941	1,789
Expenses	(5,744)	(2,310)	(1,749)	(5,165)	(1,903)	(1,703)
Non-current assets	2,604	1,010	1,115	2,778	1,163	1,032
Current assets	1,810	668	326	1,942	793	359
TOTAL ASSETS	4,414	1,678	1,441	4,720	1,956	1,391
Shareholders' equity	1,787	780	579	1,924	877	553
Non-current liabilities	619	436	103	676	467	81
Current liabilities	2,009	463	759	2,120	612	757
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,414	1,678	1,441	4,720	1,956	1,391

(1) See note 2.2.

(2) 2007 data were restated to the 2008 presentation.

9.2. Share in contingent liabilities

As at December 31, 2008, contingent liabilities in joint ventures consist only of social and tax contingencies at CBD for €219 million (Group's share).

| Note 10. Fair value of financial instruments recognized as assets

The table below provides a comparison of the carrying amount of financial assets and liabilities recognized in the balance sheet with their fair value.

The fair value of listed financial instruments is based on their quoted stock market price at the balance sheet date. The fair value of unlisted financial instruments is determined on the basis of the stock market price of listed instruments that are similar in nature, and are adjusted as appropriate.

Available-for-sale assets in the form of investments in Private Equity funds are valued on the basis of the most recent data provided by the fund managers.

For other unlisted instruments such as interests in non-consolidated companies, fair value is determined using valuation techniques such as those used for options or using the discounted cash flow method. The models use assumptions that are supported by market data.

10.1. Breakdown of financial instruments recognized as assets as at December 31, 2008

(In € millions)	12/31/2008		Breakdown by category of instrument				Other assets
	Book value	Fair value	Assets valued at fair value through profit or loss	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	
Securities in the financial investment portfolio	373	373				373	
Other available-for-sale financial assets	196	196		6		190	
Available-for-sale financial assets	569	569		6		563	
Loans	54	54			54		
Non-current derivatives recognized as assets	7	7	7				
Prepaid rent	127	127			3		124
Deposits, security pledges and other	11	11		11			
Receivables related to equity interests	147	147			147		
Non-current financial assets	915	915	7	17	204	563	124
Non-current hedging financial assets	123	123	123				
Trade receivables and related accounts	906	906			906		
Receivables from the credit business (Banque Casino)	695	695			695		
Trade receivables	1,601	1,601			1,601		
Other assets	1,311	1,311			866		444
Marketable securities and similar assets	84	84	19		65		
Derivatives recognized as assets (fair value hedging) and debt derivatives	78	78	78				
Other current financial assets	163	163	98		65		
Cash and cash-equivalents	2,311	2,311					

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10.2. Breakdown of financial instruments recognized as assets as at December 31, 2007

(In € millions)	12/31/2007		Breakdown by category of instrument				Other assets
	Book value	Fair value	Assets valued at fair value through profit or loss	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	
Securities in the financial investment portfolio	506	506				506	
Other available-for-sale financial assets	213	213				213	
Available-for-sale financial assets	719	719				719	
Loans	62	62			62		
Non-current derivatives recognized as assets	23	23	23				
Prepaid rent	133	133			4		129
Deposits, security pledges and other	11	11		11			
Receivables related to equity interests	67	67			67		
Non-current financial assets	1,015	1,015	23	11	133	719	129
Non-current hedging financial assets	66	66	66				
Trade receivables and related accounts	1,022	1,022			1,022		
Receivables from the credit business (Banque Casino)	643	643			643		
Trade receivables	1,665	1,665			1,665		
Other assets	1,243	1,243	25		889		329
Marketable securities and similar assets	287	287	254		33		
Derivatives recognized as assets (fair value hedging) and debt derivatives	168	168	168				
Other current financial assets	455	455	422		33		
Cash and cash-equivalents	2,727	2,727					

| Note 11. Non-current financial assets

11.1. Breakdown of non-current financial assets

(In € millions)	2008	2007
Securities in the financial investment portfolio	373	506
Other available-for-sale assets	196	213
Available-for-sale financial assets (AFS)	569	719
Loans	54	62
Non current derivatives recognized as assets	7	23
Prepaid rent ⁽¹⁾	127	133
Deposits, security pledges and other	11	11
Receivables related to equity interests	147	67
Non-current financial assets	915	1,015

(1) Prepaid rent corresponds to the rights to the use of land in certain countries for an average period of 30 years. The cost is spread over the duration of the leases.

11.2. Changes in available-for-sale financial assets (AFS)

(In € millions)	2008	2007
As at January 1	719	434
Increase	174	304
Decrease ⁽¹⁾	(218)	(85)
Changes in fair value, gross of deferred tax	(49)	25
Impairment losses	(32)	(9)
Change in scope and foreign exchange	(24)	56
Other	(1)	(6)
As at December 31	569	719

(1) Decreases include disposals and capital redemption.

| Note 12. Inventories

(In € millions)	2008			2007		
	Gross	Depreciation	Net	Gross	Depreciation	Net
Food and general retailing	2,448	(41)	2,407	2,463	(46)	2,417
Sporting goods retailing	179	(6)	173	184	(9)	175
Real estate	281	(1)	280	46	-	46
TOTAL	2,908	(48)	2,860	2,693	(55)	2,638

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| Note 13. Trade receivables

13.1. Breakdown

(In € millions)	2008	2007
Trade receivables and related accounts	973	1,088
Depreciation from trade receivables and related accounts	(67)	(67)
Receivables from the banking business	757	691
Depreciation from the banking business	(62)	(48)
Trade receivables, net value	1,601	1,665

13.2. Depreciation of trade receivables

(In € millions)	2008	2007
Depreciation from trade receivables and related accounts		
Balance as at January 1	(67)	(50)
Allowance	(26)	(26)
Reversal	26	11
Change in scope	(2)	(2)
Foreign exchange differences	1	
Balance as at December 31	(67)	(67)
Depreciation from the banking business		
Balance as at January 1	(48)	(43)
Allowance	(36)	(15)
Reversal	22	12
Change in scope		(2)
Foreign exchange differences		
Balance as at December 31	(62)	(48)

The conditions governing the recording of provisions are set out in note 23.5 "Credit risks".

13.3. Aging of trade receivables

(In € millions)	2008	2007
Trade receivables and related accounts	973	1,088
Receivables not yet due	734	857
Overdue by less than one month	121	100
Overdue by between one and six months inclusive	68	43
Overdue by more than six months	50	88
Allowance for uncollectible accounts	(67)	(67)
Net value	906	1,021
Receivables from the banking business	757	691
Receivables not yet due	641	641
Overdue by less than one month		3
Overdue by between one and six months inclusive	60	10
Overdue by more than six months	55	37
Allowance for uncollectible accounts	(62)	(48)
Net value	695	643

| Note 14. Other assets**14.1. Breakdown**

(In € millions)	2008	2007
Other receivables	1,060	1,001
Current accounts with non-consolidated companies	158	122
Depreciation of other receivables and current accounts	(28)	(25)
Non-hedging derivatives recognized as assets	4	23
Prepaid expenses	118	120
Other assets	1,311	1,243

Other receivables comprise mainly of tax and social receivables, as well as trade receivables. Prepaid expenses mainly include purchases, rents, rental fees, and insurance premiums booked during the current year but which concern periods subsequent to the year in question.

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14.2. Depreciation of other receivables

(In € millions)	2008	2007
Balance as at January 1	(25)	(23)
Allowance	(8)	(5)
Reversal	4	3
Change in scope	1	
Foreign exchange differences		
Assets held for sale		
Balance as at December 31	(28)	(25)

| Note 15. Deferred taxes

15.1. Changes in deferred tax assets

(In € millions)	2008	2007
Balance as at January 1	190	146
Income (expense) for the year	(105)	24
Impact of changes in foreign exchange, scope and reclassifications	37	6
Changes recognized directly in equity	6	13
TOTAL	128	190

15.2. Changes in deferred tax liabilities

(In € millions)	2008	2007
Balance as at January 1	423	338
Income (expense) for the year	(51)	(5)
Impact of changes in foreign exchange, scope and reclassifications (1)	30	87
Changes recognized directly in equity	(5)	2
TOTAL	397	423

15.3. Origin of deferred tax assets and liabilities

(In € millions)	Net	
	2008	2007
Intangible assets	(97)	(68)
Property, plant and equipment	(391)	(337)
<i>of which: financial lease contract</i>	(127)	(116)
Inventories	10	51
Financial instruments	17	(26)
Provisions	83	71
Regulated provisions	(105)	(116)
Other liabilities	94	100
<i>of which: loan taken on lease financing</i>	45	42
Tax loss carry forwards	119	91
Deferred tax assets (liabilities)	(269)	(233)
Deferred tax assets	128	190
Deferred tax liabilities	(397)	(423)
NET BALANCE	(269)	(233)

The tax loss carry forwards of €119 million were mainly generated by Cdiscount, Super de Boer and by the sub-groups CBD, Asinco, Groupe GO Sport and Euristates. A deferred tax asset has been booked for these tax loss carry forwards because the companies expect to make a profit in future years or because tax options have been implemented.

As at December 31, 2008, the amount of tax loss carry forwards not recognized as assets was €463 million, with the following maturities:

(In € millions)	2008
2009	5
2010	12
2011	2
2012 and more	444
TOTAL	463

| Note 16. Other current financial assets

(In € millions)	2008	2007
Listed shares	6	227
Mutual funds	13	3
Structured instruments		
Miscellaneous	65	32
Derivatives recognized as assets (fair value hedging) and debt derivatives	78	193
Other current financial assets	163	455

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| Note 17. Net cash, cash-equivalents and net financial debt

17.1. Breakdown of net financial debt

(In € millions)	2008	2007
Cash-equivalents	1,450	973
Cash	861	1,754
Gross cash and cash-equivalents	2,311	2,727
Spot and confirmed credit lines	(22)	(92)
Short-term bank borrowings	(417)	(481)
Net cash and cash-equivalents	1,872	2,154
Financial debt (excluding bank overdraft) ⁽¹⁾	(9,514)	(9,214)
Net financial debt	(7,642)	(7,060)

(1) See note 22.1.

Gross cash and cash-equivalents of the parent company and the 100%-owned companies totaled €1,746 million. Total 100%-presented cash and cash-equivalents from companies in which there are minority interests amount to approximately €300 million. The balance includes cash and cash-equivalents from proportionately integrated companies, in the amount of approximately €265 million (CBD, Banque du Groupe Casino, Monoprix). With the exception of proportionately integrated companies, for which the payment of dividends is subject to agreement by their partners, cash and cash-equivalents for fully consolidated companies are entirely available to the Group since, despite the existence of minority interests, the Group has control over dividend policy.

17.2. Breakdown of cash and cash-equivalents by currency

(In € millions)	2008	%	2007	%
Euro	1,887	82	2,272	83
US Dollar	29	1	110	4
Argentinian Peso	2		5	
Brazilian Real	175	8	144	5
Thai Baht	30	1	42	2
Colombian Peso	129	6	96	4
Vietnamese Dong	11		5	
Uruguayan Peso	12	1	11	
Venezuelan Bolivar	34	1	31	1
Polish Zloty	2		3	
Other currencies			8	
Gross cash and cash-equivalents	2,311	100	2,727	100

As at December 31, 2008, cash and cash-equivalents include €161 million of cash received on the assignment of receivables that meet IAS 39 financial asset de-recognition criteria, as stated in the note on the accounting principles applicable to trade receivables, as against €163 million as at December 31, 2007.

As at December 31, 2008, cash-equivalents comprised interest-bearing current accounts, euro-denominated money market mutual funds and other marketable securities. To determine whether an investment qualifies as a cash-equivalent, the Group complies with IAS 7 "Cash flow statement" as well as the Notice of March 8, 2006 issued by the AFG-AFTE, relative to the classification of money market mutual funds as cash-equivalents.

Following the retrospective examination of its investments based on these criteria, the Group concluded that its marketable securities investments qualified as cash-equivalents as at December 31, 2008.

| Note 18. Assets and liabilities held for sale

As at December 31, 2008, certain real estate assets (e.g., shopping galleries owned by Rallye) are in the process of being sold, with the sale transaction having begun in 2008; assets and liabilities reclassified, respectively, under "Assets held for sale" and "Liabilities related to assets held for sale" break down as follows (under "Other business"):

(In € millions)	2008	Other business	Food and general retailing
Goodwill	1	1	
Intangible and tangible assets ⁽¹⁾	45	11	34
Investment property	139	139	
Non current financial assets	45	45	
Deferred tax assets	1	1	
Non current assets	231	197	34
Inventories			
Trade receivables			
Other assets	3	3	
Current tax receivables			
Cash and cash-equivalents	3	3	
Current assets	6	6	
Total classified in "assets held for sale"	237	203	34
Provisions			
Non current financial liabilities	98	98	
Other non current debt	5	5	
Deferred tax liabilities			
Non current liabilities	103	103	
Provisions			
Trade payables			
Current financial liabilities	1	1	
Tax liability due			
Other current debt	23	23	
Current liabilities	24	24	
Total classified in "liabilities related to assets held for sale"	127	127	
Net cash and cash-equivalents	3	3	
Net financial debt	96	96	

(1) Assets held for sale in the Food and general retailing segment relate to Super de Boer and Franprix-Leader Price assets.

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| Note 19. Shareholders' equity and minority interests

19.1. Capital management

The policy of the Group is to maintain a solid capital base in order to uphold the confidence of investors, creditors, partners and the financial markets and to support future business development. The Group aims to maintain the number and variety of its shareholders and ensure that they receive appropriate levels of dividends.

In June 2005, Rallye entered into a liquidity agreement in accordance with the charter of ethics of the French Association of Investment Companies (AFEI), in order to boost trading on the company's shares.

In connection with a repurchase program approved by the ordinary shareholders' meeting, Rallye is authorized to buy back the company's shares in order, in particular, to cover the requirements of the stock option plans, to allocate bonus shares to employees and management, to ensure trading on the market, to retain them in order to deliver them subsequently as payment or in connection with acquisitions, and to cancel a certain number and amount of shares which cannot exceed 10% of share capital.

Pursuant to the authorizations given to the Board of Directors, the overall amount of capital increases which may be performed immediately or in the long term, other than by the incorporation of profit, reserves or premiums, should not exceed a nominal amount of €200 million.

19.2. Share capital and capital reserves

Share capital comprises 42,360,140 common shares with a par value of €127 million. The share premium, merger premium and other additional paid-in capital amounted to €906 million, €363 million and €40 million, respectively.

19.3. Changes in share capital

Common shares issued and fully paid (par value of €3 per share).

	2008	2007
Number of shares as at January 1	42,652,592	39,211,028
Exercise of stock subscription actions	24,000	314,300
OCEANE bond conversion ⁽¹⁾		3,127,264
Cancellation of shares	(316,452)	
Number of shares as at December 31	42,360,140	42,652,592

(1) As at December 31, 2007, the conversion of 3,314,454 OCEANE bonds gave rise to the creation of 3,127,264 new shares and the transfer of 253,478 existing shares.

19.4. Other shareholders' equity

(In € millions)	2008	2007
Additional paid-in capital ⁽¹⁾	1,309	1,322
Treasury shares ⁽²⁾	(19)	(19)
Equity instruments (TSSDI) ⁽³⁾	600	600
Other equity instruments ⁽⁴⁾	(14)	(24)
Consolidated reserves ⁽⁵⁾	3,895	3,242
Translation differences ⁽⁶⁾	(160)	325
TOTAL OTHER SHAREHOLDERS' EQUITY	5,611	5,446

(1) Additional paid-in capital refers to the parent company's premiums on shares issued for cash or in connection with mergers or acquisitions.

(2) Treasury shares: as at December 31, 2008, the Company held 1,234,945 of its own shares, for a total amount of €19 million.

During the year, the company:

- acquired 927,079 shares intended to cover bonus share and option plans granted by the company to Group executives and employees;
- acquired 863,238 shares and sold 722,338 shares in the framework of the liquidity contract, which included 195,000 shares as at December 31, 2008;
- cancelled 316,452 shares.

(3) Equity instruments (TSSDI): at the beginning of the year 2005, the Casino group floated €600 million in perpetual "super-subordinated" securities (TSSDI) on the market. The securities are redeemable solely at the Group's discretion, and interest payments are due only if the Group pays a dividend on its ordinary shares in the preceding twelve months. Due to the specific duration and remuneration featured by these securities, the instrument is classified under shareholders' equity for an amount of €600 million.

Issuing costs net of the tax effect were charged to shareholders' equity.

The dividend, at 7.5% in the first three years, then at the Constant Maturity Swap rate + 100 basis points, is recognized as a decrease in shareholders' equity net of tax effect.

(4) Other equity instruments: Rallye holds €2 million in calls purchased to cover share subscription option plans and allowing to purchase 312,050 Rallye shares.

(5) Consolidated reserves include:

- the parent company's reserves after consolidation restatements;
- the Group's share of each subsidiary's restated shareholders' equity, decreased by the value of the shares held by the Group, and increased by the goodwill if any;
- the accumulated effect of changes in accounting methods and correction of errors;
- the changes in fair value of financial assets held for sale; and
- the changes in fair value of derivatives used in cash flow hedging transactions.

(6) Translation differences: this account includes the Group's share of foreign exchange unrealized gains or losses, linked to the year-end evaluation of the shareholders' equity of foreign subsidiaries, and of the portion of receivables and debts that are part of its net investment in its foreign subsidiaries.

19.5. Translation differences

(In € millions)	2008			2007		
	Group's share	Minority interests	Total	Group's share	Minority interests	Total
Brazil	(9)	(7)	(16)	159	164	323
Argentina	(15)	(16)	(31)	(14)	(15)	(29)
Colombia	(22)	(78)	(100)	2	(24)	(22)
Uruguay	(3)	(3)	(6)	6	7	13
Venezuela	(13)	(18)	(31)	(16)	(22)	(38)
United States	4	(9)	(5)		(11)	(11)
Thailand	5	2	7	17	34	51
Poland	15	16	31	22	24	46
Other	1	(10)	(9)	(2)	(6)	(8)
TOTAL TRANSLATION DIFFERENCES	(37)	(123)	(160)	174	151	325

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19.6. Share-based payments

19.6.1. Payments in Rallye shares

Date of grant	06/09/2004	06/08/2005	06/07/2006	10/01/2007	04/23/2008
Date of maturity	12/09/2009	12/08/2010	12/07/2011	03/31/2013	10/22/2013
Number of initial beneficiaries	46	58	61	60	66
Number of options initially granted	314,550	224,084	254,120	181,127	258,091
Number of options relinquished by beneficiaries	25,800	17,083	15,313	1,320	3,125
Number of options exercised	17,500				
Number of options remaining in force at end of period	271,250	207,001	238,807	179,807	254,966
Strike price in €	41.38	40.16	36.84	48.73	43.15
Option valuation:					
Fair value at the time of grant, in €	8.51	8.64	7.20	10.16	8.74
Valuation model used	Trinomial	Trinomial	Trinomial	Trinomial	Trinomial
Volatility	31.60%	31.60%	26.37%	26.08%	28.39%
Option duration	5 ^{1/2} years	5 ^{1/2} years	5 ^{1/2} years	5 ^{1/2} years	5 ^{1/2} years
Risk-free interest rate	3.76%	2.60%	3.79%	4.23%	3.99%
Projected dividend	4%		4%	4%	4%

The above plans do not provide for early exercise of the options.

In June 2006, October 2007, April 2008 and September 2008, Rallye also set up bonus share plans. Except for the September 2008 plan, the vesting of shares by the beneficiaries is subject to the company's realization of a performance criteria, measured on a yearly basis, which determines the percentage of shares vested for the corresponding year. The total number of bonus shares vested equals the average of annual grants. The performance indicator used is the coverage of net debt by assets.

The table below provides details of the bonus share plans granted:

Date of grant	06/07/2006	10/01/2007	04/23/2008	09/25/2008
Date of maturity	06/07/2009	01/01/2011	07/23/2011	09/25/2010
Number of initial beneficiaries	61	60	66	9
Number of shares initially granted	40,858	29,686	44,161	41,150
Number of shares relinquished by beneficiaries	1,312	80	782	
Number of shares remaining in force at end of period	39,546	29,606	43,379	41,150
Share valuation:				
Fair value at the time of grant, in €	32.40	42.60	36.62	16.83
Vesting period of the rights	3 years	3 years and 3 months	3 years and 3 months	2 years

In 2008, the impact of share-based payments granted by Rallye on the income statement amounted to €2 million.

The impact of share-based payments granted by the Group's companies on the income statement amounted to €11 million in 2008.

Changes in the number of options granted in connection with these plans are shown below, along with the average strike price for the period:

	2008		2007	
	Weighted average strike price in €	Number of options	Weighted average strike price in €	Number of options
Outstanding at beginning of period	41.02	961,941	36.57	1,105,684
Granted over the period	43.15	258,091	48.73	181,127
Relinquished over the period	33.70	(44,201)	38.77	(10,570)
Exercised over the period	33.22	(24,000)	29.89	(314,300)
Expired over the period				
Outstanding at end of period	41.76	1,151,831	41.02	961,941
Exercisable at end of period	41.38	271,250	29.51	23,630

19.6.2. Payments in Casino shares

> Subscription plans

Date of grant	12/22/08	12/05/08	04/14/08	12/07/07	04/13/07	12/15/06	04/13/06
Date of maturity	06/21/2014	06/04/2014	13/10/13	06/06/2013	10/12/2012	06/14/2012	10/12/2011
Stock price at the time of the grant	€48.40	€43.73	€75.10	€77.25	€75.80	€70.00	€59.80
Strike price of the option	€47.19	€49.02	€76.73	€74.98	€75.75	€69.65	€58.16
Number of options initially granted	1,000	109,001	434,361	54,497	362,749	53,708	354,360
Adjusted number of options	1,000	109,001	409,228	51,381	337,119	43,119	281,375
Duration (in years)	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Projected dividend	5%	5%	5%	5%	5%	2%	2%
Expected volatility	26.68%	26.77%	24.04%	25.27%	23.55%	25.11%	25.87%
Interest rate	2.87%	3.05%	4.17%	4.85%	4.78%	3.99%	3.94%
Fair value of the option	€7.83	€6.14	€13.61	€18.18	€16.73	€14.31	€11.88

Date of grant	12/08/05	05/26/05	12/09/04	04/08/04	12/09/03
Date of maturity	06/07/2011	11/25/2010	06/08/2010	10/07/2009	06/08/2009
Stock price at the time of the grant	€56.95	€59.70	€56.95	€76.55	€75.10
Strike price of the option	€56.31	€57.76	€59.01	€78.21	€77.11
Number of options initially granted	50,281	318,643	78,527	679,332	49,266
Adjusted number of options	35,701	256,593	54,091	472,841	29,050
Duration (in years)	5.5	5.5	5.5	5.5	5.5
Projected dividend	2%	2%	2%	2%	2%
Expected volatility	21.19%	21.86%	23.14%	22.54%	30.81%
Interest rate	3.21%	2.85%	3.14%	3.54%	3.92%
Fair value of the option	€9	€8.89	€8.14	€13.91	€18.72

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> Purchase plans

Date of grant	04/08/04
Stock price at the time of the grant	€76.55
Strike price of the option	€78.21
Number of options initially granted	679,287
Adjusted number of options	473,258
Duration	5.5
Planned dividend	2%
Expected volatility	22.54%
Interest rate	3.54%
Fair value of the option	€13.91

> Bonus share plans

Date of grant	12/22/08 ⁽¹⁾	12/05/08 ⁽¹⁾	10/29/08 ⁽¹⁾	04/14/08	04/14/08
Grant period	12/21/2011	12/04/2011	10/28/2010	10/13/2011	04/13/2011
Holding period	12/21/2013	12/04/2013	10/28/2012	10/13/2013	04/13/2013
Stock price at the time of grant	€48.40	€43.73	€53.41	€75.10	€75.10
Initial number of shares	500	500	59,800	183,641	8,017
Adjusted number of shares before applying performance criteria	500	500	56,800	177,796	8,017
Fair value of the share	€35.37	€33.16	€42.54	€61.92	€61.92

Date of grant	10/07/07 ⁽¹⁾	05/31/07 ⁽¹⁾	04/13/07	12/15/06 ⁽¹⁾	04/13/06	05/26/05
Grant period	12/06/2010	05/30/2009	10/12/2010	12/14/2008	04/12/2009	05/25/2008
Holding period	12/06/2012	05/30/2011	10/12/2012	12/14/2010	04/12/2011	05/25/2010
Stock price at the time of grant	€75.80	€78.64	€77.25	€70.00	€59.80	€59.70
Initial number of shares	29,602	11,700	163,736	17,232	148,211	144,716
Adjusted number of shares before applying performance criteria	27,468	11,700	151,584	17,232	124,444	121,566
Fair value of the share	€69.18	€74.01	€70.13	€65.59	€53.02	€53.21

(1) Not subject to performance criteria

19.7. Dividend payments

During 2008, Rallye paid:

- the balance of the 2007 dividend at €1.03 per share;
- an interim dividend of €0.80 per share.

The Board of Directors proposed that the dividend be set at €1.83 per share for 2008. The outstanding amount due is €1.03 per share, since an interim dividend of €0.80 per share was paid in October 2008.

| Note 20. Provisions

20.1. Breakdown and changes

(In € millions)	As at January 1, 2008	Charges for the year	Used portion of the reversal of the year	Unused portion of the reversal of the year	Change in scope and transfers	Change in currency rates	Other	As at Dec. 31, 2008
After-sales service	16	11	(16)					11
Employee work medal awards	20		(1)				1	20
Retirement benefits	79	41	(27)		8	(1)	2	102
Services rendered	14	14	(14)					14
Misc. disputes	37	22	(13)	(4)			(3)	39
Misc. contingencies and charges ⁽³⁾	320	130	(73)	(20)	3	(39)	(2)	318
Restructuring	3	4	(26)	(6)	60		1	36
Fidelity program	48	43	(42)	(3)			1	47
Risks in connection with the TRS transaction ⁽¹⁾		27						27
TOTAL PROVISIONS	537	292	(212)	(33)	71	(40)		614
<i>Of which non current</i>	<i>310</i>	<i>78</i>	<i>(40)</i>	<i>(5)</i>	<i>37</i>	<i>(40)</i>	<i>26</i>	<i>366</i>
<i>Of which current</i>	<i>227</i>	<i>213</i>	<i>(172)</i>	<i>(28)</i>	<i>34</i>		<i>(26)</i>	<i>248</i>

(1) See note 20.3.

Provisions for miscellaneous disputes and contingencies and charges include a multitude of amounts related to disputes with employees (e.g. conciliation board), real estate (e.g. disputes on building work, contested rental payments, evictions), and tax and economic matters (e.g. infringements of trademarks and patents).

20.2. Pension commitments and other benefits

The Group's fixed-term benefit commitments are mainly for France and the Netherlands. In France, they consist mainly of end-of-career benefits, as well as complementary retirement plans, related to employees who are all now retired.

Actuarial gains and losses recognized in shareholders' equity are as follows:

(In € millions)	2008	2007
Provisions and other current liabilities	(9)	(3)
Deferred tax	(3)	(1)
Cumulative decrease in shareholders' equity	(6)	(2)
Of which, Group's share	(3)	(1)
Net income after tax, recognized in equity	4	9

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20.2.1. Evolution of provisions

(In € millions)	France		International		Total	
	2008	2007	2008	2007	2008	2007
Present value of covered obligations	126	125	338		464	125
Fair value of plan assets	(66)	(71)	(366)		(432)	(71)
Sub-total	60	54	(28)		32	54
Present value of uncovered obligations	11	11	28	12	38	23
Asset ceilings – unrecognized surplus			30		30	
Provision recorded in the balance sheet	71	65	30	12	100	77

20.2.2. Changes in provisions

(In € millions)	France		International		Total	
	2008	2007	2008	2007	2008	2007
Opening balance	65	46	12	1	77	47
Actuarial differences recognized in equity	(6)	(1)	74		68	(1)
Member contributions			2		2	
Charge for the year	13	12	5		18	12
Disbursements	(6)	(6)			(6)	(6)
Partial repayment of plan assets	4	14			4	14
Change in scope			13	11	13	11
Unrecognized surplus (asset ceilings)			(75)		(75)	
Change in foreign exchange			(1)		(1)	
Closing balance	71	65	30	12	100	77

20.2.3. Present value of obligations

(In € millions)	France		International		Total	
	2008	2007	2008	2007	2008	2007
Opening balance	136	130	12	2	148	132
Current service cost	11	10	5		16	10
Financial cost	4	4	16		20	4
Disbursements	(7)	(8)	(23)		(30)	(8)
Actuarial gains and losses	(7)		19		12	
Change in foreign exchange			(1)	(1)	(1)	(1)
Change in scope			329	11	329	11
Employee contribution			2		2	
Other entries			6		6	
Closing balance	137	136	365	12	502	148

20.2.4. Changes in fair value of plan assets

(In € millions)	France		International		Total	
	2008	2007	2008	2007	2008	2007
Opening balance	71	84			99	84
Expected return	2	2	16		18	2
Actuarial gains and losses	(2)	3	(55)		(57)	3
Employer contribution			11		11	
Employee contribution			2		2	
Benefits paid	(1)	(4)	(23)		(24)	(4)
Change in foreign exchange	(4)	(14)			(4)	
Change in scope			408		408	
Other entries			7		7	
Closing balance	66	71	366		460	85

20.2.5. Charges recognized in the income statement

(In € millions)	France		International		Total	
	2008	2007	2008	2007	2008	2007
Continuing operations						
Financial cost	4	4	16		20	4
Expected return on assets	(2)	(2)	(16)		(18)	(2)
Charge recorded in financial expenses	3	2			3	2
Current service cost	11	10	5		15	10
Recorded cost of past service						
Impact of reductions/payments						
Charge recorded in payroll expenses	10	10	5		15	10
Charge for the year	13	12	5		18	12

20.2.6. Main actuarial assumptions

	France		International	
	2008	2007	2008	2007
Discount rate	5.0%	4.5 - 5.0 %	0.0 - 10.70%	0.0 - 5.75%
Rate of wage increases	2.5%	2.5 - 3.0 %	0.0 - 7.67%	0.0 - 4.0%
Retirement age	62 - 65	62 - 64	50 - 65	50 - 65
Expected return on assets	4%	4%		

For French businesses, the TGH05 / TGF 05 life expectancy table became applicable as from 2006.

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> Historical data

(In € millions)	2008	2007	2006	2005	2004
Present value of covered obligations	464	125	120	199	176
Fair value of plan assets	(432)	(71)	(84)	(142)	(129)
Sub-total	32	54	36	57	47
Present value of uncovered obligations	38	23	11	42	32
Assets subject to ceiling	30				
Provisions recognized in the balance sheet	100	77	47	99	80

For France, the discount rate is determined in reference to the twelve-month average yield on French 15-year government bonds plus a premium of 50 basis points.

In 2008, the expected rate of return on plan assets equals the rate actually realized the year before. For France, the actual yield in 2008 totaled €1 million.

Covering assets break down as follows:

	France		International	
	2008	2007	2008	2007
Shares and equity instruments		19%		38%
Fixed rate bonds		78%		57%
Real estate		2%		4%
Money market mutual funds	100%		100%	
Other		1%		1%

Defined contribution plans mainly comprise retirement benefits, with a total cost of €266 million for 2008.

> National Inter-professional Collective Bargaining Agreement (Accord National Interprofessionnel - ANI)

This agreement, which was entered into in January 2008, provided for a "single termination indemnity in an amount of no less than, unless more favorable conditions apply, one-fifth of a month per year of employment, for employees having worked for at least one year at the company." In addition, after ten years' employment, the indemnity is increased by 2/15 months per year.

This agreement raises several difficulties of interpretation, in particular with respect to the potential inclusion of termination indemnities in the event that an employee retires at his own request.

Until a final clarification is obtained, or an addendum is made to interpret or amend this agreement, the Group has taken a "narrow interpretation" as the basis for its evaluation of the retirement indemnity. Quantitative analyses have been carried out with respect to the largest companies in France.

The increase in value of this commitment (past rights), resulting from a change in the retirement indemnity calculation quotients to a "wider interpretation", was evaluated at €65 million.

A change in the retirement indemnity quotient constitutes a change of the plan to be recorded as a past service cost (IAS 19.96) and the rights will not be acquired until the date of retirement. The impact of such a change should therefore be spread over the average residual period of activity.

20.3. Risk related to the "Total Return Swap" transaction on Exito shares

On December 19, 2007, Casino announced that it had amended Exito's shareholders' agreement signed on October 7, 2005.

At the same date, the minority shareholders of Suramericana de Inversiones S.A. and other strategic partners in Colombia entered into put and call option agreements with Citi relating to their interests in Exito (6.9% and 5.1% respectively). Pursuant to these agreements, the partners agreed to cancel the put option granted to them by the historical shareholders' agreement with Casino, thus freeing the Group from its commitment to buy their interest in Exito.

The put options may be exercised for a three-month period from December 16 of financial years 2009, 2010 and 2011 for the 6.9% held by Suramericana, and for a three-month period from December 16 of financial years 2010, 2011, 2012, 2013 and 2014 for the 5.1% held by the other strategic partners in Colombia. Citi may exercise the call options for a three-month period from March 16, 2012 for the 6.9% held by Suramericana, and for a three-month period from March 16, 2015 for the 5.1% stake of the other strategic partners in Colombia. The exercise price of these options will be the highest of the following amounts:

- a fixed price of 19,477 COP per share, adjusted for inflation of +1%;
- a multiple of EBITDA less net financial debt;
- a multiple of sales less net financial debt; or
- the average share price over the last six months.

On January 8, 2008, Grupo Nacional de Chocolates SA sold its 2.0% stake in Exito to Citi for 19,477 COP per share.

At the same time, Casino entered into a Total Return Swap (TRS) with Citi with a net cash payment for the 2.0% stake in Exito acquired from Chocolates, and agreed to sign other TRS agreements on all the other partners' stakes (12.0% in total) relating to the above-mentioned put and call options.

Under the terms of the TRS on the 2.0% stake sold by Chocolates, Casino will receive, at term, the difference between the market price (for the sale of Citi's interest) and a minimum amount of 19,477 COP per share, if it is positive, or, if not, it will pay this amount to Citi.

The subsequent TRSs, with conditions identical to those of the Chocolates TRS, will enter into effect for a maximum period of 3 years and 3 months from the exercise date of any of the put and call options on the aggregate 12% stake held by Suramericana and the other strategic partners in Colombia. Casino will receive, or pay if applicable, the difference between the sale price of the stake on the market and the cost of entry into the TRS (that is, the price at which the minority shareholder sells out to Citi, as described above). Contractually, Casino has no commitment or opportunity to buy shares back from Citi after the TRS (net cash unwinding).

The main risk for Casino is that Citi's selling price at the outset of the TRS is less than the price it paid to the Colombian shareholders and that Casino would be obliged to pay the difference, if negative, to Citi, between the entry price (the shareholders' put exercise price) and the exit price (the market price at the time of sale by Citi).

Risk assessment depends on several factors:

- the shareholder exercise price, which is itself a function of the time they choose to exercise their option, in light of their expectations of market conditions and the future performance of Exito;
- the duration of each TRS, with a maximum of three years and three months from the exercise date of any option held by the Colombian partners; the TRS expiry dates are December 19, 2014 and December 19, 2015, respectively;
- the market value of Exito shares upon expiration of the TRS.

An independent bank simulated various scenarios for the determination of the most opportune periods in which minority shareholders may exercise their puts, and determined the market value of Exito shares subsequent to the TRS using a multi-criteria approach based on the operational performance expected from the company business plan, investor expectations, and on the market price for Exito shares.

Given the individual characteristics of these TRS and the evaluation of the inherent risks, the Group has recorded a provision of €27 million for the year ended December 31, 2008 corresponding to the most likely scenario, known as the "central case" scenario. The other two scenarios, entitled "high case" (the most optimistic scenario) and the "low case" (the most pessimistic scenario) have led to a risk valued at, respectively, €0 and €48 million.

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| Note 21. Fair value of financial instruments recognized as liabilities

21.1. Breakdown of financial instruments recognized as liabilities as at December 31, 2008

(In € millions)	Book value	Fair value	Fair value through profit or loss	Debt at amortized cost	Other liabilities
Liabilities					
Bond issues	5,612	5,710		5,612	
Other borrowings	3,226	3,269	2	3,224	
Lease finance contracts	169	169		169	
Financial derivatives (fair value hedging)	165	165	165		
Financial debt ⁽¹⁾	628	628	3	625	
Trade payables	4,708	4,708		4,708	
Other debt	2,938	2,938	59	1,928	951
Short-term bank borrowings	439	439	439		

(1) corresponds to puts on minority interests (see note 22.4); of which €626 million are recorded in accordance with the accounting principles described in note 1.26 of Accounting principles and methods; the change in fair value is offset by a goodwill entry (see note 3).

21.2 Breakdown of financial instruments recognized as liabilities as at December 31, 2007

(In € millions)	Book value	Fair value	Fair value through profit or loss	Debt at amortized cost	Other liabilities
Liabilities					
Bond issues	5,766	5,874	5	5,761	
Other borrowings	2,799	2,796		2,799	
Lease finance contracts	177	177		177	
Financial derivatives (fair value hedging)	156	156	156		
Financial debt ⁽¹⁾	837	837	15	822	
Trade payables	4,582	4,582		4,582	
Other debt	2,823	2,823	20	659	2,144
Short-term bank borrowings	573	573	573		

(1) Of which €706 million in financial debt at fair value corresponding to the puts (see note 22.4). In accordance with accounting principles described in note 1.26, the change in fair value is offset by a goodwill entry (see note 3).

| Note 22. Financial liabilities

22.1 Breakdown of financial debt

(In € millions)	2008	2007
Bond issues	4,507	4,594
Other borrowings	2,514	2,285
Lease finance contracts	119	136
Borrowings and loans (fraction maturing in over 1 year)	7,140	7,015
Non-current financial derivatives (fair value hedging)	134	138
Non-current financial debt ⁽¹⁾	183	241
Non-current financial liabilities	7,457	7,394
Bond issues	1,105	1,172
Other borrowings	712	514
Lease finance contracts	50	41
Borrowings and loans (fraction maturing in 1 year or less)	1,867	1,727
Current financial debt ⁽¹⁾	445	596
Current financial derivatives (fair value hedging)	31	18
Short-term bank borrowings and spot credit lines	439	573
Current financial liabilities	2,782	2,914
Non-current hedging financial assets	(123)	(66)
Current hedging financial assets ⁽²⁾	(77)	(168)
Financial debt	10,039	10,074
Marketable securities and similar assets ⁽²⁾	(86)	(287)
Cash-equivalents	(1,450)	(973)
Cash	(861)	(1,754)
Net financial debt	7,642	7,060

(1) Including financial liabilities related to put options granted to minority interests (see note 22.4).

(2) Current hedging financial assets and Marketable securities and similar assets are grouped under Other current financial assets.

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22.2. Changes in financial debt

(In € millions)	2008	2007
Opening balance	10,074	9,097
New borrowings	2,345	2,473
Redemption (principal and interests)	(2,315)	(2,017)
OCEANE bond conversion		(146)
Change in fair value (against income)	33	9
Translation differences	(113)	(7)
Change in scope	160	970
Reclassification as liabilities related to assets held for sale	(99)	
Other	(46)	(305)
Closing balance	10,039	10,074
<i>Of which "Non-current"</i>	<i>7,334</i>	<i>7,328</i>
<i>Of which "Current"</i>	<i>2,705</i>	<i>2,746</i>

22.3. Detail of net financial debt**BOND BORROWINGS**

(In € millions)	Currency	Interest rate	Maturity	Due date	2008	2007
Rallye 2003 ⁽¹⁾	EUR	fixed				
2008 OCEANE		3.750%	5 years	Jan-08		130
Rallye 2003 ⁽²⁾	EUR	fixed	10 years			
2013 exchangeable bond		3.250%	3 months	Jul.-13	300	290
Rallye 2004	EUR	fixed				
2009 Bond		5.375%	5 years	Jan-09	471	492
Rallye 2004	EUR	fixed				
2011 bond		5.625%	7 years	Oct-11	498	497
Casino 2004 ⁽³⁾	EUR	variable	3 years			
2008 Indexed bond		E3M + 0.60%	3 months	Mar-08		78
Casino 2004 ⁽³⁾	EUR	fixed	4 years			
2009 Indexed bond		5.250%	3 month	Mar-09	39	76
Casino 2001	EUR	fixed				
2008 bond		6.000%	7 years	Mar-08		882
Casino 2002 ⁽⁴⁾	EUR	fixed				
2009 bond		5.452%	7 years	Jun-09	549	554
Casino 2003	EUR	fixed				
2010 bond		5.250%	7 years	Apr-10	400	498
Casino 2004	EUR	fixed				
2011 bond		4.750%	7 years	Jul.-11	401	424
Casino 2002	EUR	fixed				
2012 bond		6.000%	10 years	Feb-12	720	706
Casino 2007	EUR	fixed				
2014 bond		4.880%	7 years	Apr-14	858	726
Casino 2008	EUR	fixed				
2013 bond		6.380%	5 years	Apr-13	983	
Casino 2002	USD	fixed				
2011 private placement		6.460%	9 years	Nov-11	180	161
Casino 2002	USD	fixed				
2009 private placement		5.920%	7 years	Nov-09	10	10
EXITO/CARULLA ⁽⁵⁾	COP	variable				
Bonds					85	117
CBD	BRL	variable	4/5 and 6 years	Mar-11/12/13		
Bond		CDI + 0.5%			103	114
TOTAL BOND BORROWINGS					5,597	5,755

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BANK BORROWINGS

(In € millions)	Currency	Interest rate	Maturity	Due date	2008	2007
HMB Structured loan	EUR	fixed	5 years	Jul-11	124	124
Rallye Syndicated loan	EUR	variable	5 years	Jul-10	239	239
Cobivia Structured loan	EUR	variable	5 years	Jul-10	199	199
Rallye Bank loan	EUR	variable	3 years	Mar-11	100	
Rallye Bank loan	EUR	variable	4 years and 11 months	Nov-11	125	125
Alpetrol Structured loan	EUR	fixed	5 years	Oct-11	118	115
Alpetrol Bank loan	EUR	variable	5 years	Jan-12	50	50
Alpetrol Structured loan	EUR	variable	5 years	Jun-12	99	99
Kerrous Structured loan	EUR	variable	5 years	Jul-12	150	150
Rallye Bank loan	EUR	variable	7 years	May-14	150	150
Casino Structured loan	EUR	variable	6 years	Jun-13	183	183
Casino Schuldschein loan	EUR	variable	5 years	May-13	130	
Miscellaneous bank borrowings ⁽⁶⁾	EUR				1,368	1,130
TOTAL BANK BORROWINGS					3,035	2,564
Accrued interest on loans					206	186
Derivatives recognized as liabilities					165	157
Derivatives recognized as assets					(200)	(234)
Commitments made to minority interests (Puts)					628	725
Loans taken on lease finance					169	176
Other borrowings and loans					2	126
Short-term bank borrowings and spot credit lines					437	619
TOTAL BANK BORROWINGS					10,039	10,074

(1) Bonds convertible or exchangeable into Rallye shares at the rate of 1.02 shares for 1 bond, redeemable at the latest on January 1, 2008 at 109.7% of par value. The par value of the issue totals €264 million. The number of bonds outstanding as at December 31, 2007 was 2,696,908 (see note 19.3.). The final redemption premium amounts to €11.5 million.

(2) Bonds exchangeable for Casino ordinary shares issued by Rallye for an amount of €300 million. Bonds may be redeemed in cash at the latest on July 1, 2013, at 119.07% of par value and carry an exchange option, which may be exercised at any time at the choice of the bearer up until July 1, 2013 against 1 Casino ordinary share. Rallye has an early redemption option that can be exercised as of July 1, 2006. Bondholders have an early redemption option that can be exercised on July 1, 2008 and July 1, 2011.

(3) On December 23, 2004, Casino, Guichard-Perrachon issued three series of bonds indexed on Casino share price, for a total amount of €236 million. The three series amount to: €81 million, €78 million, and €76 million, with maturity dates set, respectively, at March 30, 2007, March 30, 2008 and March 30, 2009. The first two series have been fully redeemed. The debt is recorded on the balance sheet for the discounted present value of the maximum redemption amount. The indexing on Casino ordinary share price is a derivative, which is recognized as an asset at its fair value, with any change in fair value recorded in income.

(4) In June 2002, Casino Guichard-Perrachon issued bonds for an amount of €559 million, maturing in seven years. This bond issue was fully subscribed by FINOVADIS SNC, a partnership that is 99% owned by a bank, and 1% owned by Casino, Guichard-Perrachon. In accordance with the principles described in the section entitled 'Scope of consolidation', the share of the issue which was financed by outside investors constitutes an external debt for the Group, and appears in the financial statements as a loan in the amount of €549 million (i.e., par value €400 million + capitalized interest).

(5) In April 2005 and April 2006, Exito issued two variable rate bonds for €10 million maturing in April 2011 and €26 million maturing in April 2013. In April 2000 and May 2005, Carulla issued two variable rate bonds for €24 million maturing in April 2008 and €57 million maturing in May 2015.

(6) The Exito loans amounted to €336 million as at December 31, 2008.

The two Rallye bond issues of 2003 were recorded according to the "split accounting method", which consists in:

- separating the embedded derivative at the time of issue, and recognizing it in equity - subsequent changes in fair value will not be taken into account;
- determining the value of the derivative based on the difference between the par value of the bond and the market value of a debt instrument with similar characteristics, but which does not carry the option to be converted; and
- using the amortized cost method.

22.4. Put options granted to minority shareholders

22.4.1. Put options as at December 31, 2008

(In € millions)	% of ownership	Commitment	Price	Fixed or variable	Non-current financial liabilities	Current financial liabilities	Off-balance-sheet	Goodwill
Franprix / Leader Price ⁽¹⁾	26.00 to 95.00%	5.00 to 74.00%	712	F/V	45	431	236	477
Monoprix ⁽²⁾	50.00%	50.00%	1,200	V			1,200	
Lanin/Disco (Uruguay)	62.49%	29.33%	60	F		12	49	12
Sendas Distribuidora (Brazil) ⁽²⁾	57.43%	42.57%	55	V			55	
Assai (Brazil) ⁽³⁾	60.00%	40.00%	26	V	26			24
Carulla Vivero (Colombia) ⁽⁴⁾	77.05%	22.50%	111	V	111			59
Exito (Colombia)	60.44%	0.02%		V				
Other			2	V		2		
TOTAL COMMITMENTS			2,167		183	445	1,540	572

(1) See note 37.3.

(2) See note 37.2.

(3) CBD granted minority shareholders of Assai (40%) a put option based on a multiple of the earnings of the subsidiary, less net financial debt. The minority shareholders of Assai may exercise their put between January 1 and January 15 of each calendar year from 2012 to 2014. Casino estimated the value of the put as at December 31, 2008 on the basis of the plan set out by the management of CBD.

(4) In connection with the acquisition of Carulla, Exito granted the minority shareholders of Carulla (22.5%) a put option priced on the basis of the highest of the following amounts:

- multiple of EBITDA of the subsidiary, less net financial debt;

- fixed price bearing interest until the exercise date; or

- average share price of Exito over the 6 months preceding the exercise of the option.

The first period for exercising the put will last 45 days from March 15, 2010. Casino estimated the value of the put as at December 31, 2008 on the basis of the plan set out by Exito's management.

22.4.2. Sensitivity analysis of the put options as at December 31, 2008

(In € millions)	Non-current financial debt	Current financial debt	Financial debt	Fixed or variable	Indicator	Impact of a +/- 10% change in the indicator
Franprix - Leader Price	45	431	476	F/V	Net income	+/- 4
Lanin / Disco (Uruguay)		12	12	F		
Assai (Brazil)	26		26	V	EBITDA	+/- 4
Carulla Vivero (Colombia)	111		111	V	EBITDA	+/- 12
Exito (Colombia)			0	V	Stock price	
Other		3	3	V		
TOTAL COMMITMENTS	183	445	625			

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22.4.3. Put options as at December 31, 2007

(In € millions)	% of ownership	Commitment	Price	Fixed or variable	Non-current financial liabilities	Current financial liabilities	Off-balance-sheet	Goodwill
Franprix/Leader Price ⁽¹⁾	26.00 to 95.00%	5.00 to 74.00%	853	F/V	46	472	335	480
Monoprix	50.00%	50.00%	850	F			850	
Lanin/Disco (Uruguay)	62.49%	33.83%	54	F		11	44	11
Sendas Distribuidora (Brésil) ⁽²⁾	42.57%	57.43%	91	V			91	
Assai (Brazil) ⁽³⁾	60.00%	40.00%	29	V	29			28
Carulla Vivero (Colombia) ⁽⁴⁾	77.00%	22.50%	148	V	148			98
Exito (Colombia) ⁽⁵⁾	59.82%	2.00%		V				
Others			19	V	18	1		
TOTAL COMMITMENTS			2,044		241	484	1,320	617

For valuation methods see note 37.2.

| Note 23. Financial risk management policies and objectives

The main risks inherent to the financial instruments used by the Group are: interest- and exchange rate risk, credit risk, liquidity risk and securities risk.

The Group holds financial derivatives, mainly interest- and exchange-rate swaps, and foreign currency forward purchases and sales. These instruments are intended to manage interest- and exchange rate risks inherent to the Group's businesses and financing.

Derivative instruments break down as follows:

(In € millions)	2008			2007		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Cash flow hedges		35	(35)	4		4
Fair value hedges	194	190	4	206	156	50
Non-qualifying derivatives	8	40	(32)	47	5	42

Impact on shareholders' equity of qualifying financial instruments

As at December 31, 2008, the IFRS cash flow hedge reserve has a debit balance of €16 million (€12 million, net of tax). It consists in instruments that qualify for hedging future cash flows (mainly energy swaps and interest rate swaps), and are intended for inclusion as income on the date of the realization of the underlying asset, for the most part in 2009.

No significant inefficiency has been measured on hedges of future cash flows.

Impact on income of non-qualifying financial instruments

The fair value of derivative financial instruments which do not qualify for hedge accounting within the meaning of IAS 39 totaled - €30 million as at December 31, 2008 (+ €42 million as at December 31, 2007).

23.1. Interest rate risk

The Group's strategy is based on a dynamic debt management, which consists in keeping certain lines of credit variable in order to take advantage of lower rates and in hedging against possible rate increases.

In managing its exposure to interest- and exchange-rate risk, the Group uses various derivative instruments; mainly interest-and exchange-rate swaps, collars, caps, floors, and options which may be used alone or in combination. Although they are not all eligible for hedge accounting, all interest-rate hedge instruments are subscribed in the framework of the abovementioned interest-and exchange rate risk management policy.

The Group's financial policy consists in managing its interest cost by combining variable and fixed rate derivative instruments.

23.1.1. Sensitivity to interest rate variations as at December 31, 2008

(In € millions)	< 1 year	1 to 5 years	> 5 years
Bond borrowings	1,171	3,588	850
Bank loans	2,277	721	22
Leasing	82	81	6
Short-term bank borrowings and spot credit lines	439		
Total liabilities	3,969	4,390	878
Cash-equivalents	1,450		
Cash	861		
Total assets	2,311		
Net position before risk management ⁽¹⁾	1,658	4,390	878
Interest rate swaps – paying fixed rate	4,248		
Interest rate swaps – receiving fixed rate	(2,200)		
Off-balance-sheet	2,048		
Net position after risk management	3,706	4,390	878
Net position to roll-over in less than one year	3,706		
1 % change	37		
Average residual maturity until the end of the year	1		
Change in financial expenses	36		
Net financial charges 2008	577		
Impact of change in financial expenses / financial charges	6.17%		

(1) Those components of the debt which are not exposed to interest-rate risk, mainly debt linked to puts and outstanding accrued interest, are not included in the calculation.

Thus, a 1% increase in short-term interest rates on variable rate financial assets and liabilities would have an estimated maximum impact, taking into account derivatives, of €36 million in gains and losses on the Group's pre-tax consolidated net income (€38 million as at December 31, 2007).

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23.1.2. Sensitivity to interest rate variations as at December 31, 2007

(In € millions)	< 1 year	1 to 5 years	> 5 years
Bond borrowings	1,204	3,756	805
Bank loans	2,331	191	184
Leasing	126	49	1
Short-term bank borrowings and spot credit lines	573		
Total liabilities	4,234	3,996	990
Cash-equivalents	973		
Cash	1,754		
Total assets	2,727		
Net position before risk management ⁽¹⁾	1,507	3,996	990
Interest rate swaps – paying fixed rate	4,103		
Interest rate swaps – receiving fixed rate	(1,800)	(500)	
Net position after risk management	3,810	3,496	990
Net position to roll-over in less than one year	3,810		
1 % change	38		
Average residual maturity until the end of the year	1		
Change in financial expenses	38		
Net financial charges 2007	468		
Impact of change in financial expenses / financial charges	8.01%		

(1) Those components of the debt which are not exposed to interest-rate risk, mainly debt linked to puts and outstanding accrued interest, are not included in the calculation.

In order to protect its financial margin from volatile interest rates, Banque du Groupe Casino fully hedges against interest-rate risk:

- fixed-rate uses of funds: assigned sources of funds are transformed or capped at a fixed rate. These hedges match the amortization schedule of uses until maturity;
- variable-rate uses of funds: assigned sources are transformed into a fixed rate over a sliding period of at least three months in an amount corresponding to the projected uses for the period.

The remaining financial instruments of the Group do not bear interests and are therefore not subject to interest-rate risk.

23.2. Fair value risk

When the Group contracts fixed rate borrowings, it is exposed to an opportunity cost if the interest rate decreases. In order to cover against fair value risk, the Group has subscribed to interest-rate swaps in which it exchanges fixed-rate interest flows against variable-rate interest flows.

Hedge accounting: under its interest- and exchange rate risk management policies, the Group uses fair value hedge accounting. The objective is to hedge against part of the risk of a change in fair value, which may result from interest-rate risk on a fixed-rate loan. The Group does not use fair value hedge accounting for its foreign currency forward purchases.

23.3. Foreign exchange risk

As part of the management of its exposure to foreign exchange risk, the Group uses a variety of financial instruments, in particular, swaps and forward purchases or sales of foreign currencies. The majority of these transactions are carried out with a view to provide coverage, for example, to hedge purchases of goods, as well as a portfolio containing financial investments denominated in foreign currency.

Regarding goods purchased in dollars within the euro zone, the Group's hedging policy consists in covering the entirety of its purchasing budget with derivatives maturing on the same date as the budgeted appropriations.

As to the financial investment portfolio, booked at fair value under available-for-sale assets (see note 11), the Group's policy is to use forward sales contracts to hedge investments denominated in foreign currency in an amount which corresponds to their fair value in the foreign currency.

(In € millions)	USD	PLN	JPY	EUR	Misc.	Total 2008	Total 2007
Exposed trade receivables	(2)	(2)				(4)	(6)
Other exposed financial assets	(351)		(15)	(5)	(3)	(374)	(233)
Exposed trade payables	35	11				46	35
Exposed financial liabilities	342		17			359	566
Gross debt/(receivable) exposure	24	9	2	(5)	(3)	27	259
Hedged trade receivables							
Other hedged financial assets	(285)		(15)		(3)	(303)	208
Hedged trade payables		3				3	14
Hedged financial liabilities	257					257	284
Net debt/(receivable) exposure	52	6	17	(5)		70	274

23.3.1. Sensitivity analysis of the net exposure to foreign exchange risk

The exchange rate used to convert US dollars as at December 31, 2008 was 1 euro for 1.3917 dollar, and as at December 31, 2007, 1 euro for 1.4721 dollar.

The exchange rate used to convert Japanese yen as at December 31, 2008 was 1 euro for 126.14 yens and, as at December 31, 2007, 1 euro for 164.93 yens.

A 10% increase in the value of the euro as at December 31 in relation to these currencies would have resulted in the increases reported below. For the purposes of this analysis, it is assumed that all other variables, particularly interest rates, remain constant.

A 10% decrease in the value of the euro as at December 31 in relation to these currencies would have resulted in the opposite effects.

(In € millions)	Total 2008	Total 2007
US Dollar	5	25
Japanese Yen	2	1
Other currencies	0	1
TOTAL	7	27

23.4. Security risk

23.4.1. Consolidated interests

As part of the management of its holdings of publicly-traded, consolidated shares, the Group may use certain optional instruments such as purchases and sales of options to buy or sell stocks, or optional products included in complex derivative instruments issued, such as bonds exchangeable for Casino shares, or bonds indexed on the market price of Casino shares. Such instruments are used for hedging purposes, in particular to hedge against the risk of dilution, or to attain the strategic objective of optimizing its holdings.

23.4.2. Investment portfolio

At the start of the second semester of 2008, the Group expressed its intent to reduce its financial exposure through the implementation of a major plan to sell off certain lines of its unlisted investment portfolio.

The portfolio now includes nearly 150 lines (as against 230 as at 12/31/2007), 4/5ths of which are less than €4 million, with a maximum amount per line of €13 million in net cash invested. In addition to the diversification of its portfolio (geographic and by industry, size, type of investment, and partner), which enables risk to be spread out thinly, investments in foreign currencies are systematically hedged against currency risk.

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Price risk relating to a 10% decrease in the price of securities held:

(In € millions)	2008	2007
Balance sheet position (fair value)	393	545
Sensitivity on equity	(32)	(54)
Sensitivity on income	(7)	(1)

23.4.3. Portfolio of marketable securities:

As at December 31, 2008, the value of the portfolio of marketable securities was insignificant, as a result of sales made in the course of the first semester and at the beginning of the second semester. The value of the marketable securities portfolio recorded at fair value on the balance sheet was €236 million as at December 31, 2007. Taking into account derivative instruments for a notional amount of €138 million, the total exposure was €374 million.

23.5. Credit risks

23.5.1. Commercial credit risk

The Group's policy requires that the financial health of all of its customers who wish to obtain credit terms of payment be verified. In addition, client account balances are monitored regularly and, as a result, the Group does not have any significant exposure to bad debt.

23.5.2. Financial credit risk

The banking business of the Casino group uses an approach in which the credit risk hedging system is largely based on the following:

- a statistical approach per homogenous portfolio of client receivables, since, taken individually, receivables are not significant, and given that they share common credit risk characteristics;
- the likelihood that the amounts will be recovered at different stages of the collection process.

Credit risk provisions are calculated for clients who have missed at least one payment. One payment overdue constitutes the IAS 39 trigger for the constitution of credit provisions.

The amount of the provisions is calculated based on a statistical model of collection flows and losses, which integrates all possible movements between different levels, based on observed historical data.

The net present value of credit risk provisions is computed using the original rate in client contracts, and the expected inflows of capital and interest. As a result, in addition to provisions for existing credit risk, henceforth a provision against future loss of margins is made, due to the effect of discounting expected future cash flows from collection to present value. Restructured loans for which payments are up to date are considered to be good debts. As of the first unpaid installment, however, these receivables are reclassified as doubtful accounts and a provision is made based on a statistical calculation as described above.

With respect to credit risk for other financial assets owned by the Group, such as cash and cash-equivalents, financial assets available for sale, and certain financial derivatives, the Group's exposure to potential problems caused by third parties is limited to a maximum equal to the book value of the instruments concerned.

Details and age of trade receivables and receivables from the banking business are presented in note 13.3.

As part of transactions conducted on financial markets, the company is exposed to counterparty risk. Rallye favors financial relations with various banks of international size who enjoy the best ratings from specialized agencies, while avoiding an excessive concentration of dealings with a limited number of financial institutions. Consequently, Rallye considers its exposure to counterparty risk to be low.

In addition, the derivatives used in the management of foreign exchange and interest rate risks are negotiated directly with the lending institution, which eliminates any additional counterparty risk.

23.6. Risk of financial debt becoming repayable on demand

The Group's bank and bond borrowings contain commitment and default covenants which are customary in this type of contract: clauses upholding the creditor's rank (*pari-passu*), limitation of securities pledged to other lenders (negative pledge), and cross-default provisions.

The Group has no financing contract that would entail any commitments linked to the evaluation of the Group's debt by rating agencies ("rating trigger") or the share price of assets.

The Group's bond issues on the euro market do not include any commitments based on financial ratios.

Some of Rallye's bank borrowings require the company to maintain the two following financial ratios, at each closing date, until the term of the contracts:

- consolidated EBITDA / Consolidated Net Financial Expense > 2.75; and
- Rallye SA shareholders' equity > €1.2 billion.

At Casino group level, the financial covenants to be complied with at each closing date until the maturity of the contracts are as follows:

- the two confirmed bank credit lines set up in 2007 are subject to the commitment to meet a ratio requirement of consolidated net financial debt / consolidated EBITDA ⁽¹⁾ < 3.7;
- other medium-term confirmed bank lines, the 2009 private placement and the indexed bonds are subject to the requirement of consolidated net financial debt / consolidated EBITDA ⁽¹⁾ < 4.3;
- the private placement made in the USA is subject to commitment to meet the following ratio requirements:
 - Consolidated net financial debt / consolidated EBITDA ⁽¹⁾ < 3.7;
 - Consolidated net financial debt / consolidated shareholders' equity < 1.2; and
 - Consolidated intangible assets / consolidated shareholders' equity < 1.25.

(1) EBITDA is defined as the current operating income plus current operational depreciation and amortization.

In order to secure liquidity, the Group maintains unused, confirmed credit lines available at sight for an aggregate amount of €3.3 billion, which break down as follows:

Unused, confirmed bank credit lines

(In € millions)	Rate	Amount available			Due date
		Casino group	Rallye	Go Sport	
Confirmed bank lines	Fixed	21			Before December 2009
Confirmed bank lines	Variable	834	155	18	Before December 2009
Confirmed bank lines	Variable	42	425	80	After December 2009
Syndicated lines	Variable	1,200	575		July 2012 (Casino group)/ February 2010 (Rallye)
Line for the financing of the banking business	Variable	46			December 2009
TOTAL		2,143	1,155	98	

Schedule of repayment as at December 31, 2008

(In € millions)	Book value	Less than 1 year	1-5 years	Over 5 years
Financial liabilities				
Bond issues	5,612	1,103	4,462	47
Other borrowings	3,226	778	2,181	267
Lease finance contracts	169	54	104	11
Financial derivatives (fair value hedging)	165	31	134	0
Financial debt	628	445	183	0
Trade payables	4,708	4,708	0	0
Other debt	2,938	2,845	93	0
Short-term bank borrowings	439	439	0	0
TOTAL	17,885	10,403	7,157	325

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Schedule of repayment as at December 31, 2007

(In € millions)	Book value	Less than 1 year	1-5 years	Over 5 years
Financial liabilities				
Bond issues	5,766	1,170	3,445	1,151
Other borrowings	2,799	515	2,004	280
Lease finance contracts	177	41	107	29
Financial derivatives (fair value hedging)	156	18	138	0
Financial debt	837	595	213	29
Trade payables	4,582	4,582	0	0
Other debt	679	668	11	0
Short-term bank borrowings	573	573	0	0
TOTAL	15,569	8,162	5,918	1,489

| Note 24. Other non-current liabilities

(In € millions)	2008	2007
Derivatives recognized as non-current liabilities	44	10
Non-current tax and social liabilities	22	33
Miscellaneous non-current liabilities	27	20
TOTAL	93	63

| Note 25. Other current liabilities

(In € millions)	2008	2007
Debt on fixed assets	279	246
Current accounts	64	85
Tax and social liabilities	1,259	1,253
Miscellaneous debt	554	574
Financing of the banking business	593	574
Unearned revenue	24	18
Non hedging derivatives recognized as liabilities	56	10
Hedging derivatives recognized as liabilities	16	
Other current liabilities	2,845	2,760

| Note 26. Segment reporting

26.1. Primary segmentation: business segments

The business segment "Food and general retailing" corresponds to the Casino sub-group, the segment "Sporting goods retailing" concerns the Groupe GO Sport sub-group and the segment "Other business" corresponds to the holding business and investment portfolio.

As at December 31, 2008:

(In € millions)	Food and general retailing	Sporting goods retailing	Other business	Continuing operations	Discontinued operations	Total 2008
Segment net sales	28,704	727	17	29,448	15	29,463
Operating income before depreciation, amortization, provisions	1,666	14	17	1,697	(4)	1,693
Depreciation and amortization of segment assets	(387)	(22)	(4)	(413)		(413)
Provisions, including goodwill impairment		(6)		(6)	(1)	(7)
Segment income (loss)	1,278	(14)	13	1,278	(5)	1,273
Net income from associated companies	13			13		13

(In € millions)	Food and general retailing	Sporting goods retailing	Other business	Sub-total	Held-for-sale assets and liabilities	Total 2008
Net carrying amount of segment assets	23,182	377	1,133	24,692	237	24,929
Investments in associated companies	122		14	136		136
TOTAL CONSOLIDATED ASSETS	23,304	377	1,147	24,828	237	25,065
Total consolidated liabilities	15,310	279	3,331	18,920	127	19,047
Cost of investments	1,985	38	111	2,134		2,134
Registered workforce	173,219	5,029	79	178,327		178,327

The aggregate segment income from continuing operations totaled €1,278 million, resulting from segment current operating income from continuing operations of €1,283 million, and including goodwill impairment for €5 million (see note 7 "Asset impairment"). Other income and expenses from operations excluding goodwill impairment totaled - €122 million and break down into - €69 million for "Food and general retailing", €5 million for "Sporting goods retailing", and - €58 million for holding and investment portfolio activities.

As at December 31, 2007:

(In € millions)	Food and general retailing	Sporting goods retailing	Other business	Continuing activities	Discontinued activities	Total 2007
Segment net sales	24,972	754	10	25,736	649	26,385
Operating income before depreciation, amortization, provisions	1,839	16	78	1,933	21	1,954
Depreciation and amortization of segment assets	(602)	(18)		(620)		
Provisions, including goodwill impairment	(48)	(1)	(10)	(59)	(1)	(60)
Segment income (loss)	1,189	(3)	68	1,254	20	1,274
Net income from associated companies	17		1	18		18

(In € millions)	Food and general retailing	Sporting goods retailing	Other	Sub-total	Held-for-sale assets and liabilities	Total 2007
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Net carrying amount of segment assets	23,203	383	1,338	24,924	2	24,926
Investments in associated companies	277		2	279		279
TOTAL CONSOLIDATED ASSETS	23,480	383	1,340	25,203	2	25,205
Total consolidated liabilities	15,330	271	3,196	18,797		18,797
Cost of investments	3,027	26	152	3,205	11	3,216
Registered workforce	159,946	5,963	93	166,002		166,002

The aggregate segment income from continuing operations totaled €1,254 million, resulting from segment current operating income from continuing operations of €1,261 million, and including goodwill impairment for €7 million (see note 7 "Asset impairment"). Other income and expenses from operations excluding goodwill impairment totaled €168 million and break down into €146 million for "Food and general retailing", €20 million for "Sporting goods retailing", and €2 million for holding and investment portfolio activities.

26.2. Secondary segmentation: geographic segments

As at December 31, 2008:

(In € millions)	France	North America	Latin America	Asia	Other segments*	Eliminations and items not allocated	Continuing operations	Discontinued operations	Total 2008
Net sales	19,230		6,077	1,590	2,546	5	29,448	15	29,463
Net carrying amount of assets	13,809	197	4,409	876	1,564	3,837	24,692	237	24,929
Cost of investments	1,097	1	368	109	559		2,134		2,134

* "Other segments" aggregate business in the Netherlands, the Indian Ocean and Poland.

As at December 31, 2007:

(In € millions)	France	North America	Latin America	Asia	Other segments*	Eliminations and items not allocated	Continuing operations	Discontinued operations	Total 2007
Net sales	18,628		4,686	1,536	884	2	25,736	649	26,385
Net carrying amount of assets	13,559	297	4,847	909	954	4,358	24,924	2	24,926
Cost of investments	692	50	2,141	126	196		3,205	11	3,216

* "Other segments" aggregate business in the Netherlands, the Indian Ocean and Poland.

| **Note 27. Full cost of goods sold**

(In € millions)	2008	2007
Purchases and changes in inventory	(20,821)	(17,896)
Logistics costs	(1,116)	(999)
Full cost of goods sold	(21,937)	(18,895)

| **Note 28. Breakdown of expenses by nature and function****As at December 31, 2008:**

(In € millions)	Logistics costs ⁽¹⁾	Selling costs	General and administrative expenses	Total
Personnel expenses	(367)	(2,447)	(612)	(3,426)
Other expenses	(709)	(2,324)	(429)	(3,462)
Depreciation and amortization expenses	(40)	(565)	(91)	(696)
TOTAL	(1,116)	(5,336)	(1,132)	(7,584)

As at December 31, 2007:

(In € millions)	Logistics costs ⁽¹⁾	Selling costs ⁽¹⁾	General and administrative expenses	Total
Personnel expenses	(292)	(2,175)	(522)	(2,989)
Other expenses	(670)	(2,145)	(387)	(3,201)
Depreciation and amortization expenses	(38)	(515)	(72)	(625)
TOTAL ⁽²⁾	(999)	(4,834)	(981)	(6,815)

(1) Logistics costs are included in the "Full cost of goods sold".

(2) Figures differ from those published as at December 31, 2007 – see note 29.

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| Note 29. Reconciliation of 2007 accounts by nature

(In € millions)	Decem- ber 31, 2007 - pu- blished	Logistics costs repositio- ned by nature	Reclassifications for presentation				Reclassifi- cation as discon- tinued opera- tions	Decem- ber 31, 2007 - restated
			Other income ⁽¹⁾	Transpor- tation ⁽²⁾	External personnel ⁽³⁾	Provisions ⁽⁴⁾		
Sales	25,755		4				(23)	25,736
Other income	404		(169)					235
Purchases and changes in inventory (18,032)				122			14	(17,896)
Logistics costs	(890)	890						-
Personnel expenses ⁽⁵⁾	(2,611)	(212)	32		(182)	(20)	4	(2,989)
Other expenses ⁽⁵⁾	(2,625)	(650)	124	(122)	182	(116)	5	(3,202)
Depreciation, amortization and provisions	(740)	(29)	9			136		(624)
Current operating income	1,261							1,261

(1) Re-billed expenses are now presented as a deduction from "other expenses" and "personnel expenses".

(2) Costs of transportation before first delivery to all the Group's sites, if not invoiced with the goods, are now presented under "other expenses" of the logistics function rather than as "purchase cost".

(3) Personnel expenses now include external personnel expenses (temporary, etc.), which were previously presented under "other expenses".

(4) Provision allowances and reversals are now presented in the expense line items by nature.

(5) The accounts by nature are henceforth presented according to the three functions: logistics, selling costs, and general and administrative expenses in note 28.

| Note 30. Other income and expenses from operations

(In € millions)	2008	2007
Income from asset disposals ⁽¹⁾	48	298
Asset impairment ⁽²⁾	(56)	(34)
Restructuring	(27)	(28)
Provisions for litigation	(19)	(18)
Provisions for risks	(32)	(24)
Risk in connection with the Exito TRS transaction ⁽³⁾	(27)	
Miscellaneous	(14)	(33)
Total other expenses from operations	(175)	(137)
TOTAL OTHER INCOME AND EXPENSES FROM OPERATIONS	(127)	161

(1) As at December 31, 2008, income from asset disposals included €31 million under the program of real estate sales announced on December 3, 2008, €22 million from the sale of Mercialis shares and impairment losses on Rallye's unlisted investment portfolio (€8 million). As at December 31, 2007, income from asset disposals consisted mainly of €255 million from transactions carried out with OPCI (real estate investment funds).

(2) See details below:

(In € millions)	2008	2007
Impairment losses on goodwill	(5)	(7)
Impairment losses on intangible assets	2	(5)
Impairment losses on property, plant and equipment	(17)	(22)
Reversal of impairment of the Laurus shares		14
Depreciation of available-for-sale financial assets	(29)	
Other losses	(7)	(14)
TOTAL NET ASSET IMPAIRMENT LOSSES	(56)	(34)

(3) "Provision for risks" includes a provision for a likely loss on the "Total Return Swap" transaction (see note 20.3).

| Note 31. Cost of net financial debt

(In € millions)	2008	2007
Gain from the sale of cash-equivalents	23	35
Revenue from cash and cash-equivalents	39	32
Income from cash and cash-equivalents	62	67
Interest expense on financing activities after hedging	(632)	(528)
Interest expense on lease finance contracts	(7)	(7)
Cost of gross financial debt	(639)	(535)
Cost of net financial debt	(577)	(468)

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| Note 32. Other financial income and expenses

(In € millions)	2008	2007
Financial income from investments	5	9
Foreign exchange gains (excluding financing activities)	26	62
Income from discounting calculations	10	7
Income from financial discounts	0	0
Positive change in the fair value of non-hedging derivatives	37	25
Positive change in the fair value of financial assets valued at their fair value	51	66
Other financial income	53	42
Total other financial income	182	211
Foreign exchange losses (excluding financing activities)	(32)	(54)
Expenses from discounting calculations	(18)	(29)
Negative change in the fair value of non-hedging derivatives	(64)	(40)
Negative change in the fair value of financial assets assessed at fair value	(121)	(42)
Other financial expenses	(33)	(42)
Total other financial expenses	(268)	(207)
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	(86)	4

"Financial income from investments" represents dividends received from non-consolidated companies.

| Note 33. Income tax expense

33.1. Breakdown

(In € millions)	2008	2007
Tax due	(158)	(322)
Deferred tax	(54)	26
TOTAL INCOME TAX	(213)	(296)

33.2. Reconciliation of income tax expense and income before tax

(In € millions)	2008	2007
Income before tax and income from associated companies	493	958
Theoretical tax rate	34.43%	34.43%
Theoretical income tax expense	(170)	(330)
Impact from different tax rates ⁽¹⁾	22	80
Theoretical effect of temporary differences eligible for the zero tax rate	(128)	(39)
Miscellaneous tax	63	(7)
<i>Tax credit on notional interest deduction</i>	9	5
<i>Tax credit for investments in France and abroad</i>	27	3
<i>Recognition and write-off of tax losses</i>	7	(8)
<i>Reversal of tax provisions</i>	11	
<i>Miscellaneous</i>	9	(7)
Actual tax expense	(213)	(296)

(1) Refers mainly to the reduced rate on sales to the OPCI real estate investment funds (see note 5.2).

33.3. Major "permanent" differences

(In € millions)	2008	2007
Effect of tax losses not recognized as assets	(377)	(145)
Non-deductible expenses	(10)	
Depreciation reversal on Laurus		14
Mercialys non-taxable income	38	23
Tax-free income (dilution profits / losses)	(8)	3
Share-based payments amortization	(13)	(13)
Miscellaneous	(1)	5
TOTAL OF THE MAIN TEMPORARY DIFFERENCES ELIGIBLE FOR THE ZERO TAX RATE	(371)	(113)
Theoretical tax rate	34.43%	34.43%
Tax effect, at the theoretical tax rate, of the temporary differences eligible for the zero tax rate	(128)	(39)

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| Note 34. Income from associated companies

(In € millions)	2008	2007
CBD		(4)
Super de Boer (formerly Laurus)		4
Exito ⁽¹⁾		7
Other	1	2
Associated companies of the Franprix & Leader Price group	12	9
AEW Immocommercial	3	
Easy Colombia	(1)	
Associated companies of the Cdiscount group	(1)	
Associated companies of the Super de Boer group	(1)	
Income from associated companies	13	18

(1) The share in net income of Exito reflects the period from January 1 to April 30, 2007. After that date, the company was fully consolidated (see note 2.1.1).

| Note 35. Discontinued operations

In 2006 and 2007, the Group sold its retailing operations in Poland and its business activities in the United States. As the sporting goods retailing operations in Belgium, which were sold in 2007, made up a separate major geographical area of operations of Groupe GO Sport, their contribution to the income statement is presented under "discontinued operations".

The income statement for Belgian, Polish and American business activities, presented in a single line item entitled "net income from discontinued operations", breaks down as follows:

(In € millions)	2008				2007			
	Sporting goods retailing Belgium	Food and general retailing		Total 2008	Sporting goods retailing Belgium	Food and general retailing		Total 2007
		Poland	USA			Poland	USA	
Current operating income	(6)	(1)		(7)	(1)	(1)	21	19
Other income and expenses from operations	3	(11)	(4)	(12)		34	111	145
Operating income	(3)	(12)	(4)	(19)	(1)	34	132	165
Cost of net financial debt							(2)	(2)
Other financial income							5	5
Other financial expenses								
Income before tax	(3)	(12)	(4)	(19)	(1)	34	135	168
Income tax expense		2	1	3		(6)	(9)	(15)
Income from associated companies							1	1
Net income – Discontinued operations	(3)	(10)	(3)	(16)	(1)	28	127	154
Of which, Group's share	(2)	(4)	(1)	(8)	(1)	14	59	72
Of which, Minority interests	(1)	(6)	(1)	(8)		14	68	82

Items recorded as expenses for 2008 concerning Polish and American business activities consist essentially in provisions against guarantees issued upon the sale of the corresponding assets (see note 37.2), and have not given rise to any outlays.

Cash flows from discontinued operations are set out in the table below:

(In € millions)	Belgium	North America	2007
Net cash provided by operating activities	3	15	18
Net cash used in investment transactions	(1)	(44)	(45)
Net cash used in financing transactions		(3)	(3)
Translation difference			
Net change in cash from discontinued operations	2	(31)	(29)
Net opening cash balance of the discontinued operations	1	31	32
Net opening cash balance of FEG reclassified as assets held for sale			(17)
Net reclassified opening cash balance			14
Change in cash from sale of FEG			17
Net change in cash from discontinued operations		(31)	(31)
Closing cash balance	3		3
Net cash reclassified for sale			3

| Note 36. Earnings per share

Earnings per share before dilution and diluted earnings per share have the same numerator in 2008.

36.1. Weighted average number of shares

	2008	2007
Weighted average number of shares outstanding over the period		
total number of shares ⁽¹⁾	42,664,592	39,268,811
treasury shares	(677,565)	(190,513)
Weighted average number of shares before dilution	41,987,027	39,078,298
Share equivalents from stock option plans	1,072,896	826,212
Total weighted average number of shares		826,212
Non-dilutive instruments (off-market or hedged with calls)	(1,072,896)	(360,758)
Weighted average number of dilutive instruments		465,454
Theoretical number of shares repurchased at market price ⁽¹⁾		(371,046)
Dilution effect of stock option plans		94,408
Bonus shares allocation plan	56,813	82,203
Effect of all potentially dilutive shares	56,813	176,611
Weighted average number of shares after dilution	42,043,840	39,254,909

(1) In accordance with the treasury stock method, proceeds from the exercise of warrants and options are assumed to be allocated primarily to the repurchase of shares at market value. The theoretical number of shares to be repurchased is deducted from the total number of shares resulting from the exercise of warrants and options. The theoretical number is capped at the number of shares resulting from the exercise of the warrants and options.

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36.2. Net income, Group's share

	2008	2007
Net income, Group's share (in € millions)	(86)	288
Weighted average number of shares outstanding	41,987,028	39,078,299
Basic earnings per share (in €)	(2.05)	7.37
Weighted average number of shares outstanding after dilution ⁽¹⁾	42,043,840	39,254,910
Diluted earnings per share (in €)	(2.05)	7.34

(1) When basic earnings per share are negative, diluted earnings per share are of the same amount. Equity instruments cannot have an anti-dilutive effect on earnings per share.

36.3. Net income, Group's share – Continuing operations

	2008	2007
Net income, Group's share (in € millions)	(78)	215
Weighted average number of shares outstanding	41,987,028	39,078,299
Basic earnings per share (in €)	(1.85)	5.51
Weighted average number of shares outstanding after dilution ⁽¹⁾	42,043,840	39,254,910
Diluted earnings per share (in €)	(1.85)	5.49

(1) When basic earnings per share from continuing operations are negative, diluted earnings per share are of the same amount. Equity instruments cannot have an anti-dilutive effect on earnings per share.

36.4. Net income, Group's share – Discontinued operations

	2008	2007
Net income, Group's share (in € millions)	(8)	73
Weighted average number of shares outstanding	41,987,028	39,078,299
Basic earnings per share (in €)	(0.20)	1.86
Weighted average number of shares outstanding after dilution ⁽¹⁾	42,043,840	39,254,910
Diluted earnings per share (in €)	(0.20)	1.86

(1) When basic earnings per share from discontinued operations are negative, diluted earnings per share are of the same amount. Equity instruments cannot have an anti-dilutive effect on earnings per shares.

| Note 37. Contingent assets and liabilities and other contractual obligations

The financial, legal and tax departments, which are involved in preparing the Group's contracts, are responsible for ensuring that the list of commitments stated in the reporting package is complete.

37.1. Commitments related to current operations

(In € millions)	2008	2007
Bank guarantees and securities received	31	71
Receivables with guarantees attached	106	101
Unused confirmed credit facilities	3,396	3,671
TOTAL COMMITMENTS RECEIVED	3,533	3,843
Bank guarantees and securities granted	240	36
Assets pledged as security ⁽¹⁾	68	99
Authorized customer credit reserve ⁽²⁾	1,340	1,601
Other commitments made	64	90
TOTAL COMMITMENTS MADE	1,712	1,826
Other reciprocal commitments	299	434
TOTAL RECIPROCAL COMMITMENTS	299	434

(1) Assets pledged as security relate to a mortgage on a store in Argentina, given to the government of the province of Cordoba, mortgages on several CBD's buildings given to the Brazilian tax administration and mortgages on various assets and investments in the Indian Ocean region, given to lending institutions.

(2) Financing commitments (authorized customer credit lines) granted to customers of Banque du Groupe Casino total €1,340 million. These may be drawn upon at any time. In this report, the commitments fall under the definition authorized by the French Banking Commission for the calculation of ratios, i.e. excluding customers who have been inactive for two years.

Commitments made by the French subsidiaries under the Individual Right to Education provided by law amounted to 4,163,998 hours as at December 31, 2008, as against 3,483,859 hours as at December 31, 2007. Rights used for 2008 totaled 86,446 hours. Moreover, the Casino group was subject to a tax audit regarding the 1998 period. The audit concluded that the recovery of certain tax deficits and the deductibility of a provision for the depreciation of assets were unjustified. The Casino group has contested these conclusions, and is confident as to the favorable outcome of the case. As a result, no provision has been made to this effect. Concerning the second tax adjustment motive, in October 2008, the administrative court ruled in favor of the tax authorities. The Group contests the decision and has filed an appeal. The disputed amount of €11 million has not been provisioned.

As at December 31, 2008, 23,429,368 Casino ordinary shares were pledged to financial institutions as security for loans and credit lines.

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37.2. Commitments resulting from exceptional operations

(In € millions)	2008	2007
Guarantees granted related to the disposal of ⁽¹⁾ :		
<i>Polish activities</i>	76	96
<i>Smart & Final shares</i>	3	3
<i>assets to the OPCI fund AEW Immocommercial</i>	28	23
<i>assets to the OPCI fund Immocio (Generali)</i>	5	5
Other commitments made	15	15
TOTAL COMMITMENTS MADE	127	142
Commitments to purchase shares ⁽²⁾ :		
<i>Monoprix</i>	1,200	850
<i>Franprix / Leader price</i>	236	335
<i>Uruguay</i>	49	44
<i>Sendas Distribuidora (Brazil)</i>	55	91
Other reciprocal commitments		
TOTAL RECIPROCAL COMMITMENTS	1,540	1,320

(1) The Casino group granted the usual guarantees for the asset sales it concluded, particularly:

- Under the sale of the shares of Leader Price Polska, Casino guarantees the buyer against non-provisioned risk originating prior to the sale and which may arise subsequently. The guarantee, in the amount of €17 million for a maximum of 18 months, may be increased to €50 million to cover tax risks, expiring at a date in keeping with the statute of limitations applicable to the said risks. As at December 31, 2008, following a demand for compensation from the buyer, a provision of €6 million was recorded for estimated probable risk.

- Under the terms of the sale of hypermarket businesses, Mayland (formerly Géant Polska) guarantees the buyer against non-provisioned risk originating prior to the sale and which may arise subsequently. The guarantee amounted to €46 million and was granted for a maximum 24-month period from the sale date. The duration of the guarantee may be extended to 8 years in the event of environmental requirements. The amount has decreased since 2008. As at December 31, 2008, it amounted to €37 million. A provision for risk estimated at €5 million has been deducted from the amount presented in the table above, reducing it to €32 million.

- Under the contribution/sale of assets to the OPCI fund AEW Immocommercial, Immobilière Groupe Casino guarantees the OPCI against any loss that may result from non-compliance with the notifications and guarantees issued, for up to €23 million until March 31, 2009, and €5 million until May 31, 2009.

(2) The contractual valuation of commitments to sell or buy shares may be based on multiples of company profitability indicators. In this instance, their valuation is calculated on the basis of the best information available: the latest figures available, if the option may be exercised at any time; or income expected for the coming years, if the option can only be exercised after a certain date. In many cases, Groupe Casino granted promises to purchase (puts), but is also the recipient of promises to sell (calls). The figure reported is the value of the promises to purchase granted.

In compliance with IAS 32, the purchase commitments given to fully consolidated subsidiaries are not recognized in off-balance-sheet commitments. They are accounted for as "financial liabilities" at their net present value or at their fair value (see. note 22.4 "Put options granted to minority shareholders").

Monoprix: On December 22, 2008, the Casino and Galeries Lafayette groups signed an amendment to their strategic agreement of March 2003, suspending the call and put options on Monoprix shares for a three-year period.

Consequently, the call option held by Casino on 10% of Monoprix's share capital and the put option held by Galeries Lafayette on 50% of Monoprix's share capital may not be exercised before January 1, 2012. The other terms and conditions relating to the exercise of put and call options were not modified.

The other provisions of the strategic agreement of March 2003 were not modified.

The Casino group had Monoprix's shares valued as at December 31, 2008 by an external appraiser. The aggregate value of the shares was estimated at between €2,400 and €2,500 million. The off-balance-sheet commitment relating to 50% of Monoprix's shares was reported at €1,200 million.

Franprix/Leader Price: options on the shares of a wide variety of companies not yet held by Casino. These purchase commitments run up until 2043 and their price is based on the operating performance of the companies in question.

Uruguay: the family shareholders received a purchase commitment granted by Casino on 29.3% of the company Disco. This option may be exercised until June 21, 2021. Its price is based on the company's operating performance, with a minimum price of US\$52 million, plus interest, at the rate of 5% per year.

Brazil: CBD granted the shareholders of the Brazilian company Sendas Distribuidora a put option on their investment. The Sendas family thus has the right to exchange its 42.57 % stake for preferred shares in CBD. The exchange may be structured, at CBD's option, by the issue of shares or by a cash settlement. The Sendas family gave notification that it would exercise its put on January 5, 2007. There is a dispute over the exercise price of this option. Consequently, the shares had not been delivered as at December 31, 2008. The put remained accounted for as an off-balance sheet commitment.

The Group issued the Diniz family, the partner with whom it exercises joint control over CBD Brazil, two put options on the shares of the holding company, making up 0.4% and 8.5% of CBD's capital. The exercise of the first put may take place beginning in 2012 if Casino exercises its right to elect the chairman of the Board of the holding company at this date. In the event that the first put is exercised, the second may be exercised during a period of eight years beginning in 2015. The Group has received a commitment to sell on the shares under the first put, and which represents 0.4% of CBD's capital. This call option may be exercised under certain conditions.

In addition, the Group has received a commitment to sell on 6.24% of the share capital of Super de Boer. It may be exercised as of January 1, 2008 and until March 31, 2009. It also has received a commitment to sell relating to the shares of the company Banque du Groupe Casino for 40% of the company's shares, which may be exercised until June 2025 with 18 months' notice.

Lastly, under the terms of its partnership with Corin, Mercialys has acquired 60% of the joint ownership rights on certain assets located in Corsica for €90 million. It is stipulated that, should the joint ownership agreement not be renewed, and at the earliest on June 15, 2011, Corin and Mercialys will contribute their joint ownership rights to a company to be created. Mercialys has committed itself to buying Corin's joint interest (40%) or the shares in the duly created company, under the following terms:

- Mercialys makes an irrevocable commitment to purchase Corin's joint interest (or its shares in the company), subject to its option of a counter-proposal, and Corin makes an irrevocable commitment to sell its rights to Mercialys;*
- in the event that Corin exercises its advance purchase commitment, no earlier than January 31, 2017, Mercialys may either stand in for a third party's rights and obligations, or free itself from its purchase commitment by offering Corin the right to purchase its joint interest. The protocol provides the terms for asset valuation. A discount of 20% would apply in this case. Corin may also choose to be replaced by a third party as the recipient of the commitment.*

These commitments constitute conditional off-balance-sheet commitments, whose outcome cannot be predicted. In the event that they are fulfilled, the valuation of assets as provided for in the protocol will represent market value.

37.3. Contingent assets and liabilities

The Group is involved in a number of disputes and arbitrations with third parties or the tax authorities of certain countries in relation to its normal business activities. Provisions are recorded for these disputes and arbitrations if there is a legal, contractual or implicit obligation to a third party at the date of the financial statements, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities arising from investments in associates and joint ventures are described in notes 8 and 9.

Dispute with the Baud family:

The Arbitration Court called upon to deliberate on the terms and conditions of the operational takeover of the Franprix-Leader Price companies by the Casino group in March and April 2007, and on the validity of the exercise of the put option by the Baud family, will issue its arbitration award at the end of June 2009. The Casino group, which has notified the minority shareholders that their rights are null and void and has claimed compensation for the losses incurred due to mismanagement by the former executives, is confident of the favorable outcome of the case. However, pending the Arbitration Tribunal's award, the Group has maintained a current financial liability in its accounts (€420 million as at December 31, 2008) corresponding to the value calculated under the contractual terms of the put option. The amount recorded differs from the amount requested by the Baud family (between €475 and €581 million depending on the assumptions applied), which was miscalculated and has been contested by the Casino group.

Furthermore, additional appraisals have been conducted on the construction costs of stores and a warehouse. As at December 31, 2008, the majority of the appraisals had been performed and an expense of €5 million was recorded in "other expenses from operations" for shortfalls, which have been written off in the amount of the associated net book values. The appraisals will be completed in 2009, at which time any immaterial residual expenses may be recorded.

The 2006 and 2007 financial statements of Franprix Holding and Leader Price Holding and those of their main subsidiaries, which were prepared under the partial or full responsibility of their former directors, were not approved by the majority shareholder.

In connection with the dispute between the Casino group and the Baud family, a temporary administrator was appointed in May 2008 to head Geimex, the owner of the Leader Price brand abroad (not including mainland France and the overseas territories), which is 50% owned by Casino and 50% by the Baud family. The Casino group had requested the appointment of the administrator as early as September 2007. Now the administrator's role is to approve the 2006 and 2007 financial statements so that they can be presented at the Annual Shareholders' Meeting before June 30, 2009.

Geimex is proportionately consolidated in the Group's consolidated financial statements. Casino's interests in the company total €73 million, including goodwill of €60 million.

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37.4. Commitments relating to finance and operating leases

Lessee of real estate finance leases

The Group has entered into finance leases for real estate and investment property. The reconciliation of minimum future lease payments for finance leases and the present value of the net minimum lease payments is as follows:

(In € millions)	2008	
	Minimum payments	Present value of payments
Less than 1 year	15	10
1-5 years	48	40
Over 5 years	24	14
Total minimum payments under the lease	87	
Less financing cost amounts	(21)	
Present value of minimum payments under the lease	66	65

(In € millions)	2007	
	Minimum payments	Present value of payments
Less than 1 year	39	34
1-5 years	113	98
Over 5 years	43	24
Total minimum payments under the lease	195	
Less financing cost amounts	(39)	
Present value of minimum payments under the lease	156	156

Lessee of finance leases on movable assets

The Group has entered into finance leases and rent-to-own agreements for various types of equipment. The reconciliation of the minimum future lease payments for finance leases and the present value of the net minimum lease payments is as follows:

(In € millions)	2008	
	Minimum payments	Present value of payments
Less than 1 year	47	45
1-5 years	72	61
Over 5 years		
Total minimum payments under the lease	119	
Less financing cost amounts	(14)	
Present value of minimum payments under the lease	106	106

(In € millions)	2007	
	Minimum payments	Present value of payments
Less than 1 year	11	9
1-5 years	13	12
Over 5 years		
Total minimum payments under the lease	24	
Less financing cost amounts	(3)	
Present value of minimum payments under the lease	21	21

Lessee of operating leases on real estate assets

The Group either owns the premises in which its businesses operate, or leases them under operating leases. The minimum future lease payments payable for operating leases are as follows:

(In € millions)	2008	2007
	Minimum payments	Minimum payments
Less than 1 year	442	353
1-5 Years	856	681
Over 5 years	574	463

Lessee of operating leases on movable assets

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 the assets.

The minimum future lease payments for operating leases are as follows:

(In € millions)	2008	2007
	Minimum payments	Minimum payments
Less than 1 year	26	20
1-5 years	34	19
Over 5 years		

Lessor of operating leases

The minimum future lease payments receivables for operating leases which cannot be terminated are as follows:

(In € millions)	2008	2007
	Minimum payments	Minimum payments
Less than 1 year ⁽¹⁾	201	160
1-5 years	247	170
Over 5 years	86	70

(1) The rent expense amounted to €493 million for 2008, as against €383 million for 2007.

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| Note 38. Currency exchange rates

Currency exchange rates for one Euro	2008		2007	
	Closing	Average	Closing	Average
US dollar (USD)	1.3917	1.4706	1.4721	1.3706
Polish Zloty (PLN)	4.1535	3.5151	3.5935	3.7831
Argentine Peso (ARS)	4.8631	4.642	4.63	4.2718
Uruguay Peso (UYP)	34.3869	30.5817	31.6319	32.0498
Taiwan Dollar (TWD)			47.7097	44.9918
Thai Baht (THB)	48.285	48.456	43.8	44.2133
Colombian Peso (COP)	3,162.89	2,873.4283	2,967.8800	2,836.5830
Brazilian Real (BRL)	3.2436	2.6745	2.6119	2.6635
Venezuelan Bolivar (VEB)	3,026.18	3,157.0475	3,159.22	2,945.0684
Vietnamese Dong (VND)	24,644.00	23,960.8182	23,543.7000	22,102.1100

| Note 39. Transactions with related parties

Related parties include:

- parent companies;
- entities which exercise joint control or notable influence over the entity;
- subsidiaries;
- associates;
- joint ventures;
- members of the Board of Directors and members of the Executive Board.

The Company, as part of the Group's day-to-day management, keeps a constant relationship with all of its subsidiaries. In addition, the Company benefits from the guidance of its majority shareholder Euris, the Group's ultimate controlling company, under the terms of a strategic advisory services agreement signed in 2003.

The transactions with related parties summarized below mainly concern the operational transactions with companies over which the Group exercises notable influence or joint control. These companies are consolidated under the equity method or are proportionately consolidated. The transactions are concluded at market price.

Transactions with related parties who are natural persons (directors, executive officers and members of their family) were not material, nor were transactions with the parent companies.

39.1. Transactions with the parent company

The financial statements of the Rallye group are integrated in the consolidated financial statements prepared by the company Foncière Euris, whose registered office is located at 83, rue du Faubourg Saint Honoré – 75008 Paris France (Registration number: 702 023 508). The fiscal year of Foncière Euris ended on December 31, 2008.

There were no transactions between the Rallye group and Foncière Euris during 2008.

A partnership has been set up between Foncière Euris and Rallye to enable one of Rallye's subsidiaries (Parinvest) to continue investing in projects developed by Foncière Euris. Under the terms of the partnership agreement, which has been concluded for an initial duration of four years, Foncière Euris will offer Parinvest a maximum 50% stake in projects that have already obtained building permits, while Parinvest reserves the right to accept or decline the offer. The investment is made on the basis of external valuations. For projects being set up that have not yet obtained building permits, Foncière Euris has the right, but not the obligation, to offer to enter into partnership with Parinvest.

In exchange, Parinvest has agreed not to set up or participate in any new shopping center projects without offering Foncière Euris the opportunity to participate. The partnership agreement was implemented for the Manufaktura, Beaugrenelle, Carré de Soie and Wzgorze shopping centers.

39.2. Transactions with joint ventures and associates

(In € millions)	December 31, 2008		December 31, 2007	
	Transactions	Outs- tanding balance	Transactions	Outs- tanding balance
Total transactions with joint ventures:				
Loans		4		4
Receivables	93	111	3	18
Debts	33	82	(15)	49
Expenses	47		66	
Income	52		51	
Total transactions with associates:				
Loans			3	28
Receivables	17	17	(146)	
Debts	(1)		(1)	1
Expenses	1		1	
Income	25			

39.3. Gross remuneration of directors and executives

(In € millions)	2008	2007
Amount of compensation granted ⁽¹⁾	6	4
Short-term benefits (social security charges)	3	2
Post-employment benefits		
Termination indemnities due to the main executive officers		
Share-based payment ⁽²⁾	1	1
TOTAL	10	7

(1) Gross salaries; bonuses; benefits in kind and director's fees paid.

(2) Expense recorded in the income statement for the year to account for the stock option and bonus share plans.

Note 40. Subsequent events**40.1. Repayment of Rallye bonds maturing in January 2009**

Rallye repaid at maturity its 5.375%-coupon bonds issued in January and April 2004 for a total of €496 million, corresponding to the 470,840 bonds still outstanding at the maturity date.

40.2. New bond issue

In February 2009, the Casino group floated a bond issue in the amount of €500 million, bearing interest at 7.875%, and maturing in August 2012.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40.3. Further implementation of a real estate value-creation strategy through the contribution to Mercialys of a portfolio of Alcudia real estate assets.

Casino shareholders receive dividends paid in Mercialys shares.

On March 5, 2009, Casino announced that it would contribute to Mercialys a portfolio of Alcudia real estate assets made up of real estate development projects developed by Casino and hypermarket selling and reserve areas, with a total value of €334 million.

This operation, which represents a major step in the Alcudia program, is part of a strategy set up by Casino in 2005 to valorize and monetize real estate assets. As payment for its contributions, Mercialys will issue new shares to the Casino group, bringing Casino's interest in Mercialys up from 59.7% to 66.1%. This transaction will enable Mercialys to significantly increase the amount of its real estate holdings, and to take advantage of the growth potential they offer, while at the same time consolidating its financial structure.

Building on Mercialys' entry into the stock market in 2005, and in order to preserve the company's status as an SIIC (a real estate investment company listed on the stock market), Casino intends to directly involve its shareholders in the growth of Mercialys and in the prospects of value creation included in the contribution transaction. To this end, at its next Joint Shareholders' Meeting, Casino will propose that it distribute to all of its shareholders (bearers of ordinary and preferred shares), in addition to its ordinary cash dividend payment, a dividend paid in Mercialys shares, in the amount of one Mercialys share for every eight Casino shares held. This dividend payment in kind represents, as at March 5, 2009, an amount of approximately €3.07 per share held. After this dividend payment in kind is made, the Casino group will own approximately 50.4% of the capital and voting rights of Mercialys, and it intends to remain the majority shareholder of Mercialys on a long-term basis. Rallye will own 7.6% of the capital and voting rights of Mercialys.

40.4. Enhancement of Casino share profile following the conversion of preferred shares into ordinary shares

On March 4, 2009, Casino's Board of Directors unanimously approved the conversion of preferred shares without voting rights into ordinary shares with voting rights, on the basis of six ordinary shares for seven preferred shares. This transaction exemplifies Casino's desire to streamline its capital structure and to improve its share profile by increasing its float of ordinary shares.

MAIN CONSOLIDATED COMPANIES AS AT DECEMBER 31, 2008

Company	Registered office	Activity	Consolidation method	2008	
				% interest	% control
Rallye SA	75008 Paris	Holding		Parent company	
Alpétrol SAS	75008 Paris	Holding	Full	100	100
Bruyère (La) SA	75008 Paris	Holding	Full	67	67
Cobivia SAS	75008 Paris	Holding	Full	100	100
Colisée Finance 2 SA	75008 Paris	Holding	Full	100	100
Colisée Finance 3 SAS	75008 Paris	Holding	Full	100	100
Colisée Finance 4 SAS	75008 Paris	Holding	Full	100	100
Genty Immobilier SAS	75008 Paris	Real estate	Full	100	100
H.M.B SAS	75008 Paris	Holding	Full	100	100
Kerrous SAS	75008 Paris	Holding	Full	100	100
Kergorju SCI	29200 Brest	Real estate	Full	100	100
Magasins Jean SAS	29200 Brest	F&G retailing	Full	100	100
Matignon Sablons SAS	75008 Paris	Real estate	Full	100	100
Matimmob 1 SAS	75008 Paris	Real estate	Full	100	100
Mermoz Kléber SAS	75008 Paris	Holding	Full	100	100
MFD Finance SAS	75008 Paris	Holding	Full	100	100
MFD Inc. (ex Athlete's Foot Group Inc.)	GA 30331 Atlanta	Holding	Full	100	100
Miramont Finance & Distribution SA	75008 Paris	Holding	Full	100	100
O.C.P. SAS	75008 Paris	Holding	Full	100	100
Perrières (Des) SCI	75008 Paris	Real estate	Full	100	100
Sables (Les) SCI	75008 Paris	Real estate	Full	62.5	62.5
Sivigral SCI	75008 Paris	Real estate	Equity	40	40
Soparin SAS	75008 Paris	Holding	Full	100	100
Parande SAS	75008 Paris	Holding	Full	100	100
Alexa Group GmbH	Düsseldorf	Real estate	Full	27	50
Alexanderplatz Voltairestrasse GmbH	Berlin	Real estate	Full	54	54
Alta Marigny Carré de Soie SNC	75002 Paris	Real estate	Proportionate	25	25
Centrum Alexa SARL	Luxembourg	Real estate	Full	60	60
Centrum Gdynia SARL	Luxembourg	Real estate	Proportionate	50	50
Centrum Lacina SP Zoo	Varsovie	Real estate	Proportionate	50	50
Centrum Leto SARL	Luxembourg	Real estate	Full	100	100
Centrum Poznan SARL	Luxembourg	Real estate	Full	100	100
Centrum Weiterstadt SARL	Luxembourg	Real estate	Full	60	60
Centrum Wzgorze SP Zoo	Gdynia	Real estate	Proportionate	25	25
Einkaufszentrum Am Alex GmbH	Berlin	Real estate	Full	54	90
Gutenbergstrasse BAB5 GmbH	Berlin	Real estate	Full	48	80
HBF Konigswall GmbH	Berlin	Real estate	Full	100	100
IG Real Estate Investments SRL	Bucarest	Real estate	Full	66.5	100
IG Romanian Investments Ltd	Nicosia	Real estate	Full	81.6	81.6
Loop 5 Shopping Centre GmbH	Düsseldorf	Real estate	Proportionate	24	50
Marigny Expansion SAS	75008 Paris	Holding	Proportionate	50	50
Matignon -Tours SAS	75008 Paris	Holding	Full	100	100
Montech SAS	75008 Paris	Holding	Full	100	100
Parande Développement SAS	75008 Paris	Holding	Full	100	100
Parande Ventures (partnership)	New-York	Holding	Full	99	99

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Company	Registered office	Activity	Consolidation method	2008	
				% interest	% control
Parantech SAS	75008 Paris	Holding	Full	100	100
Pargest SAS	75008 Paris	Holding	Full	92.5	96.3
Pargest Holding SAS	75008 Paris	Holding	Full	96.1	96.1
Parinvest SAS	75008 Paris	Holding	Full	100	100
Pont de Grenelle SCI	75008 Paris	Real estate	Equity	20	20
Rivoli Participations SAS	75008 Paris	Holding	Equity	27.6	27.6
Euristates Inc.	Wilmington, Delaware 19801	Holding	Full	100	100
555 Watertown LLC	Watertown, Massachusetts 02472	Real estate	Full	95.5	100
Alameda Main LLC	Dover, Delaware 19901	Real estate	Full	95.5	100
Beacon Pleasant Street LLC	Wilmington, Delaware 19801	Holding	Full	84.4	86.2
EREC Ventures LLC	Wilmington, Delaware 19801	Holding	Full	97.9	100
EREC Ventures II LLC	Wilmington, Delaware 19801	Holding	Full	99.8	100
Euris North America Corp.	Wilmington, Delaware 19801	Holding	Full	100	100
ENAC Ventures LLC	Wilmington, Delaware 19802	Holding	Full	99.4	100
Euris Real Estate Corp.	Wilmington, Delaware 19801	Holding	Full	100	100
Parande Brooklyn Corp.	Wilmington, Delaware 19801	Holding	Full	100	100
Parande Brooklyn Ventures LLC	Wilmington, Delaware 19801	Holding	Full	95.7	100
Repton Place LLC	Boston, Massachusetts 02110	Real estate	Full	84.4	100
Ross Akard Acquisition LP	Dallas, Texas	Real estate	Full	83.2	85
Groupe GO Sport SA*	38360 Sassenage	Sporting goods retailing	Full	73.6	79.1
Buissières (Les) SAS	38360 Sassenage	Real estate	Full	73.6	100
Club Sports Diffusion SA	1050 Bruxelles	Sporting goods retailing	Full	73.6	100
Courir France SAS	38360 Sassenage	Sporting goods retailing	Full	73.6	100
Delort Sports SARL	38360 Sassenage	Sporting goods retailing	Full	73.6	100
GO Sport France SAS	38360 Sassenage	Sporting goods retailing	Full	73.6	100
GO Sport International SAS	38360 Sassenage	Sporting goods retailing	Full	73.6	100
GO Sport Les Halles SNC	38360 Sassenage	Sporting goods retailing	Full	73.6	100
Gosport.com SAS	38360 Sassenage	Sporting goods retailing	Full	73.6	100
GO Sport Polska SP Zoo	02801 Varsovie	Sporting goods retailing	Full	73.6	100
Grand Large Sport SAS	38360 Sassenage	Sporting goods retailing	Full	73.6	100
Limpat Investments BV	1102 Amsterdam	Sporting goods retailing	Full	73.6	100
Casino, Guichard-Perrachon SA*	42100 Saint-Étienne	F&G retailing	Full	48.6	61.7
AEW Immo commercial	75012 Paris	Real estate	Equity	10	20.5
Alcudia Promotion SAS	42100 Saint-Étienne	Real estate	Full	48.5	100
Groupe Anfilco (Disco)	Montevideo	F&G retailing	Proportionate	30.4	62.5
Balcadis 2 SNC	20220 Ile Rousse	F&G retailing	Full	48.6	100
Banque du Groupe Casino SA	75116 Paris	Banking	Proportionate	29.2	60
Bergsaar BV	Amsterdam	Holding	Full	48.6	100
Groupe Big C*	Lupini	F&G retailing	Full	30.7	63.2
Bonuela	Caracas	Holding	Full	48.6	100
Casino Carburants SAS	42100 Saint-Étienne	Gas stations	Full	48.6	100
Casino Information Technology SAS	42100 Saint-Étienne	Services	Full	48.6	100

Company	Registered office	Activity	Consolidation method	2008	
				% interest	% control
Casino International SAS	42100 Saint-Étienne	Services	Full	48.6	100
Casino Ré SA	Luxembourg	Insurance	Full	48.6	100
Casino Restauration SAS	42100 Saint-Étienne	Restaurants	Full	48.6	100
Casino Services SAS	42100 Saint-Étienne	Services	Full	48.6	100
Casino Vacances SNC	75009 Paris	Travel	Full	48.6	100
Cativen	Caracas	F&G retailing	Full	32.7	78.6
CBD (Companhia Brasileira de Distribuição)*	Sao Paulo	F&G retailing	Proportionate	16.7	34.5
Cdiscount SA	33700 Merignac	e- commerce	Full	39.3	100
Centrum Handlowe Jantar Sp. zoo	Warsaw	Real estate	Full	12.2	25
Centrum Handlowe Pogoria Sp. zoo	Warsaw	Real estate	Full	12.2	25
Club Avantages SAS	42100 Saint-Étienne	Loyalty cards	Full	47.6	98
Coboop BV	Amsterdam	Holding	Full	48.6	100
Codim 2 SA (Groupe Codim)	20200 Bastia	F&G retailing	Full	48.6	100
Comacas SNC	42100 Saint-Étienne	Purchasing	Full	48.6	100
Costa Verde SNC	20230 San Nicolao	F&G retailing	Full	48.6	100
Devoto	Montevideo	F&G retailing	Full	46.9	100
Dinetard SAS	42100 Saint-Étienne	Real estate	Full	48.6	100
Distribution Casino France SAS	42100 Saint-Étienne	F&G retailing	Full	48.6	100
Distridyn SA	75008 Paris	F&G retailing	Proportionate	24.3	50
Dunnhumby France SAS	42100 Saint-Étienne	Marketing	Proportionate	24.3	50
Easy Colombia SA	Piso	F&G retailing	Equity	14.6	30
Easydis SAS	42160 Andrézieux-Bouthéon	Logistics	Full	48.6	100
Easy Holland BV	Amsterdam	Holding	Equity	14.6	30
EMC Distribution SAS	75116 Paris	Purchasing	Full	48.6	100
Espace Warszawa Sp. zoo	Warsaw	Real estate	Full	12.2	25
Groupe Exito*	Medellin	F&G retailing	Full	29.4	60.4
Fidis 2 SNC	20240 Ghisonaccia	F&G retailing	Full	48.6	100
Finovadis SNC	92800 Puteaux	Finance	Full	0.5	1
Floréal SA	42100 Saint-Étienne	F&G retailing	Full	48.6	100
Géant Foncière BV	Amsterdam	Holding	Full	48.6	100
Géant Holding BV	Amsterdam	Holding	Full	48.6	100
Géant International BV	Amsterdam	Holding	Full	48.6	100
Geimex SA	75001 Paris	F&G retailing	Proportionate	24.3	50
Gelase SA	Bruxelles	Holding	Full	48.6	100
Hyper Rocade 2 SNC	20600 Furiani	F&G retailing	Full	48.6	100
IGC Promotion SAS	42100 Saint-Étienne	Real estate	Full	48.5	100
Immobilière Groupe Casino Services SAS	42100 Saint-Étienne	Real estate	Full	48.6	100
Intexa SA	42100 Saint-Étienne	Sans activité	Full	47.6	97.8
IRTS SARL	Le Grand Saconnex	Services	Full	48.6	100
Latic	Wilmington, Delaware	Holding	Full	48.6	100
Libertad SA	Cordoba	F&G retailing	Full	48.6	100
L'Immobilière Groupe Casino SAS	42100 Saint-Étienne	Real estate	Full	48.6	100
Lion de Toga 2 SNC	20200 Bastia	F&G retailing	Full	48.6	100
Marushka Holding BV	Amsterdam	Holding	Full	48.6	100

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Company	Registered office	Activity	Consolidation method	2008	
				% interest	% control
Mayland (ex Géant Polska)	Warsaw	F&G retailing	Full	48.6	100
Groupe Monoprix	92110 Clichy	F&G retailing	Proportionate	24.3	50
Onogan Promotion SAS	42100 Saint-Étienne	Real estate	Full	48.5	100
Pacam 2 SNC	20167 Mezzavia	F&G retailing	Full	48.6	100
Pachidis SA	42100 Saint-Étienne	Holding	Full	48.6	100
Plouescadis SAS	75016 Paris	Holding	Full	48.5	100
Polca Holding SA	Bruxelles	Holding	Full	48.6	100
Poretta 2 SNC	20137 Porto Vecchio	F&G retailing	Full	48.6	100
Prical 2 SNC	20260 Calvi	F&G retailing	Full	48.1	99
Prodis 2 SNC	20110 Propriano	F&G retailing	Full	48.6	100
Régie Média Trade SAS	75008 Paris	Services	Proportionate	24.3	50
Restauration Collective Casino SAS	42100 Saint-Étienne	Restaurant	Full	48,6	100
Ségisor SA	42100 Saint-Étienne	Holding	Full	48.6	100
Semafrac SNC	20600 Furiani	F&G retailing	Full	48.6	100
Serca SAS	42100 Saint-Étienne	F&G retailing	Full	48.6	100
SNC des Cash Corses	20200 Bastia	F&G retailing	Full	48.6	100
Soderip SNC	42100 Saint-Étienne	Real estate	Full	48.5	100
Sodico 2 SNC	20250 Corte	F&G retailing	Full	48.6	100
Spice Espana S.L.	Pampelune	Services	Full	48.6	100
Sudéco SAS	42100 Saint-Étienne	F&G retailing	Full	48.6	100
Sudis 2 SNC	20137 Porto Vecchio	F&G retailing	Full	48.6	100
Super de Boer NV* (ex Laurus NV)	5201 AD's-Hertogenbosch	F&G retailing	Full	27.7	57
Tevir SA	42100 Saint-Étienne	Holding	Full	48.6	100
Théiadis SAS	42100 Saint-Étienne	Holding	Full	46.9	96.5
Unigros 2 SNC	20200 Bastia	F&G retailing	Full	48.6	100
Uranie SAS	42100 Saint-Étienne	F&G retailing	Full	48.6	100
Vegas Argentina SA	Buenos Aires	Holding	Full	48.6	100
Villa Plancha SAS	42100 Saint-Étienne	Restaurant	Full	48.6	100
Vindémia SA	Sainte-Marie (Réunion)	F&G retailing	Full	48.6	100
Wilkes	Sao Paulo	F&G retailing	Proportionate	33.5	68,8
Asinco SA	75016 Paris	F&G retailing	Full	48.6	100
(groupe Franprix/Leader Price)					
Baud SA	94430 Chennevières sur Marne	F&G retailing	Full	46.2	100
Cafige	75009 Paris	Holding	Full	29.2	60
Cofilead	75017 Paris	Holding	Full	29.2	60
Groupe Cogefisd	75017 Paris	F&G retailing	Full	40.8	84
DBA SNC	56312 Lorient	Holding	Equity	30.1	49
Distribution Leader Price SNC	77220 Gretz Armainvilliers	F&G retailing	Full	36.5	100
Groupe Figeac	75017 Paris	F&G retailing	Full	40.8	84
Franprix distribution SAS	75016 Paris	F&G retailing	Full	48.6	100
Franprix Holding SA	75016 Paris	F&G retailing	Full	46.2	95
H2A	92700 Colombes	Finance	Full	29.2	60
Leader Price Argentina SA	Buenos Aires	F&G retailing	Full	48.6	100
Leader Price Holding SA	75016 Paris	F&G retailing	Full	36.5	75

Company	Registered office	Activity	Consolidation method	2008	
				% interest	% control
Leadis Holding	94430 Chennevières-sur-Marne	F&G retailing	Full	48.6	100
Lecogest SARL	92500 Rueil Malmaison	Holding	Full	36.5	51
Groupe Minimarché	94430 Chennevières-sur-Marne	F&G retailing	Full	46.2	100
Pro Distribution SA	92370 Chaville	Holding	Equity	23.8	49
Groupe Retail Leader Price	94430 Chennevières-sur-Marne	F&G retailing	Full	36.5	100
R.L.P. Investissement SA	77220 Gretz-Armainvilliers	F&G retailing	Full	36.5	100
Sarjel	94100 St-Maur des Fossés	Finance	Equity	23.8	49
Sédifrais SA	95560 Montsoult	F&G retailing	Full	45.8	100
Socogem SA	75017 Paris	Holding	Full	20.4	50
Sodigestion	92000 Nanterre	Finance	Full	29.2	60
Groupe Sofigep	92500 Rueil-Malmaison	F&G retailing	Full	48.6	100
Surgenord SAS	93500 Pantin	Holding	Full	45.8	100
S.R.P	75017 Paris	F&G retailing	Full	46.2	100
Mercialys SA*	75016 Paris	Real estate	Full	29	59.7
Bourg en Bresse Kennedy SCI	42100 Saint-Étienne	Real estate	Full	28	96.5
Centre commercial Kerbernard SCI	42100 Saint-Étienne	Real estate	Full	28.5	98.3
Corin Asset Management SAS	20600 Furiani	Real estate	Proportionate	11.6	40
Diane (La) SCI	13100 Aix-en-Provence	Real estate	Full	29	100
Mercialys Gestion SAS	42100 Saint-Étienne	Real estate	Full	29	100
Mery 2 SAS	75116 Paris	Real estate	Full	29	100
Point Confort SA	42100 Saint-Étienne	Real estate	Full	29	100
Toulon Bon Rencontre SCI	42100 Saint-Étienne	Real estate	Full	28	96.7

* listed companies.

Consolidated financial statements

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying consolidated financial statements of RALLYE;
- the justification of our assessments;
- the specific verifications required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis or using other methods of selection, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the information we gathered provides a sufficient and appropriate ground for our opinion.

In our opinion the consolidated financial statements for the year ended December 31, 2008, give a true and fair view of the assets, liabilities, financial position and results of the Group constituted by the persons and entities included in the consolidation, in accordance with the IFRSs adopted by the European Union.

Without calling into question the opinion expressed above, we draw your attention to the change in method relating to the adoption of the income statement presentation by function, as described in the paragraph entitled "Changes to previously published financial statements" in the Note to the financial statements on "Accounting principles and methods", and in additional information on the restatement of the comparative period provided in Note 29 "Reconciliation of the 2007 financial statements by nature".

II. JUSTIFICATION OF THE ASSESSMENT

The accounting estimates used in preparing the financial statements as at December 31, 2008 were made in a highly volatile market environment in which it was difficult to make economic forecasts. Consequently, we draw your attention to the assessments we made ourselves in accordance with Article L.823.9 of French Company Law (Code de commerce):

| Accounting principles

Note 8, entitled "Investment in associated companies", in the Notes section, describes the accounting principle used in the consolidation of the interest in the OPCl fund AEW Immocommercial. We have assessed the de facto and de jure elements which exist between your Group and the OPCl fund AEW Immocommercial, which underpin the appropriateness of the Group's use of the equity method.

We have examined the accounting methods used by your Company in accounting for the acquisition of minority interests and minority interest purchase commitments for which there is no specific reference under the IFRS standards, as adopted in the European Union. We have made sure that the headings "Business combinations" and "Commitments to purchase minority interests", under the section "Accounting principles and methods" in the Notes, reflect accurate information in this respect.

Finally, we have verified that the change in method mentioned in paragraph I above has been correctly applied in the financial statements for 2007 and 2008.

| Accounting estimates

In establishing its financial statements, your Group was led to carry out estimates and to formulate assumptions concerning, in particular, the impairment of goodwill, real estate assets and available-for-sale financial assets (headings "Impairment of assets", "Property, plant and equipment", "Investment property", and "Financial assets" under the section "Accounting principles and methods" of the Notes, further detailed by notes 5, 6, 7 and 10).

We have examined the available documentation, evaluated the reasonable nature of the estimates used, and verified that the notes to the financial statements provide accurate information about the assumptions used by the Group.

The evaluations thus made are part of our overall audit of the consolidated financial statements, taken as a whole, and have therefore contributed to the formation of our opinion, as laid down in the first section of this report.

III. SPECIFIC VERIFICATION

As required by law, we have also specifically verified the information on the Group given by the management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, April 27, 2009

KPMG Audit
Département de KPMG S.A.
Catherine CHASSAING
Partner

ERNST & YOUNG et Autres
Henri-Pierre NAVAS
Partner

Company financial statements

RALLYE BALANCE SHEET

ASSETS

(In € millions)	NOTES	Gross	Amortization & depreciation	2008 Net	2007
Intangible assets	1	0.3	0.3		
Property and equipment	1	1.2	0.7	0.5	0.5
Financial investments	2-4-7	2,017.0	300.9	1,716.1	1,702.8
Total fixed asset		2,018.5	301.9	1,716.6	1,703.3
Accounts receivable	3-7	1,854.2	0.1	1,854.1	2,083.3
Marketable securities	4	361.6		361.6	155.1
Cash	4				0.2
Total current assets		2,215.8	0.1	2,215.7	2,238.6
Prepaid expenses	5	0.8		0.8	0.9
Deferred costs	5	5.5		5.5	8.1
Bond redemption premiums	5	0.7		0.7	1.2
Translation differences					
TOTAL ASSETS		4,241.3	302.0	3,939.3	3,952.1

LIABILITIES AND SHAREHOLDERS' EQUITY

(In € millions)	NOTES	2008	2007
Share capital		127.1	128.0
Share premiums		1,309.0	1,321.9
Reserves		74.6	73.6
Retained earnings		57.9	97.0
Interim dividend		(33.7)	(34.0)
Net income for the year		47.5	39.4
Total shareholders' equity	6	1,582.4	1,625.9
Provisions	7	49.6	52.1
Borrowings and loans	8	2,144.0	2,088.4
Accounts payable	9	14.0	15.8
Other debt	9	148.9	169.7
Total debt		2,306.9	2,273.9
Adjustment accounts		0.4	0.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,939.3	3,952.1

Company financial statements

RALLYE INCOME STATEMENT

(In € millions)	NOTES	2008	2007
Net sales	10	4.6	3.3
Other purchases and external expenses		(13.7)	(14.1)
Taxes		(1.2)	(1.2)
Payroll expenses		(8.2)	(8.4)
Net operating depreciation, amortization and provisions expense (reversal)		(3.4)	(4.7)
Net other operating expenses		(0.3)	(0.3)
Operating income (loss)	10	(22.1)	(25.4)
Financial income		270.9	195.5
Financial expenses		(227.0)	(128.5)
Net financial income (loss)	11	43.9	67.0
Income from current operations before income tax		21.8	41.6
Exceptional provision reversals (expense)		4.9	
Other net exceptional income (loss)		20.8	(2.0)
Net exceptional income (loss)	12	25.7	(2.0)
Income tax	13		(0.2)
NET INCOME		47.5	39.4

Company financial statements

RALLYE STATEMENT OF CASH FLOWS

(In € millions)	2008	2007
Cash flows from operating activities:		
Net income	47.5	39.4
Adjustments to eliminate non-cash or non-operating expenses and revenues:		
Depreciation, amortization and provisions ⁽¹⁾	71.9	0.5
Capital gains, net of taxes	(25.1)	1.8
Cash flow	94.3	41.6
Changes in operating working capital requirement:		
Net inventories		
Net accounts receivable	15.5	(39.2)
Accounts payable	(1.5)	10.9
Net cash provided by operating activities (A)	108.3	13.2
Cash flows from investing activities:		
Purchase of property, equipment and intangible assets	(0.1)	(0.1)
Sale of property, equipment and intangible assets		
Purchase of financial investments	(199.1)	(190.7)
Sale of financial investments	119.2	37.7
Net cash used in investing activities (B)	(80.0)	(153.0)
Cash flows from financing activities:		
Dividends paid to company shareholders	(77.2)	(70.7)
Share capital increase in cash	0.8	9.4
Capital repayment		
Debt issuance	250.0	325.0
Debt redemption	(159.6)	(75.4)
Change in accrued interests	6.6	2.0
Current account loans to subsidiaries	196.1	60.8
Net cash provided by financing activities (C)	216.7	251.1
Change in cash and cash equivalents (A + B + C)	245.0	111.3
Cash and cash equivalents opening balance	(D) 100.6	(10.7)
Cash and cash equivalents closing balance	(E) 345.6	100.6
Change in cash and cash equivalents (E-D)	245.0	111.3

(1) Excluding provisions on current assets and adjustment accounts.

Company financial statements

NOTES TO THE RALLYE PARENT COMPANY FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

I. ACCOUNTING PRINCIPLES AND METHODS

The financial statements for the year ended December 31, 2008 have been prepared in accordance with the principles, standards and methods set out in the French National Chart of Accounts issued in 1999, in conformity with Regulation n°99-03 of the French Accounting Regulations Committee (CRC).

Accounting principles and methods are identical to those applied to the previous annual company financial statements.

Information which is not mandatory appears only if it is of significant importance. Accounting entries are valued on the basis of the historical cost method.

1.1. Property, equipment and intangible assets

Property, equipment and intangible assets are recorded at historical cost. Fixed asset depreciation is carried out according to the straight-line method, over the periods listed below:

Type of asset	Depreciation period
Software	1 year
Furniture and office equipment	2 to 10 years
Transportation equipment	4 years
Fittings and improvements	10 years

1.2. Financial investments

1.2.1. Investment securities

Investments are recorded on the balance sheet at their acquisition or contribution cost. Impairment losses are recorded if their value in use is lower than their book value.

Rallye measures the value in use of its investments in associates on the basis of several criteria, including net worth, revalued net asset value, present value of financial income less debt, stock market price and external appraisals. Impairment of the current account or provisions for contingencies may be recorded when the shareholders' equity of the subsidiary is negative.

1.2.2. Other financial investments

Loans and receivables and other long-term investments are recorded in the balance sheet at their acquisition cost under "Other financial investments". Impairment losses are recorded when their expected net realizable value is lower than their book value.

With regard to Rallye shares acquired in connection with buyback arrangements, the expected net realizable value is the average share price over the twenty last days of the financial year.

1.3. Receivables

Receivables are recorded under assets at their nominal value. An allowance for impairment is recorded when their fair value, based on collectibility, is lower than their book value.

1.4. Marketable securities

Marketable securities are recognized at their acquisition cost. Impairment is recorded when their market value is lower than their gross book value.

Market value corresponds to:

- the average share price over the last twenty days of the financial year for Rallye shares allocated to bonus share plans;
- the selling price at year-end for investment securities.

Treasury shares which are assigned to bonus share and stock option plans are not impaired, due to the existing allocation commitments towards employee and to the contingency provision recognized as a liability.

1.5. Adjustment accounts

Issue costs of borrowings and bonds are spread out over the life of the issue, in line with scheduled redemption.

Receivables and debts denominated in foreign currencies are converted at the closing exchange rate. Any differences which may arise between the amounts originally recorded and the amounts as converted at the closing exchange rate are booked under unrealized foreign exchange rate gains and losses. A provision covers unrealized foreign exchange rate losses.

1.6. Provisions

In accordance with CRC Regulation n°2000-06, provisions are recorded for the liabilities and contingencies arising from the Company's obligations toward third parties, which are expected to result in the use of resources without any consideration in return.

The provision for tax litigation reflects the assessment of the associated financial risk, based on the current status of legal proceedings.

Provisions for retirement obligations reflect the forecast liability based on the aggregate rights vested by employees, in accordance with CNC Recommendation 2003 R-01. This provision was calculated using the projected unit credit method and taking into account social security charges.

The conditional redemption premium on bond issues may be provisioned if the payment of the premium becomes likely. The provision is spread out over the life of the issue. The Company has assessed the need to provision redemption premiums, in particular, 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 granted bonus share allocation plans and as such, booked a provision equal to the acquisition cost of shares which should be allocated according to the terms of the plan as at the date of closure. This provision is made in conformity with Opinion 2008-17 of the French National Accounting Board (Conseil National de la Comptabilité-CNC).

Other provisions are made for specific risks and expenses. The amount of the provisions is given in note 7 to the parent company financial statements.

1.7. Payables

Trade payables and other payables are recorded at nominal value under liabilities.

1.8. Financial instruments

As part of its interest rate risk management policy, Rallye uses derivative instruments intended to convert certain lines of credit from fixed-rate to variable-rate in order to take advantage of lower interest rates.

Income and expenses resulting from interest rate risk hedging transactions are included on an accrual basis in the income statement for the period. The fair value of these financial instruments amounted to - €0.5 million as at December 31, 2008.

1.9. Income from current operations

Income from current operations corresponds to the income and expense arising from the company's ordinary operations.

1.10. Net exceptional income (loss)

Net exceptional income (loss) includes the income and expense arising from transactions outside the company's ordinary operations, as well as income and expense of exceptional amounts.

Company financial statements

NOTES TO THE RALLYE PARENT COMPANY FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

1.11. Income tax

Rallye has opted for tax consolidation and assumes the income tax due for the consolidated group. As at December 31, 2008 the group includes 23 companies.

The tax consolidation agreement signed between Rallye and its subsidiaries sets out the methods for sharing out the tax burden between the companies, as follows:

- Rallye personally and finally bears the cost of corporate tax, additional income tax payments, as well as taxes on capital gains made by its subsidiaries included in the tax consolidation group;
- subsidiaries which are included in the tax consolidation group shall pay Rallye the portion of annual minimum tax (IFA) due on their behalf;
- in the event that a subsidiary leaves the tax consolidation perimeter, Rallye is solely liable for the payment of tax and any other payments which may be due. Rallye may compensate the exiting subsidiary for additional taxes which might be due as a result of its having belonged to the group.

MAJOR EVENTS DURING THE YEAR

None.

SUBSEQUENT EVENTS

Repayment of Rallye bonds maturing in January 2009

Rallye has carried out the repayment at maturity of bonds it issued in January and April 2004. The amount actually repaid totaled €496 million and corresponds to 470,840 bonds still outstanding at the time of maturity.

Company financial statements

NOTES TO THE RALLYE PARENT COMPANY FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008

II. COMMENTS ON SOME ITEMS OF THE FINANCIAL STATEMENTS

I Note 1. Property, equipment and intangible assets

1.1. Breakdown

(In € millions)	2008	2007
Gross intangible assets	0.3	0.3
Depreciation	(0.3)	(0.3)
Intangible assets net value		
Land	0.1	0.1
Buildings	0.6	0.6
Other property and equipments	0.5	0.5
Gross value	1.2	1.2
Depreciation	(0.7)	(0.7)
Tangible assets net value	0.5	0.5
Tangible and intangible assets net value	0.5	0.5

1.2. Change

(In € millions)	Gross	Depreciation and amortization	Net
As at January 1, 2007	1.4	(0.8)	0.6
Increase	0.1	(0.2)	(0.1)
Decrease			
As at December 31, 2007	1.5	(1.0)	0.5
Increase		(0.1)	(0.1)
Decrease		0.1	0.1
As at December 31, 2008	1.5	(1.0)	0.5

I Note 2. Financial investments

2.1. Breakdown

(In € millions)	2008	2007
Investment securities	2,000.5	1,920.0
Depreciation	(300.9)	(238.0)
Net value of investment securities	1,699.6	1,682.0
Other financial investments	16.5	20.8
Depreciation		
Net value of other financial investments	16.5	20.8
Net financial investments	1,716.1	1,702.8

Company financial statements

NOTES TO THE RALLYE PARENT COMPANY FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

As at December 31, 2008, "Other financial investments" included 195,000 Rallye shares with a net value of €2.9 million, held as part of the liquidity contract.

2.2. Change

(In € millions)	Gross	Provisions	Net
As at January 1, 2007	1,787.1	(238.0)	1,549.1
Increase	204.1	(0.2)	203.9
Decrease	(50.4)	0.2	(50.2)
As at December 31, 2007	1,940.8	(238.0)	1,702.8
Increase	183.3	(63.1)	120.2
Decrease	(107.1)	0.2	(106.9)
As at December 31, 2008	2,017.0	(300.9)	1,716.1

The increase in financial assets is due mainly to:

- the acquisition (within the Group) of Casino common shares for the amount of €91.6 million;
- the acquisition of Casino preferred shares for the amount of €34 million;
- the purchase under the liquidity contract of Rallye shares for €25.1 million and mutual funds for €32.6 million.

The decrease in financial assets results mainly from:

- the sale of Casino common shares for €16.9 million;
- the accounting impact of the full transfer of the assets and liabilities of the company Parcade to Rallye for the amount of €28.2 million;
- the sale under the liquidity contract of Rallye shares for the amount of €24.9 million and of mutual funds for the amount of €22.6 million.

I Note 3. Receivables

The amounts and maturities of net receivables reported under balance sheet assets are as follows:

(In € millions)	2008	2007
Receivables booked to fixed assets	0.1	0.1
Trade receivables and related accounts	117.8	125.5
Current accounts	1,700	1,916.9
Other operating receivables	36.3	40.9
Current receivables	1,854.1	2,083.3
Net receivables	1,854.2	2,083.4
<i>Of which: Less than 1 year</i>	<i>1,838.3</i>	<i>2,065.8</i>
<i>Over 1 year</i>	<i>15.9</i>	<i>17.6</i>

As at December 31, 2008, "Other operating receivables" comprised:

- €18.3 million interest receivable from interest rate hedges;
- Rallye share purchase option premiums of €1.7 million;
- Casino share purchase option premiums of €15.8 million.

The current account advances made by Rallye to its subsidiaries are part of the Group's centralized cash management system. They are due within one year.

I Note 4. Net cash position

4.1. Marketable securities

(In € millions)	2008	2007
Treasury stock	15.8	1.5
Marketable securities	345.8	153.6
Gross value	361.6	155.1
Depreciation		
Net value	361.6	155.1

As at December 31, 2008, "Treasury shares" comprises 1,039,945 Rallye shares assigned to cover stock option and bonus shares plans.

"Marketable securities" consists of very short-term cash investments. The market value of these investments is approximately identical to their book value.

4.2. Treasury shares

	2008			2007
	Marketable securities	Financial investments	Total	
Number of shares held:				
As at January 1	35,276	370,552	405,828	203,578
Cancellation		(316,452)	(316,452)	
Purchase	1,039,945	863,238	1,903,183	878,234
Sale	(35,276)	(722,338)	(757,614)	(675,984)
As at December 31	1,039,945	195,000	1,234,945	405,828
Gross value of shares held (in € millions):				
As at January 1	1.5	17.2	18.7	8
Cancellation		(14.6)	(14.6)	
Purchase	15.8	25.1	40.9	43.6
Sale	(1.5)	(24.9)	(26.4)	(32.9)
As at December 31	15.8	2.8	18.6	18.7

In connection with the liquidity agreement entered into by Rallye and Rothschild & Cie Banque in June 2005, the Company acquired 863,238 and sold 722,338 Rallye shares. As at December 31, 2008, Rallye held 195,000 shares worth a total of €1.9 million on the basis of the average stock price over the last 20 trading days of the year.

During the course of the year 2008, the Company also acquired:

- 927,079 Rallye shares intended to cover bonus shares and stock options plans;
- 112,866 Rallye shares under assignment.

On June 8, 2008, 35,276 Rallye shares were transferred in the framework of bonus share allocation plan which had reached maturity.

Company financial statements

NOTES TO THE RALLYE PARENT COMPANY FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

4.3. Net cash position

(In € millions)	2008	2007
Marketable securities	345.8	153.6
Depreciation		
Net value	345.8	153.6
Cash and cash equivalents		0.2
Bank overdrafts	(0.2)	(3.2)
Spot credit lines		(50.0)
Net cash position	345.6	100.6

I Note 5. Adjustments and similar accounts

(In € millions)	2008	2007
Prepaid expenses	0.8	0.9
Deferred bond issue costs	5.5	8.1
Bond redemption premiums	0.7	1.2
Adjustments and similar accounts	7.0	10.2

Borrowings issuance costs and bond redemption premiums are amortized over the life of the debt, in line with the debt redemption schedule.

I Note 6. Shareholders' equity

6.1. Breakdown

As at December 31, 2008, share capital totaled €127,080,420, made up of 42,360,140 shares with a par value of €3.

(In € millions)	2008	2007
Share capital	127.1	128.0
Share, merger and contribution premiums	1,309.0	1,321.9
Legal reserve	12.8	11.8
Regulated reserves	1.4	1.4
Other reserves	60.4	60.4
Retained earnings	57.9	97.0
Interim dividend	(33.7)	(34.0)
Net income for the year	47.5	39.4
Shareholders' equity	1,582.4	1,625.9

6.2. Changes in shareholders' equity

(In € millions)	2008	2007
As at January 1	1,625.9	1,512.9
Capital increase/decrease	(0.9)	10.4
Share premium	(12.9)	133.9
Other changes		
Dividend paid	(77.2)	(70.7)
Net income for the year	47.5	39.4
As at December 31	1,582.4	1,625.9

The changes in capital and issuing premium result mainly from the cancellation of 316,452 shares.

6.3. Changes in the number of shares outstanding

	2008	2007
Shares outstanding as at January 1	42,652,592	39,211,028
Cancellation of shares	(316,452)	
Exercise of stock options	24,000	314,300
Conversion of bonds		3,127,264
Shares outstanding as at December 31	42,360,140	42,652,592

6.4. Share equivalents

Share subscription option plans

	06/09/2004	06/08/2005	06/07/2006	10/01/2007	04/23/2008
Date granted	06/09/2004	06/08/2005	06/07/2006	10/01/2007	04/23/2008
Date of maturity	12/09/2009	12/08/2010	12/07/2011	03/31/2013	10/22/2013
Number of options initially granted	314,550	224,084	254,120	181,127	258,091
Number of options cancelled	25,800	17,083	15,313	1,320	3,125
Number of options exercised	17,500				
Number of options remaining as at December 31, 2008	271,250	207,001	238,807	179,807	254,966
Exercise price, in €	41.38	40.16	36.84	48.73	43.15
Valuation of options at the time of grant, in €	8.51	8.64	7.20	10.16	8.74

All of the option plans were granted without conditions in terms of objectives, but their recipients are required to be employed within the Group.

Bonus share plans

	06/07/2006	10/01/2007	04/23/2008	09/25/2008
Date granted	06/07/2006	10/01/2007	04/23/2008	09/25/2008
Date of maturity	06/07/2009	01/01/2011	07/23/2011	09/25/2010
Number of shares initially granted	40,858	29,686	44,161	41,150
Number of shares cancelled	2,734	330	782	
Number of shares remaining as at December 31, 2008	38,124	29,356	43,379	41,150
Valuation of shares at the time of grant, in €	32.40	42.60	36.62	16.83

Company financial statements

NOTES TO THE RALLYE PARENT COMPANY FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

The vesting by recipients of the June 2006, October 2007, and April 2008 plans is subject to company performance criteria and to the obligation of employment within the Group. The performance criterion used is the coverage of net financial debt by assets, and appreciated at the level of the "Rallye holding perimeter". This criterion is assessed annually and is used each year for the determination of the percentage of shares acquired during the course of the year in question.

The final vesting by the recipients of the plan issued in September 2008 is subject to employment status within the Group.

As at December 31, 2008, 87,298 Rallye shares were assigned to these plans and a provision of €1.6 million was recorded as a liability.

I Note 7. Provisions

7.1. Provisions for asset depreciation

(In € millions)	Asset depreciation		Total
	Financial investments	Current assets	
As at January 1, 2007	238.0	0.4	238.5
Allowances	0.2		0.2
Reversals	(0.2)	(0.3)	(0.5)
As at December 31, 2007	238.0	0.1	238.2
Allowances	63.1		63.1
Reversals	(0.2)		(0.2)
As at December 31, 2008	300.9	0.1	301.0

Provision allowances relate to the depreciation of the shares of the companies Miramont Finance et Distribution in the amount of €35.1 million, and Parande in the amount of €28 million.

7.2. Provision for contingencies and charges

(In € millions)	Contingencies and charges			Total
	Tax litigation	Redemption premiums	Miscellaneous risks	
As at January 1, 2007	9.3	41.0	1.4	51.7
Allowances		7.9	4.3	12.2
Reversals		(11.2)	(0.6)	(11.8)
As at December 31, 2007	9.3	37.7	5.1	52.1
Allowances		5.6	9.6	15.2
Reversals	(4.9)	(11.5)	(1.3)	(17.7)
As at December 31, 2008	4.4	31.8	13.4	49.6

The contingency provision for tax litigation relates to a risk with respect to the tax audit of the years 1992 to 1994.

As at December 31, 2008, the risk provision for redemption premiums covers a bond issue in the amount of €299.7 million. The provision for the year was calculated pro rata over the life of the loan.

The provision reversal booked in the year concerned the redemption premium of OCEANE bonds which matured in January 2008.

The miscellaneous contingency provision concerns bonus share plans, as well as Casino and Rallye share purchase options.

The €1.3 million reversal concerns the bonus share plan which matured in June 2008.

I Note 8. Financial debt

8.1. Breakdown of financial debt

(In € millions)	2008	2007
Bank borrowings	838.2	575.6
OCEANE bonds		123.1
Bonds exchangeable for Casino common shares	304.6	304.9
Other bond issues	1,001.0	1,031.6
Spot credit lines		50.0
Other financial debt	0.2	3.2
Borrowings and loans ⁽¹⁾	2,144.0	2,088.4
<i>Of which, fixed rate</i>	<i>810.8</i>	<i>934.1</i>
<i>Of which, variable rate</i>	<i>1,333.2</i>	<i>1,154.3</i>

(1) Of which €58.2 million in expenses payable as at December 31, 2008.

8.2. Maturity of financial debt

(In € millions)	2008	2007
Within 1 year	604.3	273.4
1-5 years	1,339.7	1,365.0
Over 5 years	200.0	450.0
TOTAL	2,144.0	2,088.4

As at December 31, 2008, Rallye had €1,090 million in unused credit lines. Borrowings of less than one year from credit institutions include loans maturing in 2009, as well as interest charges incurred as at December 31, 2008 on financial debt.

8.3. Bond features

Bonds exchangeable for Casino common shares

	OEAO
Total par value	€300 million
Issue date	April 2003
Annual interest rate	3.25%
Bond par value	€80
Normal maturity	July 1, 2013
Redemption value	€95.256
Exchange	1 share for 1 bond ⁽¹⁾
Listing	yes
COB authorization	
Volume outstanding:	
at the time of the issue	3,750,000
as at December 31, 2008	3,745,872

(1) Exchange option which may be exercised up until June 20, 2013; Rallye has an early redemption option beginning July 1, 2006; the bearer has an early redemption option on July 1, 2011.

Company financial statements

NOTES TO THE RALLYE PARENT COMPANY FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

Other bond issues

	January 2004	October 2004
Total par value	€500 million	€500 million
Issue date	January 2004	October 2004
Annual interest rate	5.375 %	5.625 %
Bond par value	€1,000	€1,000
Normal maturity	January 20, 2009	October 13, 2011
Redemption value	€1,000	€1,000
Listing	yes	yes
COB authorization	n/a	n/a
Volume outstanding:		
at the time of the issue	500,000	500,000
as at December 31, 2008	470,840	500,000

I Note 9. Accounts payable and other debt

(In € millions)	2008	2007
Accounts payable	14.0	15.8
Current accounts	138.3	159.0
Other debt ⁽¹⁾	10.6	10.7
Other debt	148.9	169.7
Due: within 1 year	152.6	175.2
over 1 year	10.3	10.3

(1) Of which expenses payable €4,6 million as at December 31, 2008.

The loans received from Rallye's subsidiaries are paid into the current account as part of the Group's centralized cash management system.

I Note 10. Operating income (loss)

10.1. Breakdown

(In € millions)	2008	2007
Services	4.6	3.3
Reversal of provisions	1.4	
Transfer of operating expenses	0.8	1.0
Operating revenue	6.8	4.3
Other purchases and external expenses	14.5	15.1
Taxes	1.2	1.2
Payroll expenses	8.2	8.4
Allowance for depreciation, amortization and provisions	4.7	4.7
Other operating expenses	0.3	0.3
Operating expenses	28.9	29.7
Operating income (loss)	(22.1)	(25.4)

10.2. Operating revenue

(In € millions)	2008	2007
Services	0.7	0.1
Financial services	3.9	3.2
Net sales	4.6	3.3
Reversal of provisions	1.4	
Transfer of charges	0.8	1.0
Operating revenue	6.8	4.3

Net sales are entirely generated in France and mainly consist of services provided to subsidiaries. The transfers of charges for €0.8 million concern bond issue costs and disbursements made by Rallye on behalf of its subsidiaries.

10.3. Operating expenses

Other purchases and external expenses include bank commissions and fees. The other operating expenses consist entirely of director's fees issued to members of the Board of Directors.

10.4. Average workforce as at December 31

	2008	2007
Executive staff	23	26
Other staff	14	13
Total average workforce	37	39
Compensation paid to senior management (in € millions)	1.2	1.5

I Note 11. Net financial income (loss)

(In € millions)	2008	2007
Dividend	118.6	53.4
Reversal of provisions	11.8	12.3
Other interests and similar income	128.1	126.1
Net income / sale of securities	12.4	3.7
Financial income	270.9	195.5
Interests and similar expenses	149.8	115.4
Financial provision allowances	77.2	12.9
Net expenses / sale of securities		0.2
Financial expenses	227.0	128.5
Net financial income (loss)	43.9	67.0

Dividend payments for 2008 came from Casino, in the amount of €36.3 million, Cobivia, in the amount of €51.5 million, Parande, in the amount of €21.4 million, Mermoz Kleber, in the amount of €5.8 million, and Omnium de Commerce et de Participations, in the amount of €3.6 million.

Company financial statements

NOTES TO THE RALLYE PARENT COMPANY FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

Financial provision reversals include in particular the provision reversal on the redemption premium relating to the OCEANE bonds that were redeemed in January 2008 for an amount of €11,5 million.

Other interests and similar income concern mainly the remuneration of current accounts held with subsidiaries.

Financial provision allowances mainly concern:

- the depreciation of investment securities, amounting to €63.1 million (see note 7.1);
- bond redemption premiums, amounting to €5.6 million; and
- share purchase options, amounting to €8 million.

Financial income also includes an amount of €3.9 million corresponding to the excess of market value over book value resulting from the full transfer of assets of the company Parcade on November 27, 2008.

I Note 12. Net exceptional income (loss)

(In € millions)	2008	2007
Sale of financial investments	20.8	(2.0)
Provision reversals / (allowances)	4.9	
Other exceptional income / (expenses)		
NET EXCEPTIONAL INCOME (LOSS)	25.7	(2.0)

The income from the sale of financial investments mainly includes a capital gain on the sale of investment securities (see note 2.2). The provision reversal of €4.9 million relates to ongoing tax disputes.

I Note 13. Corporate income tax

13.1. Breakdown

(In € millions)	2008	2007
Income from current operations	21.8	41.6
Net exceptional income	25.7	(2.0)
Net income before tax	47.5	39.6
Impact of tax consolidation		(0.2)
NET INCOME	47.5	39.4

As the head of the tax consolidation group, Rallye is personally and ultimately liable for tax on the companies in the group. The tax consolidation resulted in 3.2 million in tax savings, corresponding to the sum of taxes that would have been paid by the subsidiaries.

If Rallye had not been tax consolidated, it would not have been taxable.

13.2. Latent tax situation

Tax loss carry-forwards totaling €1,118 million as at December 31, 2008, are recorded within the tax consolidation group and may be carried forward indefinitely.

Long-term capital loss carryforwards amounted to €2.1 million. They were recorded by the tax consolidation group and may be charged against gains of the same nature generated in the next ten financial years.

I Note 14. Information on off-balance sheet transactions

14.1 Commitments related to current operations

(In € millions)	2008	2007
Interest rate hedging instruments	500.0	500.0
Other reciprocal commitments	3.6	3.6
Total reciprocal commitments	503.6	503.6
Securities and bank guarantees pledged	899.1	740.9
Bond redemption premiums	25.3	31.2
Other commitments given	4.4	5.3
Total commitments given	928.8	777.4
Unused confirmed credit lines	1,090.0	1,275.0
TOTAL COMMITMENTS RECEIVED	1,090.0	1,275.0

Rallye also guarantees its investment subsidiaries in connection with currency forward transactions and equity swaps on listed shares concluded with leading financial institutions.

As at December 31, 2008, there were 2,080,202 Casino common shares pledged to financial institutions as collateral for various loans and credit lines.

14.2. Maturity schedule of contractual obligations

(In € millions)	< 1 year	1-5 years	> 5 years	Total
Financial debt	604.3	1,339.7	200.0	2,144.0
Operating leases	1.9	1.7		3.6
TOTAL	606.2	1,341.4	200.0	2,147.6

14.3. Individual training rights

Individual training rights outstanding as at December 31, 2008 amounted to 2,477 hours. No rights were used during the period.

I Note 15. Affiliated companies

(In € millions)	Aggregate figures of affiliated companies	Aggregate figures of companies in which Rallye holds an equity interest
Assets		
Net financial investments	1,698.9	0.7
Net receivables	1,817.7	
Liabilities		
Debt	146.5	0.6
Income statement		
Investment income	118.6	
Other financial income	117.6	
Financial expense	10.6	

Company financial statements

SUBSIDIARIES AND EQUITY INTERESTS

I Note 16. Consolidation

Rallye prepares consolidated financial statements. The Company's accounts are in turn integrated in the consolidated financial statements of parent company Foncière Euris, with registered office at 83, rue du Faubourg Saint-Honoré – 75008 Paris - France (Siren n°702 023 508).

(In € millions)	Share Capital	Shareholders' equity excl. share capital	Share of capital held (in %)	Book value of shares held		Outstanding loans and advances granted by Rallye	Guarantees granted by Rallye	Net sales for the last fiscal year	Net income for the last closed fiscal year	Dividends received by Rallye over the fiscal year
				Gross	Net					
A - Subsidiaries ⁽¹⁾ (at least 50% of capital held by Rallye)										
Cobivia SAS	31.8	6.7	100%	54.1	54.1	106.9	218.0		42.7	51.5
Kerrous SAS	184.5	(55.4)	100%	187.6	187.6	336.4	155.0		(13.8)	
Magasins Jean SAS	0.3	0.3	100%	2.2	0.6	0.2	2.5	6.4	0.2	
Matignon Sablons SAS	10.8	1.9	100%	11.0	11.0				0.7	
MFD SA	35.7	2.0	99.99%	307.5	37.7				0.2	
OCP SAS	2.4	94.9	99.99%	121.4	121.4	234.1	50.0		(5.6)	3.6
Parande SAS	73.0	(121.9)	100%	153.8	125.8	518.7			(126.7)	21.4
Mermoz Kleber	5.0	1.5	100%	5.0	5.0	5.6			1.2	5.8
B - Equity interests ⁽¹⁾ (10 to 50% of capital held by Rallye)										
Casino, Guichard-Perrachon SA	171.9	7,132.2	14.02%	1,002.3	1,002.3			136.5	155.8	36.3
Groupe GO Sport SA	15.1	172.2	44.59%	151.4	151.4			27.8	10.2	
Sivigral SCI	0.4	1.2	40.00%	2.1	0.7					
C - Other subsidiaries and equity interests										
Subsidiaries other than A				2.1	2.0	0.1				
Equity interests other than B										

(1) With book value in excess of 1% of Rallye's share capital.

Company financial statements

FINANCIAL PERFORMANCE OF RALLYE OVER THE LAST FIVE YEARS

(In €)	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008 ⁽¹⁾
1 - Financial situation at year-end					
Share capital	112,223,547	116,422,761	117,633,084	127,957,776	127,080,420
Common shares in existence	37,407,849	38,807,587	39,211,028	42,652,592	42,360,140
Maximum number of shares to be created:					
<i>through bond redemption ⁽²⁾</i>	6,131,589	6,131,589	6,131,589		
<i>through exercise of subscription option</i>	649,830	221,584	475,704	646,261	839,781
<i>through exercise of warrants</i>	4,182,481	1,760,905			
<i>through remittance of bonus shares to be issued</i>			40,858	69,152	87,298
2 - Operations and net income of the year					
Net sales	1,319,809	1,597,155	2,200,052	3,305,611	4,958,279
Income before taxes, employees profit sharing, amortization, depreciation, and provisions	84,017,215	31,682,011	86,676,277	44,868,239	111,275,856
Income tax	(2,700,664)	187,039		(201,675)	
Income after taxes, employees profit sharing, amortization, depreciation, and provisions	96,873,341	27,411,674	113,619,477	39,362,294	47,523,454
Distributed earnings	62,845,186	65,196,746	68,227,189	78,054,243	77,519,056
3 - Earnings per share					
Income after taxes and employee profit sharing, before amortization, depreciation and provisions	2.32	0.81	2.21	1.06	2.63
Income after taxes, employees profit sharing, amortization, depreciation, and provisions	2.59	0.71	2.90	0.92	1.12
Dividend per share	1.68	1.68	1.74	1.83	1.83
4 - Personnel					
Average workforce on payroll during the year	34	35	37	39	39
Payroll costs for the year	4,233,050	4,836,773	5,987,950	5,865,768	5,621,944
Amounts paid for social benefits in the year	1,922,007	2,352,491	2,694,949	2,506,847	2,647,027

(1) Subject to approval by the General Meeting.

(2) For the years 2004 to 2006, this figure represents the maximum number of shares to be created by the conversion of OCEANE bonds.

Company financial statements

STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meetings, we hereby present to you our report on the year ended December 31, 2008, on:

- the audit of the accompanying annual financial statements of Rallye;
- the justification of our assessments;
- the specific verifications and information required by law.

The annual financial statements were approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis or using other methods of selection, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that the information we gathered provides a sufficient and appropriate ground for our opinion.

In our opinion, the annual financial statements for the year give a true and fair view of the results from the operations for the year, as well as of the financial position, assets and liabilities of the company at the end of this year, in accordance with the French accounting rules and principles.

II. JUSTIFICATION OF THE ASSESSMENT

The accounting estimates used in preparing the financial statements as at December 31, 2008 were made in a highly volatile market environment in which it was difficult to make economic forecasts. In this environment, in accordance with the requirements of article L. 823-9 of French Company Law (Code de commerce), we made our own assessments, regarding, in particular:

- the rules on the valuation of financial investments and marketable securities, described in the note to the financial statements entitled "Accounting principles and methods", under the sub-headings, "Financial investments" and "Marketable securities" and also in note 2 to the financial statements – "Financial investments" and in note 4 to the financial statements – "Net cash position" under the heading "Marketable securities";
- the accounting principles governing provisions for bond redemption premiums, described in the note to the financial statements entitled "Accounting principles and methods", under "Provisions", and also in note 7 – "Provisions".

As part of our assessment of the accounting rules and principles followed by your company, we verified the appropriateness of the accounting methods detailed above and of the information provided in the Notes, and we ascertained that they were correctly implemented.

The evaluations thus made are part of our overall audit of the annual financial statements, taken as a whole, and have therefore contributed to the formation of our opinion, as laid down in the first section of this report.

III. SPECIFIC VERIFICATION AND INFORMATION

We have also performed the specific verifications required by law.

We have no matters to report regarding:

- the fair presentation and the conformity with the annual financial statements of the information given in the Directors' report and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation and conformity with the annual financial statements of the information given in the Directors' management report in respect of compensation and benefits paid to the relevant company officers, and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

As provided by law, we ascertained that the required information concerning the purchase of investments and controlling interests and the names of the main shareholders (and holders of the voting rights) have been properly disclosed in the Directors' report.

Paris La Défense and Neuilly-sur-Seine, April 27, 2009

KPMG AUDIT
Département de KPMG S.A.
Catherine CHASSAING
Partner

ERNST & YOUNG et Autres

Henri-Pierre NAVAS
Partner

Resolutions

SUBMITTED TO THE ORDINARY ANNUAL GENERAL MEETING OF SHAREHOLDERS
OF JUNE 3, 2009

I First resolution

Adoption of the Company financial statements for the year ended December 31, 2008

The Shareholders, after having heard the reports of the Board of Directors and the Statutory Auditors, receive and adopt the financial statements for the year ended December 31, 2008, as presented, showing net income of €47,523,453.59.

The Shareholders also approve the operations reflected by these financial statements or summarized in these reports.

I Second resolution

Adoption of the consolidated financial statements for the year ended December 31, 2008

The Shareholders, after having heard the report of the Board of Directors about the activity of the Group for the year ended December 31, 2008, and the Statutory Auditors report, receive and adopt the consolidated financial statements, as presented, showing consolidated net income of €277,274,316.

I Third resolution

Income appropriation

The Shareholders, as suggested by the Board of Directors, given that the legal reserve has already reached 10% of share capital, decide to assign the net income for the fiscal year ended on December 31, 2008 in the following manner:

Net income for the fiscal year		€47,523,453.59
Previous retained earnings	(+)	€57,846,556.03
Earnings available for distribution	(=)	€105,370,009.62
Dividend	(-)	€77,519,056.20
Retained earnings for the balance	(=)	€27,850,953.42

The proposed dividend distribution corresponds to a dividend payment of €1.83 net per share.

The amount of dividend split between the shareholders constitutes an income eligible for a 40% tax deduction for individuals having their tax residence in France, in accordance with Article 158-3, 2° of the French General Tax Code (Code Général des Impôts) unless they opt for the withholding tax pursuant to Article 117 quater of the General Tax Code.

The Shareholders acknowledge that an interim dividend in the amount of €0.80 per share was decided by the Board of Directors on August 28, 2008 and paid out on October 3, 2008; the overall balance, representing a net amount of €1.03 per share will be paid out beginning June 12, 2009.

Dividends on shares held in treasury stock by the Company as at the day the dividend payment is made will be booked under "Retained earnings".

The Shareholders note that the dividends paid for the previous three years and the taxes already paid to the tax authorities (tax credits) amount to:

(in €)	2007	2006	2005
Net dividend	1.83	1.74	1.68
Tax credit			

I Fourth resolution

Approval of agreements under article L.225-38 of the French Code of Commerce

The Shareholders, after having heard the Statutory Auditors' special report on the agreements covered by article L.225-38 of the French Code of Commerce, adopt the said report and the agreements therein.

I Fifth resolution

Appointment of a Board member

The Shareholders appoint Philippe CHARRIER, residing at 17, avenue Marcel Proust, 75016, Paris, as Board member, for a period of one (1) year expiring at the conclusion of the General Meeting convened to approve the financial statements for the year ending December 31, 2009.

I Sixth resolution

Reappointment of a Board member

The Shareholders renew the term of office of André CRESTEY as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Seventh resolution

Reappointment of a Board member

The Shareholders renew the term of office of Jean CHODRON de COURCEL as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Eighth resolution

Reappointment of a Board member

The Shareholders renew the term of office of Jacques DERMAGNE as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Ninth resolution

Reappointment of a Board member

The Shareholders renew the term of office of Jacques DUMAS as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Tenth resolution

Reappointment of a Board member

The Shareholders renew the term of office of Pierre FÉRAUD as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

Resolutions

SUBMITTED TO THE ORDINARY ANNUAL GENERAL MEETING OF SHAREHOLDERS
OF JUNE 3, 2009

I Eleventh resolution

Reappointment of a Board member

The Shareholders renew the term of office of Jean-Charles NAOURI as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Twelfth resolution

Reappointment of a Board member

The Shareholders renew the term of office of Christian PAILLOT as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Thirteenth resolution

Reappointment of a Board member

The Shareholders renew the term of office of Gilbert TORELLI as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Fourteenth resolution

Reappointment of a Board member

The Shareholders renew the term of office of the company FINATIS as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Fifteenth resolution

Reappointment of a Board member

The Shareholders renew the term of office of the company FONCIERE EURIS as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Sixteenth resolution

Reappointment of a Board member

The Shareholders renew the term of office of the company EURIS as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Seventeenth resolution

Reappointment of a Board member

The Shareholders renew the term of office of the company Matignon Corbeil Centre as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Eighteenth resolution

Reappointment of the Censor

The Shareholders renew the term of office of Jean LEVY as Censor for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2009.

I Nineteenth resolution

Authorization for the Company to purchase its own shares

The Shareholders, after having taken note of the Board of Directors' report, and in application of the provisions of articles L.225-207 et seq. of the French Code of Commerce, authorize the Board of Directors to purchase company shares in accordance in order to:

- cover the purchase and/or subscription option plans granted to the employees and corporate officers pursuant to articles L.225-177 et seq. of the French Code of Commerce, as well as any employee savings plan or any shareholding plan;
- allot shares free of charge to employees and officers of the Company within the framework laid down by articles L.225-197-1 et seq. of the French Code of Commerce;
- ensure the activity of the market within the framework of a liquidity contract entered into with an investment services provider, in accordance with a code of conduct drawn up by AMAFI (the French Financial Markets Association) and recognized by AMF;
- provide existing company shares in the event of the exercise of rights attached to securities issued by the Company, conferring entitlement to the allotment of the Company's existing shares via redemption, conversion, exchange, presentation of a warrant or any other method;
- hold shares and later provide them in exchange or in payment within the framework of possible external growth transactions, in compliance with market practices as allowed by the French Financial Markets Authority (AMF);
- cancel shares, with a maximum of 10% of share capital over a period of 24 months and as part of a capital reduction plan.

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

The Board of Directors may, however, adjust the above-mentioned purchase price in the event of modification of the share's nominal value, capital increase through incorporation of reserves and bonus shares, stock split or reverse split, capital redemption or reduction, distribution of reserves or other assets and any other transactions affecting shareholders' equity, in order to take into account the impact of these transactions on the value of the share.

Exercise of this authorization may not result in bringing the total number of company-held shares above 10% of the number of shares making up total share capital as at March 31, 2009, i.e., 4,236,014 for a maximum amount of €318 million. It is further stated that, whenever Company shares are purchased as part of a liquidity contract, the number of the said shares to be taken into account to appreciate the abovementioned 10% threshold will equal the number of such shares purchased less the number of shares sold under the liquidity contract over the validity period of the authorization.

The shares may be purchased, sold, transferred or exchanged by any means and at any time, through a transaction on or off the market, over the counter, in blocks of shares or through the use of derivative instruments, in particular through the buying of purchase options. The maximum share of capital that may be transferred in the form of blocks of shares may be as high as the entire amount of the repurchase program.

The shares may also be loaned, in conformity with the provisions of Articles L.432-6 et seq. of the Monetary and Financial Code.

This share purchase authorization is valid for a period expiring at the General Meeting convened to approve the management and the financial statements for the 2009 fiscal year or, at the latest, on December 3, 2010.

The Shareholders decide that the Company may continue the implementation of its repurchase program even in the event of takeover or share exchange bids through the purchase or exchange of shares or securities issued by the Company or initiated by the Company.

A description of the share buy-back program will be included in the Reference Document filed with the French Financial Markets Authority (AMF).

In view of guaranteeing the implementation of this resolution, full powers are given to the Board of Directors, with the option to delegate these powers in order to:

- carry out the actual transactions, determine the conditions and the methods;
- complete all declarations and formalities with the French Financial Markets Authority (AMF);
- execute all trading orders, enter into any agreement with a view, in particular, to keeping registers of the purchase and sale of shares;
- make adjustments in the purchase price of the shares to take into account the effect of the above-mentioned transactions on the value of the share; and
- carry out all formalities and, more generally, take all necessary measures.

The Board of Directors shall inform the Shareholders at their General Meeting of the transactions carried out pursuant to the present authorization.

Other information

GENERAL INFORMATION ON RALLYE

GENERAL INFORMATION

Company name: RALLYE

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

Company headquarters: 32, rue de Ponthieu - 75008 Paris - France

I Legal entity

RALLYE is a “Société Anonyme” (joint stock corporation) under Book II of the French Commercial Code.

Legislation: French Law

Existence - duration

Date established: January 20, 1925

Expiry date: December 31, 2064

Duration: 90 years, beginning December 31, 1974, the date of its first extension.

I Mission statement

Article 3 of the by-laws states:

“The company’s mission is:

- to take on majority interests in any French or foreign firm, whatever its legal form or mission, and to manage these interests;
- to provide administrative, accounting, legal, financial, IT, commercial or other services to further the interests of any company, as well as any public relations services;
- to acquire and manage all types of buildings;
- to undertake any form of business, commission, or brokerage in its own name, or on behalf of others;
- and, in general, to undertake any commercial, industrial, real estate, securities or financial transactions either directly or indirectly related to, or likely to be of use to the Company’s mission or to help in its fulfillment.

It may, in France or abroad, create, acquire, operate or cause to operate any brand of manufacture, trade, or service, any model or design, any patent or manufacturing process related to the above mission.

It may act in any country, be it directly or indirectly, on its own account or on behalf of others, alone or in association, participation, grouping or company, in conjunction with any other person or company, and it may carry out the transactions necessary to its mission, under any form.”

I Legal register of companies

Registered in Paris (France), at the Register of Companies (RCS) under number 054.500.574.

I Consultation of the documents and information relating to the Company

Company documents relating to the last three fiscal years (annual statements, official reports of the Annual General Meetings, Board members list, statutory auditors’ reports, by-laws, etc.) can be consulted at the Company headquarters, 32, rue de Ponthieu - 75008 Paris France.

Accounting year – Article 32 of the by-laws states.

From January 1 to December 31 - Duration: 1 year

– BY-LAWS RELATING TO CORPORATE GOVERNANCE AND MANAGEMENT BODIES
– BOARD OF DIRECTORS' INTERNAL RULES OF PROCEDURE

Board of Directors

Composition of the Board of Directors (extract of article 14 of the By-laws)

The company shall be managed by a Board of Directors consisting of at least three and no more than eighteen members ("the Members").

Members' Duties (extract of article 15 of the By-laws)

Each Member of the Board shall own at least one share.

Term of Office – Age Limit – Replacement (extract of article 16 of the By-laws)

I - The Members of the Board shall be appointed for a term of office of one year expiring after the General Shareholders' Meeting convened to approve the financial statements and held in the calendar year during which their term of office expires.

II - All Members of the Board who are natural persons and all Members that are permanent representatives of a legal entity shall automatically retire from office after the General Shareholders' Meeting held to approve the financial statements for the year during which they reach 75 years of age.

III - The Members of the Board shall be appointed or re-appointed by the General Shareholders' Meeting.

In the event of a vacancy due to the death or resignation of one or several Members of the Board, the Board may, between two General Shareholders' Meetings, appoint a temporary Member. The appointment shall be subject to ratification at the subsequent General Shareholders' Meeting.

Even if the appointment of a Member by the Board is not ratified by the General Shareholders' Meeting, the actions performed by the Member and the proceedings undertaken by the Board during the temporary appointment period remain valid.

If the number of Members falls below three, the remaining Members (or the statutory auditors or a representative designated, at the request of any interested party, by the Chairman of the Commercial Court) shall immediately call an Ordinary General Shareholders' Meeting to appoint one or several new Members in order to fill the vacancies and bring the number of Members on the Board up to the legal minimum requirement.

The Member appointed to replace another Member shall only fill the vacancy for the remainder of the unexpired term of the Member who has vacated.

The appointment of a new Board Member in addition to serving Members may only be decided by the General Shareholders' Meeting.

Board of Directors' Organization, Meetings and Proceedings

> Chairman – Officers of the Board (extracts of articles 17 and 20 of the By-laws)

The Board of Directors shall appoint a Chairman from its Members, who must be a natural person.

The Chairman of the Board of Directors shall organize and direct the activities of the Board and shall report thereon to the General Shareholders' Meeting. He shall ensure that the Company's governing bodies operate properly and in particular that the Members are capable of fulfilling their duties.

The Chairman may be appointed for the entire term of his office as Member of the Board, subject to his removal from office by prerogative of the Board of Directors and his own prerogative to resign before the expiry of his tenure. The Chairman shall be eligible for reappointment.

The Chairman shall automatically resign from office after the General Shareholders' Meeting convened to approve the financial statements for the year during which he reaches 75 years of age.

The Board of Directors may remove him 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 Member. 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.

> Censors (extract of article 23 of the By-laws)

The General Shareholders' Meeting may appoint censors, which may be either legal entities or natural persons, from among the shareholders. Between two General Shareholders' Meetings, the Board of Directors may appoint censors subject to the ratification of the appointment at the subsequent Shareholders' Meeting. There may not be more than five censors.

The censors shall be appointed for a term of office of three years. Their appointment shall expire after the General Shareholders' Meeting convened to approve the financial statements and held in the calendar year during which their term of office expires. The censors shall be eligible for reappointment at any time, and may be removed from office at any time by decision of the General Shareholders' Meeting.

The censors shall participate in the Board of Directors' meetings. At such meetings, they shall give their opinion and comments and play a consultative role in the Board's proceedings.

They may receive remuneration. The aggregate amount of remuneration shall be set by the General Shareholders' Meeting and maintained until a new decision is taken at another Shareholders' Meeting. The remuneration shall be divided between the censors by the Board of Directors, as it deems appropriate.

Other information

GENERAL INFORMATION ON RALLYE

Board Proceedings (extract of article 18 of the By-laws)

I - The Board of Directors shall convene as often as required by the interests of the company and whenever it judges appropriate, at a place indicated in the notice of the meeting.

Notices of the meetings shall be issued by the Chairman or on his behalf by a person designated by him. When a meeting has not been held for more than two months, one third of the Members may ask the Chairman to call a meeting with a specific agenda. The Chief Executive Officer may also ask the Chairman to call a Board meeting with a specific agenda.

II - For the proceedings of the Board of Directors to be valid, the effective presence of at least fifty per cent of the serving Members shall be required. A register of attendance shall be signed by the Members participating in the meetings.

Decisions shall be taken by a majority vote of the members present or represented. In the event of the same number of votes for and against a proposal, the Chairman shall have a casting vote. However, in the event that the Board consists of less than five Members, decisions may be taken by two of the Members present, who are in agreement.

The Members may participate in proceedings by means of a video conference or similar communications system under the conditions set forth and the arrangements governed by current regulations and the Board's internal rules of procedure.

Board's Powers (extract of article 19 of the By-laws)

I - The Board of Directors shall determine the strategic orientations of the company's business and shall ensure that they are implemented. Subject to the powers expressly granted to Shareholders' Meetings and within the limits of the corporate purpose, the Board shall address any issue of relevance to the proper functioning of the Company and shall settle all matters concerning it during its proceedings.

II - When the Chairman is appointed or re-appointed, the Board of Directors shall set out the arrangements governing the executive management of the Company, which shall be performed either by the Chairman or by another natural person appointed for that purpose.

However, the Board of Directors may, by a Board decision and at any time, modify the arrangements governing the executive management of the Company, without requiring any amendment to the Company's by-laws.

III - The Board may appoint committees and set forth their composition and duties. The members of these committees shall be responsible for examining issues and providing recommendations on matters referred to them by the Chairman or the Board.

IV - The Board shall authorize, in compliance with legal provisions, the agreements other than those relating to ordinary business operations concluded under normal conditions, pursuant to article L.225-38 of the French Commercial Code. However, the Company may not grant loans, overdrafts, sureties or guarantees to the persons mentioned in article L.225-43 of the French Commercial Code or for the purposes provided for in article L.225-219 of the Commercial Code.

V - Subject to legal disqualification, the powers, offices and duties limited to one or several operations or specific classes of operations may be delegated to all persons, whether Board Members or not.

Furthermore, the Board of Directors of the Company has set up a number of mechanisms in its internal rules of procedure to ensure the oversight of the executive management of the Company (see the section on "Corporate Governance").

Executive Management System

The powers and duties of the Chairman of the Board of Directors and the Chief Executive Officer may be entrusted to the same person (extract of article 21 of the By-laws).

Executive management

The executive management of the Company may be conducted under the responsibility of the Chairman of the Board of Directors, or by a Chief Executive Officer appointed by the Board of Directors.

Although the Company's by-laws provide for the separation of these powers, the Chairman of the Board of Directors shall also hold the office of Chief Executive Officer.

The executive management of the Company shall be conducted under the responsibility of the Chairman of the Board of Directors, or by another natural person, whether Board Member or not, appointed by the Board of Directors and bearing the title of Chief Executive Officer.

If the executive management of the Company is conducted under the responsibility of the Chairman, the provisions of this article shall apply to him. He shall take the title of Chairman and Chief Executive Officer.

The Chief Executive Officer shall have the broadest powers to act in all circumstances on behalf of the Company. He shall exercise these powers within the limits of the corporate purpose and subject to the powers expressly reserved by law to Shareholders' Meetings and the Board of Directors.

He shall represent the Company in its dealings with third parties.

The term of office of the Chief Executive Officer shall be set freely by the Board of Directors. It may not exceed the Members' term of office as set forth in article 16 above.

The Chief Executive Officer shall automatically resign from office after the General Shareholders' Meeting convened to approve the financial statements of the year during which he reaches 75 years of age.

The Chief Executive Officer may be removed from office at any time by the Board of Directors. If the removal from office is decided without a justified reason, it may give rise to the payment of damages, unless the Chief Executive Officer also performs the duties of Chairman of the Board of Directors.

Deputy Managing Directors

Upon a proposal by the Chief Executive Officer, the Board of Directors may appoint one or several natural persons to assist the Chief Executive Officer, with the title of Deputy Managing Director.

The maximum number of Deputy Managing Directors shall be five.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers granted to the Deputy Managing Directors. In dealings with third parties, the Deputy Managing Directors shall have the same powers as the Chief Executive Officer.

The Deputy Managing Directors may be removed from office at any time by the Board of Directors upon a proposal by the Chief Executive Officer. If the removal from office is decided without a justified reason, it may give rise to the payment of damages.

If the Chairman also performs the duties of Chief Executive Officer, the Chief Executive Officer and each of the Deputy Managing Directors shall be authorized to delegate or substitute authority for one or several operations or specific classes of operations.

Board of Directors' Internal Rules of Procedure

The Board of Directors of the Company has adopted internal rules of procedure setting out the arrangements regarding its operations, in addition to the legal, regulatory and statutory provisions governing the Company.

These internal rules of procedure specify how the Board is organized and operates and set out the powers and duties of the Board of Directors and the Committees that it has established. They also set out the arrangements for overseeing and assessing its performance (see the section on "Corporate governance", which describes the various committees set up and the limits placed on executive management and the control and evaluation of the Board of Directors).

I Income appropriation*Article 33 of the by-laws states*

"I – The income statement shows income or loss for the period, after the deduction of amortization and provisions.

From this income, less losses carried forward from previous periods, if any, the following must be paid in priority:

- at least five per cent to constitute the legal reserve fund. This shall cease to be mandatory once the said fund has reached one-tenth of par, but shall resume should, for whatever reason, this requirement cease to be met;
- and any amounts to be appropriated to reserves in compliance with the law.

The balance, together with any income carried over, constitutes the earnings available for distribution. It is at the disposal of the shareholders at the general meeting to be, if proposed by the Board of Directors, either totally or in part, distributed to the shares as a dividend, appropriated to any reserve or capital amortization accounts, or to retained earnings.

The general meeting of shareholders voting on the accounts 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 at the general meeting may choose to use the reserves at their disposal to pay a dividend on shares. Should this be decided, the decision shall expressly indicate the headings from which the amounts are taken."

I Information about general meetings of shareholders*Articles 25, 27 and 28 of the by-laws states*

"General meetings of shareholders shall be convened by the Board of Directors.

Failing that, and in accordance with article L.225-103 of the French Code of Commerce, they may be convened by the statutory auditors or by a court-appointed auditor, at the request of the person concerned in the event of an emergency, i.e., shareholders owning at least 5% of company capital, or a group of shareholders that meet the criteria laid down in Article L.225-120 of the Code of Commerce, or the receivers."

Other information

GENERAL INFORMATION ON RALLYE

I Shareholders shall be convened as follows:

Article 27, paragraph I and II of the by-laws states

"At least thirty-five days before the scheduled general meeting, the French bulletin of mandatory legal announcements (BALO) will publish an announcement containing the provisions provided for by the Code of Commerce.

Shareholders are convened via a notice published in the bulletin of mandatory legal announcements and in a journal of legal announcements in the département (administrative district) where the registered office is located. The first announcements shall be published at least 15 days before the date of the meeting, with a subsequent announcement to follow no less than six days before the meeting. In addition, those who have owned registered shares for at least one month before the date of this announcement shall receive a letter of invitation by mail.

Meetings shall take place in the 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 in the venue indicated.

The agenda for each general meeting is established by the person convening the meeting. If applicable, it contains proposals made by one or several shareholders, under the conditions provided by law."

I Conditions of admission

Article 25, paragraph I, II and III of the by-laws states

"• Whatever number of shares they hold, all shareholders have the right, upon providing proof of their identity and position, to participate in general meetings, provided that their shares were recorded on the third trading day preceding the general meeting at midnight (CET):

- for holders of registered shares: in the name of the shareholder in the nominative accounts held by the Company,
- for holders of bearer shares: in the name of the intermediary registered on the shareholder's behalf in the bearer share accounts held by the authorized intermediary,

and, if necessary, subject to providing the Company with any necessary proof of identification, in compliance with applicable rules and regulations.

Accounting entries or registration of shares in bearer share accounts held by the authorized intermediary will be confirmed by a participation certificate issued by the latter, in compliance with legal and regulatory provisions.

- Shareholders may be represented by a proxy, provided that the proxy is also a shareholder.
- Legal representatives of shareholders who are legally incompetent and representatives of shareholding companies have access to the meetings whether or not they are themselves shareholders.
- Beneficial owners, bare owners, joint owners of shares may attend meetings under the conditions provided by law (article 12 of the by-laws states)."

I Setting-up of the General Meeting of shareholders

Article 25, paragraph IV of the by-laws states

"In application of article L.225-107 of the French Code of Commerce, at each General Meeting, the Board of Directors is authorized to allow shareholders to participate by videoconference or by any other means of telecommunication that transmits at least their voice and guarantees their identification under the conditions laid out by the regulations in force at the time. If necessary, this decision is mentioned in the notice of meeting."

I Conditions for the exercise of voting rights

Article 28, paragraph III and IV of the by-laws states

- "• Shareholders have as many votes as they own or represent shares, with no limits, except as provided by law.
- Votes are cast by a show of hands, or by any electronic system, unless a secret ballot is requested by one or more shareholders who together represent one tenth of the capital represented at the meeting, according to the possibility forecast by article L.25-IV.
- Shareholders can vote by absentee ballot under legal conditions. They can also vote electronically on a website created by the Company exclusively to this end. In this case, they cannot access this website unless they identify themselves by means of a code given before the meeting."

I Conditions for the acquisition of double voting rights

Article 28, paragraph III of the by-laws states

"Shares paid in full, and which have been recorded for at least two years under the name of the same shareholder, have double voting rights as compared to equivalent shares in Company capital (Extraordinary General Meeting of October 25, 1993).

If capital is increased through appropriation of reserves, of earnings, or of issue premiums, double voting rights are granted, upon issue, to the registered shares allocated to each shareholder on the basis of pre-existing shares for which he or she enjoys these rights. Double voting rights are cancelled upon the conversion of shares into bearer shares or identifiable bearer shares, or upon the sale or transfer of shares, except in inheritance or divorce proceedings, or bequests inter vivos to a spouse or a direct heir, which does not interrupt the time period necessary for the acquisition of a double voting right."

I Share ownership which must be declared to the Company

Article 10, paragraph II of the by-laws states

"Besides being required to fulfill the legal obligation of informing the Company when he or she comes to own more than a certain share of company capital and the attached voting rights, any person or legal entity who, alone or indirectly, under the terms of Article L.233-9 of the French Code of Commerce, or in a concert party with other persons or legal entities under the terms of Article L.233-10 of the French Code of Commerce, comes to hold or ceases to hold, in any way, a share equal to 1% of the voting rights or any multiple thereof, up to 50%, must send a registered letter with return receipt requested to company registered office within five market days from the date the share ownership threshold was attained, informing the Company of the total number of shares and voting rights owned in the same way, and which ultimately provide access to the capital, as well as of the number of voting rights attached.

Should this obligation to inform not be respected, and upon the request, as recorded in the minutes of the general meeting, of one or several shareholders holding at least 5% of company capital, the voting rights exceeding the fraction which should have been declared may not be exercised at any meeting held, for a period of two years following the date of compliance with the notification requirement."

I Shareholders identification

Article 10, paragraph III of the by-laws states

"In view of identifying the holders of bearer securities, and in accordance with article L.228-2 of the French Code of Commerce, the Company has the right to, at any time, and at its own expense, obtain certain information from the securities compensation agency. This includes the names (or, in the case of a legal entity, the denomination), nationality, and address of the holders of securities which grant the right to vote, either immediately or subsequently, in its own shareholders meetings, as well as the number of shares held by each holder, and, if necessary, any restrictions which may apply to the shares in question.

The company may also, under the conditions set out by articles L.228-2-II and L.228-3 *et seq.* of the French Code of Commerce, 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, they must provide information serving to identify this third party or parties.

Should the identity of the owners of the shares not be revealed, the vote or proxy authorization issued by the intermediary will be discarded.

In addition, by virtue of article L.228-3-I of the French Code of Commerce, any legal entity owning shares in excess of 2.5% of the capital or of the voting rights, must, when so requested by the Company, reveal the identity of the individuals and/or legal entities which own, either directly or indirectly, more than one third of its own capital or voting rights.

In application of articles L.228-3-2 and L.228-3-3 of the French Code of Commerce, failure to provide the information requested, by virtue of articles L.228-2-II or L.228-I of the French Code of Commerce, or the provision of incomplete or erroneous information will be punishable by deprivation of voting rights and of the right to receive dividends attached to the shares held by the person who received the request for information, until such date as the correct information is supplied."

Other information

GENERAL INFORMATION ON COMPANY CAPITAL

AMOUNT OF CAPITAL

- Share capital as at December 31, 2008: €127,080,420
- Share capital as at February 28, 2009: €127,080,420
- Number of shares as at December 31, 2008: 42,360,140
- Number of shares as at February 28, 2009: 42,360,140

The shares have a per value of €3 each, are paid in full and belong to the same category.

Shares may be either registered, or bearer shares, at the option of the shareholder.

The company keeps track of its share capital distribution, in compliance with the terms of the law.

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

Double voting rights are granted to shares that have been held as registered shares by the same person for over two years. As at February 28, 2009, double voting rights having been granted to 18,013,720 shares, the total number of voting rights amounted to 60,373,860 for 42,360,140 shares.

FINANCIAL AUTHORIZATIONS

All authorizations and delegations granted to the Board of Directors are described below:

Type of issue	EGM	Authorization period	End of authorization	Nominal amount authorized ⁽¹⁾
Delegation of authority to increase stated capital by capitalization of reserves, income, premiums or other amounts whose capitalization is allowed	06/06/2007	26 months	08/06/2009	€200 m
Delegation of authority to issue shares or securities that grant rights to new or existing shares or to existing shares of any company held directly or indirectly by over 50%, or to debt instruments with, in the case of issuances of new shares, preferential subscription right upheld ⁽²⁾	06/06/2007	26 months	08/06/2009	€200 m ⁽³⁾ €1 bn ^{(4) (5)}
Delegation of authority to issue shares or securities that grant rights to new or existing shares or to existing shares of any company held directly or indirectly by over 50%, or to debt instruments with, in the case of issuance of new shares, preferential subscription right withheld ⁽²⁾	06/06/2007	26 months	08/06/2009	€200 m ⁽³⁾ €1 bn ^{(4) (5)}
Delegation of authority to issue securities granting access to capital in the event that Rallye offers to purchase the shares of another company	06/06/2007	26 months	08/06/2009	€200 m ⁽³⁾ €1 bn ⁽⁴⁾
Delegation of authority to decide, during a public offer period, to issue stock warrants allowing the subscription, under preferential conditions, of company shares, including the granting of bonus shares to all the Company's shareholders	06/04/2008	18 months	12/04/2009	€200 m ⁽³⁾
Granting of new or existing bonus shares to the employees or corporate officers of the Company or to those of affiliated companies	06/04/2008	38 months	08/04/2011	2% of the total number of company shares at the time of issue
Increase of capital for employees who have a company savings plan in the Company or affiliated companies	06/06/2007	26 months	08/06/2009	5% of the total number of company shares at the time of issue

(1) When the authorization is not used, the authorized amounts are equal to the residual amounts.

(2) The board of directors may increase the number of securities to be issued within the limit of 15% of the initial issues and at the same issuing price.

(3) For issuing securities giving rights to capital.

(4) For issuing debt.

(5) For debt instruments.

The proposal to renew the authorizations expiring in 2009 is on the agenda of the extraordinary shareholders' meeting of June 3, 2009. The extraordinary shareholders' meeting of June 6, 2007, authorized the board of directors to grant stock options for a 38 month period until July 4, 2010, to company employees and employees of the companies or groups mentioned in Article L.225-180 of the French Code of Commerce, and to their corporate officers. The total number of options granted may not confer rights to a number of shares representing more than 5% of share capital at the grant date, without taking into account the options granted under previous authorizations that have not yet been exercised.

The proposal will also be made to delegate authority to the Board of Directors to issue shares or share equivalents corresponding to a maximum 10% of the Company's share capital, as consideration for contributions in kind made to the Company in shares or share equivalents.

POTENTIAL CAPITAL AS AT FEBRUARY 28, 2009

Potential capital as at February 28, 2009 breaks down as follows:

Number of shares as at February 28, 2009	42,360,140
Exercise of stock options	839,781
Potential number of shares	43,199,921

The dilution effect, in the event of the exercise of stock options, amounts to 1.9% for a shareholder owning 1% of Company share capital as at February 28, 2009.

Other information

CURRENT CAPITAL OWNERSHIP AND VOTING RIGHTS

CHANGES IN CAPITAL OVER THE PAST TEN YEARS

Date	Event	Changes			New capital (€)	Total number of shares
		Number of shares	Nominal (€)	Premium (€)		
1998	Issue of shares with warrants attached	5,068,793	15,454,650.23	193,183,127.86		
	Redemption of bonds redeemable in shares	1,308,408	3,989,310.27	18,364,465.96		
	Exercise of warrants, options and convertible bonds	74,603	227,463.08	2,660,516.92		
12/31/1998					81,490,024.50	26,726,976
1999	Exercise of warrants, options and convertible bonds	1,157,585	3,529,453.91	44,120,953.36		
	Cancellation of shares	(18,581)	(56,653.10)	(1,020,581.38)		
12/31/1999					84,962,825.31	27,865,980
2000	Exercise of warrants and convertible bonds	1,488,691	4,538,989.60	64,990,279.85		
12/31/2000					89,501,814.91	29,354,671
2001	Conversion of capital in euros		(1,437,835.66)			
	Exercise of warrants and convertible bonds	9,580,561	28,741,716.75	392,598,277.71		
12/31/2001					116,805,696.00	38,935,232
2002	Cancellation of shares	(5,000,000)	(15,000,000.00)	(285,000,000.00)		
	Exercise of warrants and convertible bonds	3,265,992	9,797,976.00	134,666,646.93		
12/31/2002					111,603,672.00	37,201,224
2003	Exercise of warrants and convertible bonds	206,620	619,860.00	8,057,485.58		
12/31/2003					112,223,532.00	37,407,844
2004	Exercise of warrants	5	15	275		
12/31/2004					112,223,547.00	37,407,849
2005	Payment of 2004 balance dividend in shares	438,907	1,316,721.00	14,361,037.04		
	Exercise of B warrants	2,424	7,272	103,020.00		
	Païement de l'acompte sur dividende 2005 en actions	958,407	2,875,221.00	30,055,643.52		
12/21/2005					116,422,761.00	38,807,587
2006	Payment of the 2005 interim dividend in shares	403,255	1,209,765.00	11,984,738.60		
	Exercise of C warrants	186	558.00	8,370.00		
12/31/2006					117,633,084.00	39,211,028
2007	Exercise of options	314,300	942,900.00	8,450,793		
	Conversion of OCEANE bonds	3,127,264	9,381,792.00	125,519,779.47		
12/31/2007					127,957,776.00	42,652,592
2008	Exercise of options	24,000	72,000.00	725,265		
	Cancellation of shares	(316,452)	(949,356)	(13,632,380.88)		
12/31/2008					127,080,420.00	42,360,140
02/28/2009					127,080,420.00	42,360,140

SITUATION AS AT FEBRUARY 28, 2009

Total number of voting rights: 60,373,860.

Number of shareholders: over 13,000, based on an identifiable bearer securities survey performed in February 2008.

To the Company's knowledge, the main shareholders at that time were as follows:

Shareholders	Shares	% Capital	Voting rights	% Voting rights
Foncière Euris*	24,430,858	57.67%	43,499,678	72.05%
Other companies of the Euris group *	1,057		1,307	
Shares held by executives and members of the Board*	41,830	0.11%	80,076	0.14%
Sub-total	24,473,745	57.78%	43,581,061	72.19%
Treasury stock * ⁽¹⁾	1,414,945	3.34%		
Other shareholders ⁽²⁾	16,471,450	38.88%	16,792,799	27.81%
<i>of which holders of registered shares:</i>	10,595	0.03%	17,535	0.03%
<i>of which holders of bearer shares:</i>	16,460,855	38.85%	16,775,264	27.78%
TOTAL	42,360,140	100.00%	60,373,860	100.00%

*Holders of registered shares.

1) Of which 375,000 were allocated to the liquidity contract, while the balance was entirely allocated to bonus share allocation and subscription plans.

(2) To the knowledge of the Company, none of the "Other shareholders" owns directly, indirectly or in concert 5 % or more of the share capital or the voting rights.

I Threshold crossing disclosures between January 1, 2008 and February 28, 2009

In compliance with Article 10.II of the Company by-laws and based on the number of shares and voting rights declared by Rallye and published on the Company's website on January 14, 2009, the following companies disclosed threshold crossings:

During 2008, UBS's interest in Rallye's share capital and voting rights successively rose above and fell below:

- the 1% threshold in Rallye capital:
 - below 1% on January 15, 2008;
 - above 1% on March 19, 2008;
 - above 1% on May 8, 2008;
 - below 1% on August 14, 2008;
 - above 1% on September 10, 2008;
 - below 1% on September 15, 2008.
- the 2% threshold in Rallye capital:
 - above 2% on June 20, 2008;
 - below 2% on July 29, 2008.
- the 1% threshold in Rallye voting rights :
 - above 1% on May 2, 2008;
 - below 1% on August 14, 2008.

During 2008, Tocqueville Finance's interest in Rallye's share capital successively rose above and fell below the 2% threshold in Rallye capital:

- below 2% on April 28, 2008;
- above 2% on October 10, 2008.

During 2008, Richelieu Finance's interest in Rallye's share capital successively rose above and fell below:

- the 1% threshold in Rallye capital:
 - below 1% on July 3, 2008;
 - above 1% on September 19, 2008.
- the 1% threshold in Rallye voting rights:
 - below 1% on April 17, 2008.
- the 2% threshold in Rallye capital:
 - below 2% on January 24, 2008.

During 2008, AQR Capital Management's interest in Rallye's share capital successively rose above and fell below the 1% threshold in Rallye capital:

- above 1% on March 28, 2008;
- below 1% on September 17, 2008.

Other information

LISTING OF COMPANY SECURITIES AS AT FEBRUARY 28, 2009

CHANGE IN CAPITAL OWNERSHIP OVER THE LAST THREE YEARS:

The capital ownership and voting rights evolved as follows, over the last three years:

Shareholders	Position at 12/31/2008			Position at 12/31/2007			Position at 12/31/2006		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Foncière Euris*	24,430,858	57.67%	71.83%	24,431,108	57.28%	71.44%	24,431,108	62.30%	75.27%
Shares held by subsidiaries									
Treasury shares	1,234,945	2.92%		405,828	0.95%		203,578	0.52%	
Other shareholders	16,694,337	39.41%	28.17%	17,815,656	41.77%	28.56%	14,576,342	37.18%	24.73%
TOTAL	42,360,140	100%	100%	42,652,592	100%	100%	39,211,028	100%	100%

* Directly and indirectly.

The percentages are expressed as at December 31 of each year.

DESCRIPTION OF THE COMPANY'S SHARE REPURCHASE PROGRAM

Since the authorization granted by the Shareholders' Meeting on June 4, 2008 remains in force until December 4, 2009, the Shareholders' Meeting convened on June 3, 2009 will be requested to extend the duration of the share repurchase program.

I Share of capital owned by the Company and breakdown by objectives of company shares held in treasury stock

As at February 28, 2009, the Company owns 1,414,945 shares, i.e., 3.34% of its capital, as follows:

- 1,039,945 set aside to cover bonus share and subscription plans;
- 375,000 shares within the framework of the AMAFI (French Financial Markets Association) liquidity contract concluded with Rothschild et Cie Banque on June 21, 2005.

I Objectives of the repurchase program

The objectives of the share repurchase program are, in decreasing order of priority, the following:

- to cover the share purchase and/or subscription plans issued to employees and corporate officers, in compliance with Articles L.225-177 *and seq.* of the French Code of Commerce, as well as Company savings plans or any shareholding plans;
- to issue bonus shares to the employees and executives of the Company, in conformity with the provisions of Articles L.225-197-1 *and seq.* of the French Code of Commerce;
- to ensure market activity in the framework of a liquidity agreement entered into with an investment services provider, in conformity with the code of conduct prepared by the AMAFI and acknowledged by the AMF;
- to issue shares upon the exercise of rights attached to investment securities issued by the Company, that grant the right, through reimbursement, conversion, exchange, presentation of a coupon, or in any other way, to receive existing company shares;
- to keep the shares and contribute them later on for exchange or payment, as part of possible external growth operations, in compliance with market practices accepted by the AMF;
- to cancel shares up to a maximum which may not exceed 10% of the Company's share capital per 24-month period, as part of a company share capital reduction plan, which may be authorized by the Extraordinary Meeting of Shareholders of June 4, 2008.

I Maximum share ownership, maximum number of shares, characteristics of the shares which the Company plans to purchase, and maximum share purchase price

Rallye will be able to acquire 10 % of its capital; that is, as at February 28, 2009, 4,236,014 shares with a par value of €3 each. Given that the Company already owned 1,414,945 treasury shares as at February 28, 2009, the maximum number of shares which may be purchased under the repurchase program is, therefore, 2,821,069. This corresponds to a theoretical maximum investment of €211,580,175 based on a maximum purchase price of €75, as provided by the nineteenth resolution submitted to the Shareholders at the General Meeting of June 3, 2009.

I Duration of the repurchase program

The share repurchase program has been extended for a period which will end at the Shareholder's Meeting convened to approve the management and the financial statements for the year 2009, or, at the latest, on December 3, 2010.

I Transactions made, through purchase, sale, or transfer, under the previous repurchase program

Total number of shares in the issuer's share capital at the outset of the program	42,336,140
Treasury shares held directly or indirectly at the outset of the program (number and %)	87,221 / 0.21%
Cumulative data from the beginning of the program, up until March 31, 2008:	
Number of shares purchased	1,935,505
Number of shares sold	572,505
Number of shares transferred	35,276
Number of shares cancelled	316,452
Repurchased from persons holding more than 10% of share capital, or corporate officers	
Number of shares cancelled in the past 24 months	316,452
Number of shares held as at February 28, 2009 (number and %*):	1,414,945 / 3.34%
Book value of the portfolio as at February 28, 2009	€20.9 million
Market value of the portfolio as at February 28, 2009	€16.7 million

* As a percentage of share capital as at February 28, 2009.

Other information

LISTING OF COMPANY SECURITIES AS AT FEBRUARY 28, 2009

SHARES PLEDGED AS COLLATERAL

In the framework of the credit facilities it has arranged, FONCIÈRE EURIS has pledged RALLYE shares as collateral, on the basis of the amount of borrowing capacity, or of the amounts drawn and outstanding, whichever is the case. Shares pledged as collateral, as at December 31, 2008, break down as follows among beneficiaries:

Beneficiary	Date of pledge ⁽¹⁾	Date of release ⁽¹⁾	Condition for releasing the shares as collateral	Number of shares pledged	% of the issuer's capital pledged ⁽²⁾
HSBC	June-06	June-09	⁽³⁾	5,727,163	13.52%
Calyon	May-05	July-11	⁽³⁾	2,921,931	6.90%
CIC - Crédit Mutuel group	June-04	May-10	⁽³⁾	6,454,413	15.24%
Natixis	Dec-04	Nov-12	⁽³⁾	4,335,784	10.24%
Société Générale	July-06	July-11	⁽³⁾	100	-
BNP Paribas	Jul-08	Nov-12	⁽³⁾	1,626,070	3.84%
RBS	Aug-06	Dec-11	⁽³⁾	1,752,022	4.14%
TOTAL				22,817,483	53.88%

⁽¹⁾ The dates of pledge and release shown are the limit values found on currently existing credit facilities.

⁽²⁾ As at December 31, 2008.

⁽³⁾ Reimbursement or maturity date of the facility.

SHAREHOLDERS' AGREEMENT AND ACTIONS IN CONCERT

To the Company's knowledge, there are no shareholders' agreements, or persons or group of persons who exercise or may exercise control over the Company.

MAJOR CONTRACTS

During the course of the last three years, to the date of the Reference Document, the Group has not entered into any major contracts, 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 laid down in note 37 of the Notes to the consolidated financial statements.

TRANSACTIONS WITH RELATED PARTIES

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

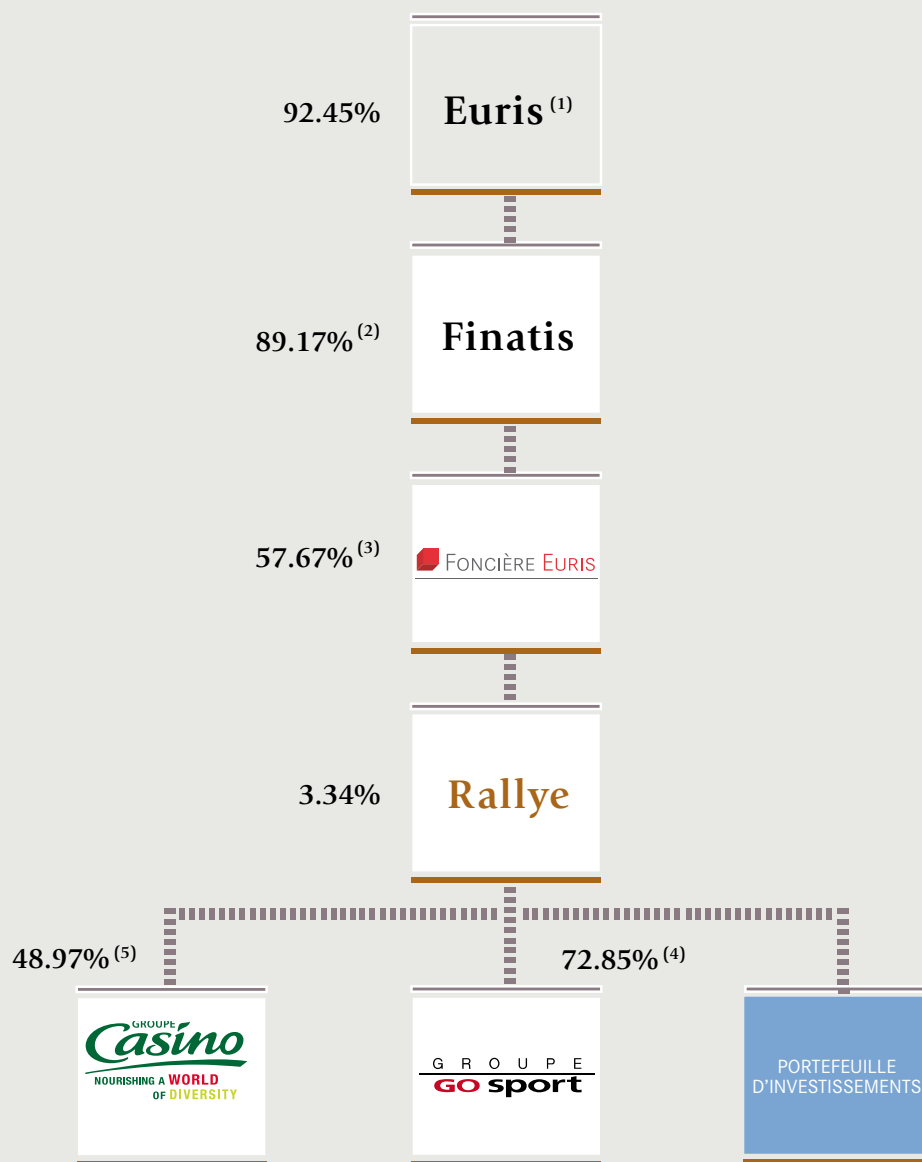
Under the agreement, Euris draws on its structures and resources to provide Rallye with continuous support in determining strategy and managing and developing its business. It also provides technical assistance on legal and administrative matters.

No loans or guarantees have been set up or granted by the Company to members of the Board of Directors.

Corporate officers or members of their family own none of the assets required for operations.

Other information

ORGANIZATION CHART OF THE GROUP AS AT FEBRUARY 28, 2009



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

(2) 91.89% of voting rights.

(3) 71.83% of voting rights.

(4) 79.12% of voting rights.

(5) Common shares held directly or indirectly, excluding self-control and treasury stock, representing 61.74% of voting rights.

The RALLYE group's current structure is the result of the reorganization undertaken in 1992 and 1993, which notably involved:

- the transfer to the Casino group of all hypermarket, supermarket and cafeteria divisions;
- the merger and absorption of parent companies Rallye SA and Coficam and of SMPO and Record Carburants. After the mergers, the absorbing company, Genty-Cathiard, changed its name to Rallye;
- a transfer of property assets by Foncière Euris.

The latest changes in the structure result of the share exchange offer on Casino, launched in September 1997, the merger-absorption of Go Sport by Courir, now known as Groupe Go Sport, on December 27, 2000, and Athlete's Foot management buy-out on December 27, 2003.

Rallye provides no management services to its operating subsidiaries. However, it receives technical and strategic support from Euris, the Group's parent company.

Other information

INFORMATION ON RALLYE'S ACTIVITY AND RISK MANAGEMENT

SECURITIES LISTED ON THE EURONEXT PARIS STOCK EXCHANGE (COMPARTMENT B)

RALLYE share (ISIN: FR0000060618)⁽¹⁾,

SECURITIES LISTED ON THE LUXEMBOURG STOCK EXCHANGE

RALLYE 3.25% bonds exchangeable for CASINO common shares issued April 30, 2003 (FR0000473985)⁽¹⁾.

RALLYE 5.625% bonds issued October 13, 2004 (FR0010117325)⁽¹⁾.

Institution in charge of servicing the securities:

(1) BNP Paribas Securities Services - Global Corporate Trust - Immeuble Tolbiac - 75450 Paris Cedex 09 - France

18-MONTH SUMMARY OF MARKET STATISTICS FOR RALLYE SHARES⁽¹⁾

Years /months	Number of shares traded	Historical high (in €)	Historical low (in €)	Trading volume (in K€)
2007		€	€	
September	1,675,353	50.00	47.69	81,694
October	2,835,992	55.00	49.18	144,613
November	2,881,206	53.78	48.60	145,967
December	2,024,931	49.78	46.50	98,395
2008				
January	2,815,787	49.23	32.51	110,057
February	2,002,175	41.04	36.76	78,423
March	1,809,709	42.25	37.50	72,506
April	2,636,113	49.20	41.44	118,531
May	1,332,366	50.75	47.19	65,397
June	4,037,037	49.00	34.92	183,761
July	3,934,454	37.79	30.32	132,353
August	3,619,770	33.33	28.91	113,258
September	4,938,208	32.02	20.03	125,636
October	10,825,962	22.00	12.65	183,406
November	5,148,985	18.35	11.85	75,214
December	3,798,176	16.20	12.78	55,086
2009				
January	2,350,900	17.52	13.91	37,274
February	2,291,533	16.10	11.58	31,706

(1) Source: Euronext Paris.

As at February 28, 2009, RALLYE's share price stood at €11.80 and the Company's market capitalization totaled €0.5 billion.

DIVIDEND DISTRIBUTION POLICY OVER THE PAST FIVE YEARS – STATUTE OF LIMITATIONS FOR DIVIDENDS

Over the last five years, Rallye distributed dividends as follows:

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008 ⁽¹⁾
Net dividend (in €/share)	1.68	1.68	1.74	1.83	1.83 ⁽²⁾
Tax credit (in €/share)	0.60	-	-	-	-
Number of shares	37,407,849	38,807,587	39,211,028	42,336,140	42,360,140
Total dividends (in €)	62,845,186	65,196,746	68,227,189	77,728,298	77,519,056

(1) Pursuant to the resolutions submitted to the General Meeting of June 3, 2009.

(2) An interim dividend, in the amount of €0.80 was paid out on October 3, 2007, based on 42,360,140 existing shares as at December 31, 2008.

The dividend distribution policy is based on the Group's financial situation, and on its expected financial needs.

No guarantees can be made as to the amount of dividends that can be paid out in the course of a given year.

At the General Meeting on June 3, 2009, shareholders will be asked to approve the distribution of a dividend in the amount of €1.83 per share.

In accordance with Articles L.27 and R 46 of the French Code on Government Property (Code du Domaine de l'Etat), dividends which remain unclaimed five years after they became payable must be paid to the Treasury.

EMPLOYEE PROFIT-SHARING AGREEMENTS

As provided under current regulations, most Rallye subsidiaries have employee profit-sharing contracts. The Rallye parent company does not, because of a smaller number of staff.

Other information

INFORMATION ON RALLYE'S ACTIVITY AND RISK MANAGEMENT

STOCK OPTION AND BONUS SHARE PLANS

Stock option plans (purchase and subscription) and bonus share plans to employees and executive officers have the following characteristics:

Date of the General Meeting	EGM on 06/09/04	EGM on 06/09/04	EGM on 06/09/04
Date of the Board meeting	06/09/04	06/08/05	06/07/06
Type of plan: S(ubscription) or B(onus share)	S	S	S
Number of initial beneficiaries	46	58	61
Number of options and bonus shares initially issued	314,550	224,084	254,120
<i>of which options and bonus shares issued to executive officers</i>	<i>92,850</i>	<i>83,567</i>	<i>84,250</i>
<i>of which options and bonus shares issued to the top ten employees</i>	<i>95,350</i>	<i>47,733</i>	<i>74,190</i>
Beginning of exercise period	06/09/07	06/08/08	06/07/09
End of exercise period	12/09/09	12/07/10	06/06/11
Exercise price	41.38	40.16	36.84
Number of options and bonus shares exercised as at Feb. 28, 2009	17,500		
<i>of which exercised since Jan. 1, 2008</i>	<i>7,500</i>		
Options cancelled as at Feb. 28, 2009 ⁽¹⁾	25,800	17,083	15,313
<i>of which cancelled since Jan. 1, 2008</i>	<i>13,300</i>	<i>9,583</i>	<i>10,063</i>
Options and bonus shares remaining as at Feb. 28, 2009	271,250	207,001	238,807
Number of shares remaining which, as at Feb. 28, 2009, may be bought or subscribed	271,250	207,001	238,807

(1) Further to the departure of beneficiaries.

EGM on 06/08/05	EGM on 06/06/07	EGM on 06/08/05	EGM on 06/06/07	EGM on 06/08/05	EGM on 06/04/08	Total
06/07/06	10/01/07	10/01/07	04/23/08	04/23/08	09/25/08	
B	S	B	S	B	B	
61	60	60	66	66	9	
40,858	181,127	29,686	258,091	44,161	41,150	1,387,827
10,533	50,866	6,359	80,234	10,029	22,800	441,488
12,061		9,204	72,624	12,159	5,750	329,071
n.a.	01/01/11	n.a.	07/23/11	n.a.	n.a.	
06/07/09	03/31/13	12/31/10	10/22/13	07/22/11	09/24/10	
n.a.	48.73	n.a.	43.15	n.a.	n.a.	
						17,500
						7,500
2,734	1,320	330	3,125	782	0	66,487
1,422	1,000	250	3,125	782	0	39,525
38,124	179,807	29,356	254,966	43,379	41,150	1,303,840
38,124	179,807	29,356	254,966	43,379	41,150	1,303,840

Other information

INFORMATION ON RALLYE'S ACTIVITY AND RISK MANAGEMENT

SHARE SUBSCRIPTION OPTIONS AND BONUS SHARES GRANTED OVER THE FISCAL YEAR BY THE ISSUER AND BY ANY OTHER COMPANY OF THE GROUP TO THE TOP TEN RECIPIENTS AMONG EMPLOYEES OF THE ISSUER

Name of granting company	Date of grant	Date of maturity	Type	Number of options granted	Equivalent number of shares	Subscription price (in €)
Rallye	04/23/2008	10/22/2013	Subscription	72,624	72,624	43.15
Rallye	04/23/2008	07/23/2011	Bonus shares	12,159	12,159	n.a.
Rallye	09/25/2008	09/25/2010	Bonus shares	5,750	5,750	n.a.
Groupe Go Sport	07/01/2008	12/31/2013	Subscription	9,300	9,300	36.9

OPTIONS HELD ON THE ISSUER OR ANY COMPANY OF THE GROUP, EXERCISED OVER THE FISCAL YEAR BY THE TEN EMPLOYEES HAVING EXERCISED THE HIGHEST NUMBER OF SIMILAR OPTIONS

Name of granting company	Date of grant	Date of maturity	Type	Number of options exercised	Equivalent number of shares	Exercise price (in €)
Rallye	06/04/2003	12/04/2008	Subscription	3,000	3,000	29.51
Rallye	06/08/2005	06/08/2008	Bonus shares	9,096	9,096	n.a.

I. INFORMATION ON RALLYE'S ACTIVITY

1.1. Investment policy

In 2008, the investment activity of Rallye and its holding subsidiaries mainly consisted in a net complementary investment of €43 million in the investment portfolio. The net amount included a €186 million investment in commercial real estate projects and a net divestment of €143 million of the financial investment portfolio. The investment portfolio is described in more detail on page 15 of the management report.

In 2007, Rallye and its holding subsidiaries mainly increased their ownership in Casino through the acquisition, in January and February, of 1,630,502 common shares following the exercise at maturity of call options acquired in May 2005. In March 2007, Rallye and its holding subsidiaries also acquired two million call options on Casino common shares. The total investment amounted to €120 million.

Annual investments by operating subsidiaries for the past two years are as follows:

(In € millions)	2008	2007
	1,259	1,111

Investments by operating companies are detailed in the "Business review" section of the management report. For more information on the strategy of the Group's operating subsidiaries, see "Recent trend and outlook" page 20.

Rallye, as the holding company controlling two operating companies present, for Casino, in the sector based on food retail and, for Groupe GO Sport, in sporting goods retail, does not have any competitor to which it can be compared. Casino and Groupe GO Sport's competitive positions are described in detail in their respective 2008 reference documents.

1.2. Significant changes in the Group's financial or commercial position

There have been no significant changes in the Group's financial or commercial position since the end of the period for which audited financial statements or interim financial statements have been published.

The Group's recent trends and outlook are outlined on page 20 of the present annual report.

II. RISK MANAGEMENT

2.1. Market risk

Rallye as a parent company and its two main operating subsidiaries, Casino and Groupe GO Sport, manage market risks separately. Within each company, cash, currency and interest rate risks are managed centrally, under the responsibility of the finance department, which has the necessary tools and expertise and reports to senior management.

These risks, as well as the tools intended to manage them, are described in further detail in note 23 "Financial risk management policies and objectives" to the consolidated financial statements closed on December 31, 2008.

In addition, certain credit documents include change of control clauses enabling creditors to demand the immediate repayment of the outstanding amounts due and, where appropriate, the cancellation of the credit commitments entered into with the Company, in the event of a change of control over Rallye.

2.2. Operating risk

As a holding company, this type of risk does not apply directly to Rallye. It does however apply to Casino and Groupe Go Sport, which are subject to several business risks, including mainly:

Other information

INFORMATION ON RALLYE'S ACTIVITY AND RISK MANAGEMENT

2.2.1. Supply risk

Casino lists over 46,500 suppliers and is not dependent on any single supplier in any way. Further, through specialized subsidiary Easydis, Casino has its own logistics network in France, with ca. 969,919 square meters and 33 sites, spread throughout France. This enables the group to supply its different networks.

In 2008, the Company reduced the total number of its international brand suppliers (- 25% on 2007). The six main suppliers (Nike, Adidas, Puma, Napali, Asics, Planet Fun) account together for 49% of the purchases delivered in 2008.

However, the risk for the Company of being dependent on its major suppliers is limited, since Groupe GO Sport has developed a partnership with its suppliers, who can take advantage of the positioning and the concept of the GO Sport and Courir networks to promote their own brands.

2.2.2. Store network risk

The Group's banners operate in France through affiliated or franchised networks, which accounted for 56% of Casino outlets as at December 31, 2008. These are mainly supermarkets (including Leader Price) and convenience stores. The credit risk related to the affiliate/franchise network has been taken into account in the framework of credit management.

The store network risk is considered as very limited at Groupe Go Sport, which markets its products through a network of fully owned stores for the two brands it operates in France and in Poland, and with franchise agreements in the rest of the world.

2.2.3. Risk linked to brands and chains

The Group owns almost all of its brands and is not particularly dependent on patents and licenses, with the exception of the Spar brand, for which it holds an operating license in France.

2.2.4. Customer credit risk

Through subsidiaries specialized in consumer credit (e.g. Banque du Groupe Casino, Géant Krédyt...), the Group is exposed to customer credit risk. Customers are individually assessed using a credit scoring system managed by a specialized supplier.

2.2.5. IT risk

The Group is increasingly dependent on standard IT applications for the data it needs to make operating decisions. IT system security is taken into account from the design stage and is monitored continuously.

2.2.6. Geographical risk

Some of the Group's businesses are subject to risk and uncertainty linked to activities in countries that may experience or have recently experienced a period of economic or political instability (e.g., South America and Asia). In 2008, international activities accounted for 27.39% of the Group's consolidated sales and 26.4% of current operating income.

2.2.7. Industrial and environmental risk

See pages 27 to 31 ("Social and environmental information") of the present annual report for a description of environmental risk and management.

2.3. Legal risk

2.3.1. Risk linked to regulations

Casino and Groupe Go Sport are mainly subject to laws and regulations that govern facilities classified as establishments open to the public or falling into administrative classifications. Some businesses are also subject to specific regulations (e.g., Casino Vacances, Banque du Groupe Casino, Mercialis,...). Furthermore, new store openings and store expansion projects are subject to administrative authorization procedures, in France and in other countries where the Group is present.

2.3.2. Tax and customs risks

Periodically, the Group is subject to tax audits both in France and in the various countries where it is established. A provision is made for uncontested claims for taxes due, and claims that are contested are dealt with on a case-by-case basis, according to estimates of the likelihood that the actions and proceedings may not be upheld.

2.3.3. Litigation

As part of its current operations, the Group is involved in various legal and administrative proceedings, and is subject to Government control. The Group sets aside a provision each time it has a current obligation (whether legal or implicit) which results from a past event for which the amount may be reliably estimated and for which its elimination would result in an outflow of resources representing economic benefits for the Group.

As at February 28, 2009, there is no administrative, judicial or arbitration procedure, including any procedure to the Company's knowledge, either unresolved or pending, that is likely to have or have had over the past twelve months a significant effect on the financial situation or the profitability of the Company and/or Group.

However, it should be noted that the minority shareholders of Leader Price Holding protested, in early April 2008, against the way in which they had been replaced in their offices of senior and line management and declared that they intended to exercise their put options early. The Casino group totally refuted their position on the basis of the shareholders' agreement and of misconduct, and notified the minority shareholders that their claims were null and void. The Casino group is confident in the favorable outcome of any procedures that could be launched in this matter. Casino brought a case before the arbitration court in June 2007 to request the annulment of the 1998 shareholders' agreements and, at least, to disallow the early exercise by the Baud family of their put options. The arbitration award is expected to be issued during the first half of 2009.

2.4. Insurance

2.4.1. Coverage of risks likely to be incurred by the Company

The Rallye group's insurance coverage and risk management policy comes within a wider framework of protecting the Group's balance sheet while monitoring certain objectives, such as:

- to protect assets and responsibilities incurred by the Group;
- to defend shareholders' interests;
- to take into account the regulations that govern establishments open to the public in France (known as the ERP rules).

Analysis of random insurable risk, as well as subscription and management of insurance policies and claims are handled independently by each of the operating subsidiaries (essentially Casino and Groupe Go Sport) and by the parent company Rallye.

2.4.2. Insurance subscribed

The main insurance policies subscribed by the Rallye Group cover the risks of:

- damage to property and consecutive business interruption;
- civil liability.

The Group has also taken out the mandatory insurance required for its business, which includes motor vehicle insurance, construction insurance (structural damage and builder's decennial warranty insurance), and professional civil liability insurance (property managers, travel agents, bankers).

In addition, as the amounts and risks are high, the Group has contracted various types of insurance, including a transport insurance scheme (covering domestic transport and imports) and an "all risks construction" insurance scheme (covering real estate assets).

During 2008, for insurance optimization and risk management purposes, Casino continued its significant but controlled self-insurance approach, mainly focused on high-frequency claims. Self-insurance mainly covers property damage, operating losses and civil liability. Insurance deductibles are managed by brokers specialized in insuring major risks and the policies are taken out with notoriously solvent insurance companies.

Other information

INFORMATION ON RALLYE'S ACTIVITY AND RISK MANAGEMENT

2.4.3. Level of coverage

• Property damage and business interruption

The purpose of this insurance is to protect the Group's assets.

Casino has contracted an "All risks except" policy (where the risks excluded define the scope of coverage provided by the insurers) according to the coverage available on the insurance market. The risks covered include all risks usually covered by this type of contract, such as fire, explosions, natural catastrophes, structural failure and real estate liabilities (third party recourse, neighbors, rental risks). The policy provides a maximum coverage of €220 million for major events (fire, explosions) corresponding to the maximum insured amount possible, and a lower maximum coverage of €60 million for operating losses.

At Group Go Sport, capital insured amounts to €330 million per year, against damage to property, and €322 million to cover operating losses.

• Civil liability insurance

The purpose of this insurance is to cover the financial consequences of the Group's civil liability due to the physical, material and/or financial damage to third parties arising from its goods delivered or sold, installations and equipment, buildings, store operations and services provided on behalf of third parties. The insurance policy contracted is also an «All risks except» type, which includes coverage for the costs of withdrawing goods and the financial warranty for accidents in the workplace and work-related illnesses within a sub-limit comprised in the general aggregate limit of insurance (€76 million).

• Other insurance

For risks other than those mentioned above, the Group has taken out insurance cover whenever required by law. It has also done so whenever the nature of the risks in question makes the insurance coverage useful and necessary and insofar as insurance bids on the market are consistent with the coverage sought.

2.4.4. Crisis prevention and management

Measures for the prevention and continuation of business after an accident are part and parcel of the Group's insurance policy.

In line with the loss-prevention systems implemented by the Group for several years, during 2008 Casino continued to regularly visit sites with high levels of insured capital, to carry out technical loss-prevention and asset safeguard audits, and to monitor and update the risk-mapping process, particularly with regard to hazardous substances, natural disasters and other incidents, in France and abroad.

Casino also continued its work on safeguarding against «product» risk for retailers' own brands and other brands. It has once again ensured that in the event of a serious crisis that could have a long-lasting impact on a business site's operations, it has the technical resources available and the appropriate back up to intervene rapidly and preserve to the greatest extent possible, under the circumstances, the continuity of business operations and customer service.

Rallye and its subsidiaries also have access to the support necessary to manage any crisis situation or serious disaster in the most appropriate way.

Rallye has conducted a review and believes that there are no significant risks other than those presented herein.

PERSON IN CHARGE OF FINANCIAL COMMUNICATION

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