

Report of the chairman

OF THE BOARD OF DIRECTORS

In accordance with the provisions of Article L225-37 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 the 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, 2011, which has been reviewed by the Appointments and Compensation Committee and the Audit Committee, has been approved by the Board of Directors, and was made available to the shareholders prior to the Annual Shareholders' Meeting.

It was also the subject of a report by the statutory auditors, under Article L225-235 of the French Commercial Code, with regard to internal control procedures relating to the preparation and processing of accounting and financial information, as well as a certification concerning the preparation of other necessary information.

I. CODE OF CORPORATE GOVERNANCE

As part of the Company's good-governance practices, the Board of Directors has confirmed that the Company has used the AFEP/MEDEF Code of Corporate Governance of April 2010 in particular for the preparation of this report.

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

II. BOARD OF DIRECTORS

• 1 > Composition of the Board of Directors

A list of the members comprising the Board of Directors is presented on page 33.

• 2 > Preparation and organization of the Board of Directors' work

The requirements for preparation and organization of the work of the Board of Directors are defined by law, as well as by the Company's bylaws, the Board's rules of procedure and special Board committees.

> Organization and operation of the Board of Directors

At its meeting of May 4, 2011 and following advice from the Appointments and Compensation Committee, the Board of Directors decided to renew the duties of the Chairman and Chief Executive Officer, and thus maintained the unified positions of Chairman of the Board of Directors and executive management.

This unity of functions, which ensures greater consistency between strategy and operational management as well as shorter decision cycles, seemed more appropriate to the situation of the Company, which is an intermediate Group holding firm.

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. They bring together and specify the various rules that are legally binding upon the Company, the Company's rules of procedure and its bylaws, as well as including corporate governance principles and arranging for their implementation.

The rules of procedure describe the operation, powers, authorizations and duties of the Board of Directors and of the special Board committees: the Audit Committee and Appointments and Compensation Committee.

The rules of procedure also set out the rules of ethics applicable to members of the Board of Directors, in particular the obligations of confidentiality referred to in Article L465-1 of the French Monetary and Financial Code and Article 621-1 and seq. of the regulations of the French Financial Markets Authority (FMA – *Autorité des Marchés Financiers*) relating to insider trading, as well as the obligation to observe a blackout period in relation to all transactions in the Company's shares during the 15-day period preceding the release of the Company's annual and six-monthly financial statements.

They also indicate the registration of directors on the list drawn up by the Company as part of the regulatory provisions intended to better guard against insider trading and breaches.

The rules of procedure include provisions governing the declarations that must be made by corporate officers, individuals having close personal ties to them and similar individuals 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, in particular, allow directors to attend Board meetings by videoconference or 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 upon the general directions to be followed in the Company's business dealings and sees to it that they are implemented. Subject to the powers expressly assigned to Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors deals with all issues concerning the proper functioning of the Company. By its resolutions, it settles the matters that pertain to it. It also carries out all checks and audits it deems necessary.

The Board of Directors also reviews and approves the annual and six-monthly individual company and consolidated financial statements, presents reports on the activities and performance of the Company and its subsidiaries, approves management forecasts and reviews the Chairman's report for approval. It sets compensation for senior management and grants stock subscription 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 Chief Executive Officer

The Chief Executive Officer, in accordance with Article L.225-56 of the French Commercial Code, has the broadest range of powers to act on behalf of the Company under every circumstance. He/she exercises these powers within the limits of the Company's business purpose and subject to the powers expressly assigned by law to the Shareholders' Meetings and to the Board of Directors, and represents the Company in its dealings with 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 activities must be approved in advance by the Board of Directors.

- 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.

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

> Independence of directors

As part of its duties, the Appointments and Compensation Committee is in charge of monitoring the situation of all directors with regard to any dealings they may have with the Company or with companies in the Group that might compromise a director's free judgment or lead to potential conflicts of interest with the Company.

Each year, this committee therefore carries out an annual review of the membership 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/MEDEF code of corporate governance, and then presents its findings to the Board of Directors.

> Board activities during the year ended

In 2011, the Board of Directors met seven times. Board members' attendance rate for these meetings was 96%.

- 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, 2010 and the statements for the first half of 2011, as well as the management forecasts. It also decided on the reports and the text of the resolutions submitted to the Ordinary and Extraordinary General Shareholders' Meeting held on May 4, 2011.

For each quarter, the Board took note of the Group's activity, number of employees, level of debt and available sources of funding.

The Board of Directors approved various operations that were subject to its authorization. These 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 examined the lines of credit set up by the Company and its subsidiaries.

In addition, the Board took stock of the financial and fixed asset disposals made by the Group.

The Board also decided to pay an interim dividend in October 2011 and had a presentation on the gender equality policy within the Company.

- Compensation

The Board set the 2011 fixed and variable compensation for the Deputy Managing Director Didier Carlier, and set his 2010 variable compensation, it being specified that the Chairman/Chief Executive Officer does not receive any fixed or variable compensation.

It also examined the directors' and non-voting observer's fees, as well as the compensation paid to members of Board committees. It decided on the allocation of bonus shares, subject to the achievement of performance conditions, to managerial staff and employees of the Group and its affiliates.

- Corporate governance

The Board of Directors examined its situation with regard to the principles of corporate governance, including the composition and organization of the Board of Directors and Board committees and the independence of directors.

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 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 special committees, created in 2000: the Audit Committee and Appointments and Compensation Committee.

Committee members are named by the Board of Directors, which also appoints the chairman of each committee. Neither the Chairman/Chief Executive Officer nor any of his representatives may be members of any committee.

The areas of authority 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, two of whom are independent: André CRESTEY (Chairman), Philippe CHARRIER and Christian PAILLOT, who have been appointed for the duration of their terms as directors.

All members of the Audit Committee currently hold or have held positions as Company directors and thus have the financial and/or accounting expertise required under Article L823-19 of the French Commercial Code.

> Duties

The Audit Committee provides support to the Board of Directors involving the review and approval of the annual and six-monthly 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 risks.

In this regard and in accordance with Article L823-19 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.

Thus, inter alia, 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 latter.

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

> 2011 activities

The Audit Committee met three times in 2011, with all members in attendance at each meeting.

In connection with the approval of the six-monthly and annual financial statements, the Audit Committee verified the account closing process and took note of the statutory auditors' analysis, in particular including all of the Company's consolidation procedures and 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 in 2011 paid to the statutory auditors.

The committee reviewed risk prevention documents as well as the Chairman's report on internal control and risk management procedures.

The Audit Committee initiated the procedure for reappointment of one regular and one acting auditor without resorting to the appeal of offers.

The Audit Committee had knowledge of the accounts press releases projects published.

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

- Appointments and Compensation Committee

> Composition

The Appointments and Compensation Committee has three members, two of whom are independent: Jacques DERMAGNE (Chairman), Jacques DUMAS and Jean CHODRON de COURCEL, who were appointed for the duration of their terms as directors.

The Chairman/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.

> Duties

The Appointments and Compensation Committee is charged, in particular, with helping the Board of Directors review candidates for executive management positions, select new directors and define and monitor policies for senior management compensation and stock option and bonus share awards. As appropriate, it also reviews senior management's benefits and other forms of compensation.

The Appointments and Compensation Committee drew up an organizational 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.

> 2011 activities

The Appointments and Compensation Committee met four times in 2011, 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 his/her freedom of judgment or entail conflicts of interest.

The Appointments and Compensation Committee expressed its recommendations regarding the proposed reappointment of the Chairman/Chief Executive Officer and Vice-Chairman, the appointment of directors and of the non-voting observer the composition of Board committees and the appointment of a new director.

The committee issued a favorable opinion on the methods for setting the fixed 2011 and variable 2010 compensation of the Deputy Managing Director.

It also reviewed the methods for determining the 2011 variable compensation component for Didier CARLIER, Deputy Managing Director.

The committee examined the executive management's proposal for the allocation of bonus shares to managerial staff and employees of the Company and affiliated companies, as well as attendance fees to be awarded to Board members, the non-voting observer and members of Board committees.

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

The Board of Directors thus determines the compensation of the Deputy Managing Director, who is also a director; the Chairman/Chief Executive Officer does not receive compensation from the Company.

The compensation paid to the Deputy Managing Director includes both a fixed and a variable component. The basis for determining both is decided upon each year by the Board of Directors as per the recommendation of the Appointments and Compensation Committee, and, as applicable, based on studies conducted by external consultants.

The 2011 variable compensation component is based on the attainment of quantitative Group targets, qualitative individual targets and a general evaluation of managerial attitudes and behavior. The variable element may be a maximum of €100,000 if the defined objectives are achieved and up to €200,000 if such objectives are exceeded.

The quantitative Group targets are evaluated according to criteria corresponding to significant business indicators for the Rallye Group: reduction in the cost of debt and improvement in the ratio of EBITDA to consolidated finance charges.

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 the non-voting observer, as well as the compensation to be paid to Board committee members, as follows:

- A flat fee of €4,000 and a variable component of €16,000 based on attendance at Board meetings. Note: 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.
- The Vice-Chairman receives an additional flat fee of €20,000.
- An additional flat fee is paid to committee members in the amount of €10,000, with the fee being doubled for each committee chairman.

› Information provided to directors

In accordance with Article L225-35 of the French Commercial Code, the Chairman/Chief Executive Officer provides all Board members with the documents and information necessary for the performance of their duties.

As such, all necessary information pertaining to the issues to be examined by the Board is provided to Board members in advance of each Board meeting. Each member receives a preparatory file containing all documents and information subject to their availability and according to the state of progress of cases pertaining to the subjects listed on the agenda for the meeting.

The Board of Directors is also informed by executive management once every quarter with regard to the state of business for the Company and its main subsidiaries. The information includes sales, income trends, debt and the status of credit lines that the Company and its main subsidiaries can draw on, along with 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 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 Board of Directors' operations, to be performed by the Appointments and Compensation Committee with the help, if desired, of an external consultant.

A new evaluation of the Board of Directors' organization and operation was implemented during the first quarter of 2011, using responses to a questionnaire sent to each director.

The evaluations and observations made by the Board of Directors' members indicate that the Board's organization and operations are entirely satisfactory with respect to proper corporate governance.

The directors have expressed a desire to name additional directors and, in particular, a second woman, as well as to have the managers of subsidiaries regularly attend Board meetings.

III. PARTICIPATION IN SHAREHOLDERS' MEETINGS

The methods of participating in shareholders' meetings are presented in Articles 25, 27 and 28 of the bylaws (see page 195).

IV. ISSUES THAT 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 L233-7 and L233-12 of the French Commercial Code are described on page(s) 26 and seq.

There are no restrictions in the bylaws on the exercise of voting rights or share transfers, nor are there any agreements of which the Company was made aware under Article L233-11 providing preferential terms for the sale or acquisition of shares, nor are there, to the Company's knowledge, any agreements between shareholders that 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 that apply to the appointment and replacement of members of the Board of Directors and to amendments to the Company bylaws are described beginning on page(s) 192 and seq.

The powers of the Board of Directors are described on pages 51 and 193. With respect to the issuance of shares, the authorizations granted to the Board of Directors are indicated on page 199, and the powers of the Board of Directors with regard to share repurchases are described on page 28.

Agreements entered into by the Company that are modified or come to an end in the event of a change in the control of the Company are mentioned on pages 211 and seq.

In addition, there are no agreements providing for compensation of Board of Directors' members 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 those responsible for implementing Rallye's internal control procedures and was validated by executive management. This information enabled a factual description to be made of the control environment and procedures put in place.

• 1 > Definition and objectives of internal control procedures

> Reference framework used

Rallye uses the internationally-recognized COSO⁽¹⁾ definition, which is compatible with the AFEP/MEDEF definition⁽²⁾: internal control is implemented by an organization's board of directors, executives and staff, and aims to provide reasonable assurance that the following goals will be met:

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

The internal control procedures in force within the Group are thus designed:

- on the one hand, to ensure that management actions are conducted in accordance with applicable laws and regulations, Company values, standards and rules and the strategy and objectives set out by executive management;
- on the other hand, to ensure that the accounting, financial and management information reported to the governance bodies fairly presents the operations and position of the Company and Group.

The main objective of the system of internal controls is to identify, prevent and manage risks resulting from the Company's operations, especially the risks of error or fraud in accounting and financial information, as well as to ensure the effectiveness and efficiency of the organization and the quality of its accounting system and financial information.

As with any control mechanism, however, it can only provide a reasonable assurance, rather than an absolute guarantee, that risks have been eliminated or completely brought under control.

> Control environment

The control environment within the Company consists mainly of 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 potential risks of any kind with which the Group may be faced.

• 2 > Description of control procedures put 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 have an internal audit department available at subsidiary level to manage their own internal control.)

> General organization of internal control

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 players involved in managing the internal control system are as follows:

- Executive management and the administration and finance department

Rallye's administration and finance department, which reports to executive management, oversees all of the Company's staff departments: management control, accounting, cash management and legal affairs.

- The Board of Directors and the Audit Committee

Given their duties as defined by the Company bylaws and the rules of procedure, the Board of Directors and its Audit Committee take part in the internal control process by expressing opinions and making recommendations to executive management and through the analyses and investigations that they perform or commission.

- Statutory auditors and outside consultants

The statutory auditors certify the individual and consolidated financial statements, in accordance with legal and regulatory requirements, on an annual basis. They also examine the Company's six-monthly consolidated results and verify the information given in the six-monthly report. They are consulted regularly regarding the accounting treatment of ongoing operations. As part of their duties, the statutory auditors also examine how internal control procedures are organized and applied in practice. If necessary, they are asked to issue recommendations.

(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, 2003, 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".

› 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, including the manual of accounting and consolidated procedures, general accounting plan, code of ethics described in the Board of Directors' rules of procedure and organizational charts of the Audit Committee and the Appointments and Compensation Committee.

› Identification and assessment of risks

The Group identifies and assesses the main risks that could affect 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.

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

These risks and the provisions intended to control them are partially detailed in Note 31 "Financial risk management policies and objectives" to the 2011 consolidated financial statements. The main risks related to the Group's financial instruments are discussed, including interest rate risks, currency exchange risks, credit risks, liquidity risks and security risks.

Operational risks related to business operations, legal risks and the description of the policy with regard to insurance are detailed in the Company's Reference Document in the chapter entitled "Other information - information on Rallye's activities".

› 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 internal control activities and procedures in order to obtain reasonable assurance that the subsidiary's own risks are under control.

The chairmen of the Casino, Guichard-Perrachon and Groupe Go Sport listed subsidiaries have prepared their own reports on internal control, to which readers may refer. These reports have been made available to the shareholders of the relevant companies.

The Group checks the quality of the information coming from subsidiaries, notably by appointing the same person to several executive bodies as well as through the meetings of the various Audit Committees and Appointments and Compensation Committees. In dealing with a subsidiary's executive management, these committees may count on the participation of all the subsidiary's staff departments.

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

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

The Company's legal department performs any special investigations or examinations that it deems necessary for the prevention and detection of any legal irregularity or anomaly in Group management. It regularly communicates with executive management and with administrative and financial management regarding the status of the main disputes that may affect the subsidiaries, as well as with regard to the risks incurred.

- Rallye

› Procedures for monitoring operating risks

- Cash management, financing and expenditure

Within the administration and finance department, the cash management team is in charge of preparing cash management forecasts (e.g. proposed financing and investment policies, preparation of financing plans and cash budgets), optimizing and verifying the Group's cash position on a daily basis and monitoring the banking terms previously negotiated.

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 credit lines, along with the respective terms and conditions.

Permanent financing arrangements permit optimized management of the balance sheet and financial debt and enhance the Group's financial structure. They are subject to prior approval by the Board of Directors, if necessary, depending upon their level of complexity, e.g. bilateral lines, bond issues, structured financing etc., the latter being subject, as required, to legal, technical and accounting validation by outside consultants.

A formal authorization procedure has been put in place to facilitate and reinforce control over Company expenditure, from financial investments to general administrative expenses. Supporting documents for such expenditure must be approved at the appropriate management level before payment can be made.

- Market risk monitoring

The Company's market risk monitoring policy is described in the Reference Document in the "Other information – Information on Rallye's activities" chapter. 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 changes to 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.

In addition, the Appointments and Compensation Committee reviews compensation for senior managers; this review is then submitted for approval to the Board of Directors. Compensation for all other employees is validated by executive management.

- IT security

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 the following:

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

> Procedures for producing and processing financial and accounting data

- Preparation of 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 with regard to the accounting records, the consolidation process and the recognition of off-balance-sheet commitments.

The accounting department implements a standard internal accounting system in accordance with accounting procedure manuals, using Agresso software to produce the individual 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 scheduled account closures are respected, in line with the deadlines set by the Board of Directors and specialized Board committees.

Each subsidiary prepares a monthly budget, which is sent to central management control at Rallye. Accounts are analyzed monthly and are 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 accounts, prepares a file that includes all adjustments 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.

In the performance of their duties to express an opinion regarding the individual and consolidated financial statements, the statutory auditors prepare a report intended for the Group's shareholders certifying that the financial statements are accurate, truthful and fair in their presentation.

The Group regularly monitors developments in off-balance-sheet commitments, details of which are provided in the notes to the consolidated financial statements. A list of such commitments linked to current activities and exceptional operations is reported every six months to determine whether there is a need to make a provision for the 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.

- Management control

This department reports to the chief financial officer.

The department's duties are 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 executive management;
- help prepare the financial statements;
- prepare the budget and the three-year plan.

- Financial communications

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

Beginning January 20, 2007 and in accordance with Article L451-1-2 of the French Monetary and Financial Code, which results from transposition of the EU's so-called "Transparency" directive (Directive 2004/109/EC), Rallye is making a "Regulatory Information" section available on its website, <http://www.rallye.fr/fr/investisseurs/information-reglementee>, and is transmitting this information electronically to a professional news distributor that meets the requirements set forth in the FMA's general regulations. In this section, documents pertaining to the regulatory information distributed from 2007 onward are published and archived for five years.

Statutory Auditors' report

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

Year ended 31 December 2011

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Rallye, and in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2011.

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

It is our responsibility:

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

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

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

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

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

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

OTHER DISCLOSURES

We hereby attest that the report prepared by the Chairman of the Board includes the other disclosures required by Article L.225-37 of the French Commercial Code.

French original signed by
The Statutory Auditors

Paris La Défense, 2 April 2012

KPMG Audit
A division of KPMG S.A.
Patrick-Hubert Petit
Partner

ERNST & YOUNG et Autres
Pierre Bourgeois
Partner