

CORPORATE GOVERNANCE

Report of the Chairman of the Board of Directors

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

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

This report, attached to the management report prepared by the Board of Directors describing the activities of the Company and its subsidiaries during the year ended December 31, 2014, which has been reviewed by the Appointments and Compensation Committee and by the Audit Committee, has been approved by the Board of Directors. It was made available to the shareholders prior to the Annual General Meeting.

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

I - CODE OF CORPORATE GOVERNANCE

As part of the Company's good governance practices, the Board of Directors uses the AFEP/MEDEF Code of Corporate Governance of June 2013, especially for writing this report. The Company applies all the recommendations of this Code with the exception of the composition of the Appointments and Compensation Committee at present of 50%. However, the committee chaired by an independent member is called to welcome new independent members on the occasion of appointment of new administrators.

II - BOARD OF DIRECTORS

1 - COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the Board of Directors is presented on page 47 of this Registration Document.

2 - PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS

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 special Board committees' charters established within it.

> ORGANIZATION AND OPERATION OF THE BOARD OF DIRECTORS

Since February 28, 2013, the functions of Chairman of the Board of Directors and Chief Executive Officer have been separated.

Didier CARLIER holds the position of Chief Executive Officer while Frank HATTAB is the Deputy Managing Director. Jean-Charles NAOURI is Chairman of the Board of Directors.

The rules of procedure describe the operation, powers, authorizations and duties of the Board of Directors and of its special Board committees: the Audit Committee and the Appointments and Compensation 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 Articles 621-1 *et seq.* of the regulations of the French Financial Markets Authority (AMF) on insider trading, as well as the obligation to observe a blackout period in relation to all transactions in the Company's shares during the fifteen-day period preceding the publication of the Company's annual and six-month 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 improve the prevention of insider trading and breaches.

The rules of procedure also include provisions governing declarations required from officers, their equivalent and individuals with "close personal ties" to members of the Board of Directors with respect to 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, in particular, allow directors to attend Board meetings by videoconference and any other means of telecommunication.

The office of non-voting observer was created in 2002 to encourage qualified individuals to become members of the Board of Directors. The non-voting observer attends Board meetings, expresses his or her observations and opinions and takes part in the proceedings in an advisory capacity.

> AUTHORIZATIONS AND DUTIES OF THE BOARD OF DIRECTORS

In accordance with the provisions of Article L. 225-35 of the French Commercial Code, the Board of Directors decides on the general directions to be followed by the Company's business and sees to it that they 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 checks and audits it deems necessary.

The Board of Directors also reviews and approves the annual and six-month individual company and consolidated financial statements. It presents reports on the activities and performance of the Company and its subsidiaries, and approves management forecasts. It also reviews the Chairman's Report for approval. It appoints its Chairman, the Chief Executive Officer and the Deputy Managing Director and sets their compensation. It determines the unified or separated Executive Management system. It awards stock options and bonus shares. It is called upon to deliberate every year with regard to the Company's policy on equal job opportunities and equal pay.

— Powers of the Chairman of the Board of Directors

Within the Board of Directors, the Chairman organizes and directs the activities of the Board and reports thereon to the Shareholders' Meeting.

He convenes the meetings of the Board of Directors and is in charge of setting the agenda and producing the minutes of these meetings. He assures the proper functioning of the Company's operations and, in particular, that the directors are capable of performing their duties.

— Powers of Executive Management

The Chief Executive Officer and the Deputy Managing Director, in accordance with Article L. 225-56 of the French Commercial Code, has the broadest powers to act on behalf of the Company in every circumstance. They exercise 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. They represent the Company in its dealings with third parties.

As part of the Company's good governance practices, due to their nature or their amount, certain transactions are subject to the prior authorization of the Board of Directors. Limit thresholds have been set so that, pursuant to the law and the principles of corporate governance, decisions regarding the most significant transactions are taken by the Board of Directors.

Thus, without the prior authorization of the Board of Directors, Executive Management cannot carry out:

- any transaction likely to impact the strategy of the Company or the companies that it controls, their financial structure or business scope, and in particular cannot enter into or terminate any agreements that may represent a significant commitment for the Group in future;
- any transaction when it exceeds one (1) million euros and in particular:
 - any security subscription and purchase, any immediate or deferred equity investments in any entity or company, of law or fact,
 - any contribution or exchange, with or without a balancing cash adjustment, of assets, shares or securities,
 - any acquisition of real estate assets or rights,
 - any new loans, borrowings, credit or cash advance,
 - any derivative transaction on equities, marketable securities, interest-rate or foreign exchange hedges, such as Equity Swaps, Total Return Swaps (TRS) and options including through the disposal or acquisition of call or put options,
 - any transaction and settlement relating to litigation,
 - any transfer of tangible real property or real estate rights,
 - any total or partial transfer of equity interests, marketable securities or any other asset or rights,
 - any constitution of securities.

These limitations of powers concern Rallye, the subsidiaries of the holding group excluding internal transactions between them and/or with their parent companies.

Furthermore, Executive Management has specific annual authorizations concerning notably borrowings, credit lines, other funding and cash advance contracts, guarantees, endorsements and securities, equity, marketable security and derivative transactions and convertible bonds, which have been renewed until December 2015.

Borrowings, credit lines, funding and cash advance contracts

Executive Management is authorized, for a period of one year, to negotiate and set up – including the renewal, extension or replacement - borrowings, including as bonds and/or any other debt instrument, confirmed credit lines and any funding contracts (syndicated or not), as well as cash advances, within an overall annual maximum of €1 billion.

Guarantees, endorsements and securities

Executive Management is authorized for a period of one year to provide guarantees, endorsements and securities in the Company's name, on behalf of its controlled subsidiaries, to financial or banking institutions and to the Treasury system, up to an overall annual maximum of €100 million.

Executive Management is also authorized to award pledged securities relating to loans and credit lines, including those set up prior to February 28, 2013, up to a maximum of 130% of the amount of loans and credit lines and any other funding contract concerned.

Equities, marketable security, derivative, interest rate and foreign exchange transactions

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

- interest-rate transactions, up to a monthly maximum of €500 million and an overall annual maximum of €1.5 billion;
- foreign exchange transactions, up to a monthly maximum of €300 million and an overall annual maximum of €1 billion;
- equity, marketable security and financial portfolio transactions, either directly or via derivatives such as Equity Swaps, Total Return Swaps (TRS) and options, up to a monthly maximum, which corresponds to the value of the underlying instrument where applicable, of €25 million and an annual maximum of €100 million;
- transactions of any nature (acquisitions, disposals, exchanges, commitments and similar transactions), either directly or through derivatives such as Equity Swaps, Total Return Swaps (TRS) and options, up to an annual maximum, which corresponds to the value of the underlying instrument where applicable, of €100 million.

It being noted that short-term liquid investments, such as money-market funds, term deposits, cash from borrowings, credit lines, funding contracts, cash advances or bond issues, are authorized up to the maximum monthly and annual amounts set for the transactions to which they are related.

Bond issues

Executive Management is authorized to issue bonds, including as part of the EMTN program, and all other types of debt instruments, without securities giving access to the existing capital of the Company or to existing securities of companies controlled by Rallye, and in this respect, to set the characteristics and conditions and to implement all related market transactions, up to a monthly maximum of €500 million and an overall annual maximum of €1 billion and.

As part of this delegation of powers, Executive Management is authorized to buy back previously issued existing bonds. This buyback may be carried out in cash or new bonds to be issued up to the monthly and annual maximum amounts set out above.

Independently, Executive Management is also authorized to issue commercial paper, up to a maximum amount outstanding of €750 million.

Compensation of all contracts or offices held

Executive Management is authorized to pay the fees and/or commissions of contracts and offices held up to a monthly maximum of €3 million and an overall annual maximum of €5 million.

All transactions, implemented under these specific authorizations, for which the amount exceeds €25 million, are subject to the express joint agreement of Chief Executive Officer and the Deputy Managing Director.

> INDEPENDENCE OF DIRECTORS

As part of its duties, the Appointments and Compensation 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 review 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 detailed in the table below. The Committee presents its findings to the Board of Directors.

Summary analysis of the position of each Director with respect to the AFEP/MEDEF Code independence criteria

Independence criteria of the AFEP/MEDEF Code	Not being an employee or a corporate officer of the Company, employee or board member of the parent company or of a company it controls and not have been one during the five previous years	Not being a corporate officer of a company in which the Company holds directly or indirectly a seat on the board or in which an employee designated as such or a corporate officer of the Company does	Not being a customer, supplier, investment bank, lending bank	Not being a relative or a person close to a corporate officer	Not having been an auditor of the Company in the five previous years	Not having been a board member of the Company for more than twelve years
Non-independent directors						
Jacques DUMAS	N					N
Jean-Marie GRISARD, representing Finatis	N					N
Didier LEVEQUE, representing Foncière Euris	N					
Odile MURACCIOLE, representing Saris	N					
Jean-Charles NAOURI	N					N
Gabriel NAOURI, representing Euris	N			N		
Independent directors						
Philippe CHARRIER	Y	Y	Y	Y	Y	Y
Jean CHODRON de COURCEL	Y	Y	Y	Y	Y	Y
Catherine FULCONIS	Y	Y	Y	Y	Y	Y
Christian PAILLOT	Y	Y	Y	Y	Y	Y

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

The independent directors maintain, directly or indirectly, no business relationship with the Company.

> BOARD MEMBERS HOLDING MORE THAN ONE OFFICE

No Director whose new appointment or re-appointment has been recommended to the Shareholders' Meeting of May 19, 2015 holds more than one office as defined in the recommendations of the AFEP/MEDEF Code.

— *Board activities over the past year*

In 2014, the Board of Directors met five times. The attendance rate of Board members for these meetings was 100%.

— *Approval of the financial statements - Business of the Company and its subsidiaries*

The Board of Directors examined the financial statements for the year ended December 31, 2013 and the statements for the first half of 2014, as well as the Company's management forecasts.

It decided on the reports and the text of the resolutions submitted to the Ordinary and Extraordinary General Meeting held on May 13, 2014. It also took note of the Group's activity for each quarter, its number of employees, as well as its level of debt and available sources of funds.

The Board of Directors approved different operations subject to its authorization. This included, in particular, the provision of guarantees on behalf of the Company's subsidiaries during the arrangement of financial operations. It also reviewed lines of credit set up by the Company and subsidiaries within the holding company's scope.

The Board also took stock of the main financial and real estate asset disposals made by the Group.

The Board of Directors also implemented a simplified public offering for the shares of Groupe GO Sport which was followed by a squeeze-out offer.

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

— *Compensation*

The Board of Directors determined the 2014 fixed compensation and 2013 variable compensation of Chief Executive Officer Didier CARLIER and of Deputy Managing Director Franck HATTAB. It also defined the conditions for determining their variable compensation in 2014, it being noted that the Chairman of the Board of Directors does not receive fixed or variable compensation.

The Board of Directors also determined the conditions of allocation of a deferred and conditional bonus to the Chief Executive Officer and to the Deputy Manager Director.

It also examined the terms for the allocation of Directors' fees to Directors, non-voting observers and members of the Board committees. It decided on the issuance of stock options and bonus shares, subject to presence and performance conditions, to executives and employees of the Group and its affiliates.

— *Corporate governance*

The Board of Directors examined its position with regard to the principles of corporate governance: composition and organization of the Board of Directors and Board committees, the representation of women and of independent directors.

In this respect, it recommended to the Annual General Meeting, the appointment of a female Director to the Board.

In connection with the reappointments of the Chief Executive Officer and the Deputy Managing Director, the Board of Directors maintained the limitation of their powers and renewed the specific annual authorizations for borrowings, credit lines, other funding and cash advance contracts, guarantees, endorsements and securities, equity, marketable securities and derivative transactions and convertible bonds granted to Executive Management.

The Board of Directors approved the Chairman's Report on the organization and operation of the Board of Directors and Executive Management, as well as on the internal control and risk management procedures.

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

— *Board Committees*

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

Committee members are named by the Board of Directors, which also appoints the Chairman of each committee.

The Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Managing Director are not members of any Committee.

The authorities and specific methods of operation of each Committee were defined by the Board of Directors when they were created and incorporated into the rules of procedure.

— *Audit Committee*

Composition

The Audit Committee has three members, of whom two are independent: Philippe CHARRIER, Chairman, Gabriel NAOURI and Christian PAILLOT, who have been appointed for the duration of their terms as Directors.

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

Duties

The Audit Committee provides support to the Board of Directors in the review and approval of the annual and six-month 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.

In this regard and in accordance with Article L. 823-19 of the French Commercial Code, it monitors issues related to the preparation and auditing of accounting and financial information, subject to the responsibility of the Board of Directors. For the audit of the Company's annual and six-month financial statements, the Audit Committee meets at least two days before the Board Meeting convened to approve the statements.

Thus, it is charged with monitoring the preparation of financial information, the efficacy of internal control and risk management systems, the legally required audit of annual and consolidated financial statements by the Statutory Auditors and the independence of the Statutory Auditors.

The audit committee has an organization and operations chart which confirms its powers and authorities with regard, among other things, to management risk analysis and to the detection and prevention of management irregularities.

Activities in 2014

The Audit Committee met twice in 2014, with all members in attendance at each meeting.

In connection with the approval of the six-month and annual financial statements, the Audit Committee verified the account closing process and took note of the Statutory Auditors' analysis, in particular, of all consolidation procedures and the Company's financial statements. The Committee also reviewed off-balance-sheet commitments, risks and accounting options taken with regard to provisions, together with relevant legal and accounting changes. It was notified of the audit plan and the fees paid in 2014 to the Statutory Auditors.

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

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

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

— *The Appointments and Compensation Committee*

Composition

The Appointments and Compensation Committee has two members: Jean CHODRON de COURCEL and Jacques DUMAS, appointed for the duration of their terms as Directors.

The Board of Directors will strive to propose an additional independent director shortly.

The Chairman and Chief Executive Officer may attend committee meetings in an advisory capacity, in order to present proposals related, in particular, to the compensation of senior managers and the granting of options and bonus shares.

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

Duties

The Appointments and Compensation Committee is charged, in particular, with helping the Board of Directors review candidates for senior management positions, select new directors, define and monitor policies for senior management compensation and stock option and bonus share awards. As appropriate, it also reviews the benefits and other forms of compensation of senior management. It also oversees the proper application of corporate governance rules and the absence of potential conflicts of interests.

The Appointments and Compensation Committee drew up an organization chart, adopted in 2004, confirming its powers and authorities with regard to performance evaluation of the Board of Directors and verification that the Corporate Governance principles and Code of ethics, in particular as derived from the Board of Directors' internal rules of procedure, are being properly respected and applied.

Activities in 2014

The Appointments and Compensation Committee met four times in 2014, with all members in attendance at each meeting.

The committee performed its annual review of the organization and operations of the Board of Directors and its special committees as well as of the proper application of corporate governance principles in accordance with the AFEP/MEDEF Code and the provisions of the rules of procedure.

It examined the situation of each director with regard to dealings with Group companies that might compromise their freedom of judgment or entail conflicts of interest.

The Appointments and Compensation Committee expressed its recommendations regarding the proposed reappointments of the Chairman of the Board of Directors, the reappointment of Directors and the non-voting observer, and the composition of Board committees.

It implemented the selection procedure for a new Director and recommended to the Board the appointment of a new female director.

The Committee approved the conditions for determining the 2014 fixed and variable compensation of the Chief Executive Officer and of the Deputy Managing Director as well as the conditions for determining their conditional and deferred bonuses.

The Committee also reviewed the issuance of stock options and bonus shares to managerial staff and employees of the Company and related companies, as well as the fees to be awarded to Board members, the non-voting observer, and members of the Board committees.

It duly noted the order dated July 31, 2014 taken by the French government in connection with the enabling legislation of January 2, 2014 aimed at simplifying and protecting the existence of businesses with respect to the procedure for checking regulated agreements.

It examined the Chairman's Report on the organization of the Board of Directors' work, along with the corporate governance-related information mentioned in the management report.

The Committee issued recommendations on maintaining the limitation on the powers of Executive Management as well as the specific annual authorizations granted to them.

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

> PRINCIPLES AND RULES DETERMINING COMPENSATION AND BENEFITS GRANTED TO CORPORATE OFFICERS

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

The compensation paid to the Chief Executive Officer Didier CARLIER and to Deputy Managing Director Franck HATTAB, includes both a fixed and variable portion. The basis for their determination is decided each year by the Board of Directors, after consulting with the Appointments and Compensation Committee, and as applicable, based on studies carried out by external consultants.

The 2014 variable compensation component for the Chief Executive Officer is based on the achievement of quantitative Group targets, qualitative individual targets and on a general evaluation of managerial

attitudes and behavior. The variable element may be a maximum of €150,000 if the defined targets are achieved and up to €300,000 if such targets are exceeded.

The 2014 variable compensation component of the Deputy Managing Director is based on the attainment of quantitative Group targets, identical to those of the Chief Executive Officer, qualitative individual targets and on a general evaluation of managerial attitudes and behavior. Given the change in the duties and responsibilities of Franck HATTAB in 2013, Chief Financial Officer and now also Deputy Managing Director, towards both the Chief Executive Officer and the Chairman of the Board of Directors, the maximum amount of his variable compensation is now €90,000 if he achieves his targets and €180,000 if he exceeds them.

The Group quantitative targets have been pre-established and precisely defined and are assessed according to criteria corresponding to Rallye Group's key business indicators: reduction in the cost of debt and improvement in the ratio of EBITDA to consolidated finance charges. Figures are not published for confidentiality reasons.

In July 2014, the Chief Executive Officer and the Deputy Managing Director were awarded a deferred and conditional bonus for a target gross amount of €208,000 each. These bonuses will be paid at the end of a set period that ends on July 29, 2017 subject to presence and performance conditions.

The Board of Directors, on the recommendation of the Appointments and Compensation Committee, sets the rules for distribution of the fees payable to the Directors and to the non-voting observer, as well as the additional fees to be paid to the members of board committees, as follows:

- these fees include a flat fee of €4,000 and a variable component of €16,000 based on attendance at Board Meetings. Note that fees for directors, senior managers, and Group executives have been reduced by half and the variable component attributable to absent directors is not re-assigned;
- an additional fee is paid to Committee members, in the flat amount of €10,000. The fee is doubled for each Committee Chairman.

> INFORMATION PROVIDED TO DIRECTORS

In compliance with Article L. 225-35 of the French Commercial Code, the Chairman or Chief Executive Officer of the Company provides each member of the Board with all of the documents and information necessary for carrying out their tasks.

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. Accordingly, each Board member receives a preparatory file including information and documents, provided such documents are available and depending on the progress status of the files, on the subjects on the agenda.

Executive Management transmits on a regular basis to the Board of Directors a statement on the business trends of the Company and its major subsidiaries, as well as on the debt situation and the credit lines available to the Company.

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

> ASSESSMENT OF THE CONDITIONS UNDER WHICH THE BOARD OF DIRECTORS OPERATES

Pursuant to the Code of Corporate Governance, the rules of procedure provide for an annual discussion and regular evaluation of the operations of the Board of Directors, to be performed by the Appointments and Compensation Committee, with the help, if desired, of an external consultant.

The latest evaluation of the organization and operation of the Board of Directors was implemented during the last quarter of 2013, using responses to a questionnaire sent to each Director.

The evaluations and observations made by the members of the Board of Directors indicated that the organization and operations of the Board were entirely satisfactory with respect to proper corporate governance. The Directors have expressed the wish to increase the percentage of women on the Board of Directors and to be regularly informed on the disposal of financial assets.

III - PARTICIPATION IN SHAREHOLDERS' MEETINGS

The methods of participating in general shareholders' meetings are presented in Articles 25, 27 and 28 of the bylaws (cf. page 204 and 205 of this Registration Document).

IV - 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 of which it is aware by virtue of Articles L. 233-7 and L. 233-12 of the French Commercial Code are described on pages 20 et seq.

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 securities with special control rights attached, and there is no control mechanism provided for in any employee stock ownership plan when the control rights are not exercised by employees.

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 in pages 201 et seq.

The powers of the Board of Directors are described on page 202.

With respect to the issuance of shares, the authorizations granted to the Board of Directors are indicated on page 22 and, with regard to share repurchases, the powers of the Board of Directors are described on page 20.

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

V - INTERNAL CONTROL PROCEDURES IMPLEMENTED BY RALLYE

The information below was obtained from the various tasks performed by the departments responsible for Rallye's internal control procedures. Based on this information validated by Executive Management, a factual description of the control environment and procedures has been put in place.

1 • DEFINITION AND OBJECTIVES OF INTERNAL CONTROL PROCEDURES

> REFERENCE FRAMEWORK USED

To prepare and draft this report and define internal control, Rallye chose to refer to the "COSO ⁽¹⁾"; the internationally-recognized integrated framework compatible with AFEP/MEDEF recommendations ⁽²⁾.

Under the COSO framework, internal control is defined as a process implemented by all levels of an organization's management and aims to provide reasonable assurance regarding the achievement of the objectives below:

- compliance with applicable laws and regulations;
- application of instructions and guidelines fixed by Executive Management;
- the smooth operation of processes, especially those related to the protection of assets and the value of capital;
- reliability of financial and accounting reporting.

> OBJECTIVES

Rallye's internal control process is a system that helps to provide reasonable assurance regarding control of its activities, the effectiveness of its operations, the efficient use of its resources, in accordance with applicable laws and regulations, internal standards and rules applicable to the Company, and seeks in particular, although without be able to provide an absolute guarantee, to achieve the following objectives:

- the proper functioning of the internal process of the Company, particularly those that promote the protection of its assets in compliance with the guidelines and policies defined by Rallye's Executive Management;
- the reliability of accounting, financial and management information published internally and externally;
- the control of risks resulting from its status as a company whose securities are traded in a regulated market.

> CONTROL ENVIRONMENT

The control environment within the Company consists mainly of the principles of corporate governance and group organization, carefully designed and rigorously applied. The aim is for all risks to be managed as a whole and for a reasonable assessment to be made of the potential risks of any kind with which the Group may be faced.

2 • DESCRIPTION OF IMPLEMENTED CONTROL PROCEDURES

The scope of internal control over accounting and financial information comprises the parent company and the operational subsidiaries included in the Group's consolidated financial statements, the main ones being the Casino Group and Groupe GO Sport (these have an internal control system and are responsible for implementing their own system).

> GENERAL ORGANIZATION OF INTERNAL CONTROL

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

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

— Executive Management – Administration and finance department

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

Rallye's administration and finance department, which reports to Executive Management, supervises oversees all of the Company's staff departments. Its main responsibility is to assist and monitor line staff in their administrative, financial and legal activities. To do so, it sets the mandatory operating rules for all entities, defines and deploys tools, procedures and good practices, specifically in the areas below: management, accounting and consolidation, financing and cash management, tax, legal, financial communications, information systems and insurance.

— Board of Directors – Audit Committee

The Board of Directors has always asserted that together with Executive Management, it considers Internal Control and its principal areas of application as very important.

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

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

(2) Recommendations of the French association of private companies and the movement of French companies of December 17, 2013, known as "The application of the provisions of financial security law with regard to the Chairman's report on internal control procedures implemented by the Company".

— Statutory Auditors – External Consultants

The Statutory Auditors certify the individual and consolidated financial statements, in accordance with legal and regulatory requirements. They also examine the Company's semi-annual consolidated results and verify the information given in the six-month report. They are consulted regularly regarding the accounting treatment of ongoing operations. They are also informed of how internal control procedures are organized and applied in practice and, if necessary, they may issue recommendations.

> DISSEMINATION OF INFORMATION WITHIN THE GROUP

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

With the objective of providing reliable financial information and communication, Rallye strives to ensure that the entire organization respects certain references in the performance of its duties: consolidated and accounting procedure manual, general accounting plan, code of ethics described in the Board of Directors' rules of procedure, Audit Committee charter and Appointments and Compensation 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 probability of occurrence and the effects of such risks, thereby promoting an environment of risk control.

The Group's exposure to risks inherent in its business activities and the provisions designed to control them are partially detailed in Note 11.6 "Financial risk management policies and objectives" to the 2014 consolidated financial statements.

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

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

> 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, the procedures implemented relate mainly to the preparation and processing of financial and accounting information aimed at ensuring that consolidated financial statements are reliable and that subsidiaries are monitored.

— Operating subsidiaries

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

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

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 Compensation Committees. The committees, together with senior management, receive the support of the staff departments in the subsidiaries.

Information is also verified thanks to the familiarity of Rallye's central controlling department with the various information systems, as well as through the holding of monthly meetings.

The Company's legal department performs any necessary specific investigations or examinations that it deems necessary for the prevention and detection of any legal irregularity or anomaly in Group management. Executive Management and the administration and finance department regularly communicate regarding the status of the main disputes possibly affecting the subsidiaries, as well as with regard to the risks incurred.

— Rallye

Procedures for monitoring operating risks

Cash management, financing and expenditures

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

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

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

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

Tax

The Tax manager, who works in the administration and finance department, coordinates the preparation of tax returns by ensuring compliance with applicable tax regulations and legislations.

Financial controlling

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

Market risk monitoring

Marketing risk monitoring is described in the management report of this Registration Document in the chapter "Risk factors and insurance". In light of the priorities emanating from the latter, those responsible regularly make adjustments to the control measures pertaining thereto.

Investment portfolio

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

Payroll and compensation

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

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

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

Procedures for producing and processing financial and accounting data

Accounting and financial Internal Control covers the processes used to gather accounting data: financial information production process, account closing processes and communication actions.

The accounting and financial Internal Control system seeks to achieve:

- compliance with accounting regulation and the proper application of the principles underlying the financial statements;
- application of the guidelines fixed by Executive Management with respect to financial information;
- the protection of assets;
- the quality of feedback used to prepare the published accounts and the reliability of their centralized processing for the Group with a view to their circulation and their use for steering purposes;
- the verification of the production of financial, accounting and management components including fraud prevention.

Accounting and financial organization

The administration and finance department

The heads of the administration and finance department are in charge of implementing accounting and financial steering, under the supervision of Executive Management in the following areas: accounting, consolidation, management, financial services and cash management.

The finance department is responsible for centralizing cash flows, hedging foreign exchange and interest rate risks in addition to identifying commitments to facilitate their recognition in the accounts.

Accounting standards

The Group has compiled accounting rules and principles which must be applied by all consolidated subsidiaries to ensure the delivery of consistent and reliable financial reports.

These accounting rules are updated on a regular basis to reflect changes in accounting regulations and reporting standards:

- accounting standards define the principles to be used for the consistent treatment of operations. They clarify in particular the terms for recording balance sheet items as well as the identification and valuation of off-balance sheet commitments. They are compliant with IFRS, the reporting standards for consolidated

financial statements. The Group's accounts department is constantly gathering intelligence on new accounting standards in the pipeline in order to inform Executive Management and anticipate their impacts on the Group's financial statements;

- the chart of accounts provides the definitions and procedures for preparing the reporting required to draw up the accounts.

Key performance indicators

The various economic indicators deliver monthly reports used to continuously and consistently track the performance trend of each subsidiary and ensure that they are in line with fixed targets.

Audit Committee

The role and duties of the Audit Committee are described above on page 72. These duties are compliant with Article L. 823-19 of the French Commercial Code (order dated December 2008 on the conditions for applying the 8th European Directive on the statutory auditing of financial statements).

Preparation of accounting and financial reporting

Accounts closing and consolidation

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

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

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

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

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 updating consolidation procedures, including subsidiaries within the scope of consolidation, information processing and maintaining the consolidation tools.

The Statutory Auditors

All the accounting and financial data prepared by consolidated subsidiaries is subject to at least a limited review for six-month reports, and a full audit for annual reports, by external auditors. The Chief Executive Officer issues a letter of representation to personally vouch for the accuracy, reliability and completeness of the financial disclosures.

The Statutory Auditors responsible for jointly reviewing all the financial statements and the methods used to prepare them, certify the Group's consolidated financial statements. They issue a report to the

Group's shareholders to certify that the accounts are an accurate, fair and truly reflection of the Company's consolidated and individual financial statements. They are previously informed of the accounts preparation process and they present a summary of their works to the Group's accounts and financial officers and to the Audit Committee for the six-month position and the annual closing.

IT system security

Selected software programs are compatible with accounting and financial requirements. Information systems managers are working on enhanced task separation solutions and improving the verification of access rights.

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

Financial communications

The administration and financial department is responsible for coordinating information distributed to the financial community and ensuring that such information accurately and transparently reflects the Group's position, activity and outlook.

Financial Communications managers draw up a precise schedule for the release of current information about the Group to financial markets. This schedule is consistent with the requirements of market authorities. The managers constantly gather intelligence and check, with the assistance of the legal department, that the communication is made within the required time scales, in accordance with rules and regulations and in compliance with the principle of equal access to information for all shareholders.

By working closely with Executive Management, the Board of Directors and Statutory Auditors, the Financial Communications managers draft and coordinate the distribution of this information through various means (annual and six-month reports, road shows, website, etc.).

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

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

REPORT OF THE STATUTORY AUDITORS

prepared in accordance with Article L. 225-235 of the French Commercial Code, on the report by the Chairman of the Board of Directors of Rallye

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Year ended December 31, 2014

Dear Shareholders,

In our capacity as Rallye's Statutory Auditors, and in accordance with Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the Commercial Code for the year ended December 31, 2014.

The Chairman is responsible for preparing and submitting to the Board of Directors for approval a report on the internal control and risk management procedures in place at the Company, and providing other information required by Article L. 225-37 of the French Commercial Code related especially to corporate governance measures.

Our responsibility is to:

- inform you of our observations concerning the information contained in the Chairman's Report with respect to the internal control and risk management procedures relating to preparation and processing of accounting and financial information, and
- certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, without however being required to verify that such other information is fairly presented.

We carried out our work in accordance with the professional standards applicable in France.

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

Professional standards require us to implement procedures designed to assess the fairness of the information set out in the Chairman's Report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information. These procedures consist, in particular, of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information supporting the information set out in the Chairman's Report as well as of the existing documentation;
- obtaining an understanding of the work performed to prepare this information and the existing documentation;
- determining whether any major weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information, which we may have found as part of our assignment 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 and risk management procedures relating to preparation and processing of financial and accounting information contained in the Chairman of the Board of Directors' report, prepared in accordance with article L. 225-37 of the French Commercial Code.

OTHER INFORMATION

We certify that the report of the Chairman of the Board of Directors includes the other information required by Article L. 225-37 of the Commercial Code.

Paris-La Défense, March 6, 2015

The Statutory Auditors

KPMG Audit

Department de KPMG S.A.

Catherine Chassaing

ERNST & YOUNG et Autres

Pierre Bourgeois