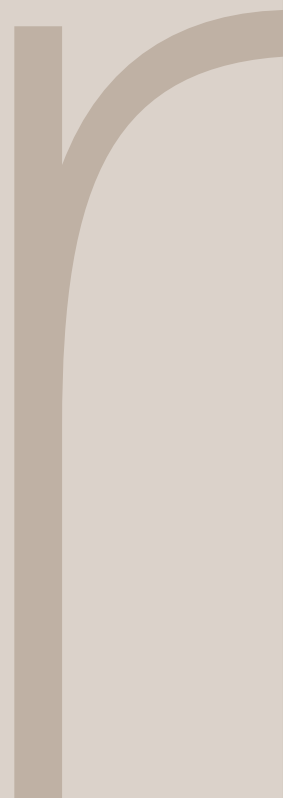


rallye

annual report 2007





Joint stock corporation with share capital of €127,008,420

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This document is a free translation from parts of the French language original annual report.

The company cannot be held responsible for any errors or omissions arising from its translation into English.

BOARD OF DIRECTORS EXECUTIVE MANAGEMENT STATUTORY AUDITORS

BOARD OF DIRECTORS

Jean-Charles NAOURI

Chairman

André CRESTEY

Vice-Chairman

Didier CARLIER

Representing the company Foncière Euris

Jean CHODRON de COURCEL

Jacques DERMAGNE

Jacques DUMAS

Pierre FÉRAUD

Jean-Marie GRISARD

Representing the company Finatis

Christian PAILLOT

Catherine SOUBIE

Representing the company Euris

Gilbert TORELLI

Company Matignon Corbeil Centre

Company Matignon Diderot

Jean LÉVY

Censor

EXECUTIVE MANAGEMENT

Jean-Charles NAOURI

Chief Executive Officer

Didier CARLIER

Deputy Managing Director

Catherine SOUBIE

Deputy Managing Director

STATUTORY AUDITORS

ERNST & YOUNG et Autres

Represented by Henri-Pierre NAVAS

KPMG Audit

Département de KPMG SA

Represented by Catherine CHASSAING

CHAIRMAN'S MESSAGE



In 2007, Casino, the main subsidiary of Rallye, significantly enhanced its profitable growth profile. Driven by international business, net sales and current operating income increased by 11.0% and 14.7% respectively, reflecting the effectiveness of the operational action plans and the well-positioned asset portfolio, in France and abroad. Casino's performance in France was satisfactory, benefiting from the rapid recovery of sales by Franprix and Leader Price. Asset disposals of €2.5 billion were completed under excellent conditions, considerably strengthening the financial structure.

In France, targeted commercial policies for each banner, and tight management of operating costs helped boost sales and accelerate growth in current operating income. International business remained a growth engine, driven by strong sales in South America and Asia and the positive effects of the full consolidation of Exito from May 1, 2007. Casino thus has a solid base enabling it to sustain organic sales growth and further increase current operating income in 2008.

In 2007, Groupe GO Sport improved its current operating income from –€11.9 million in 2006 to –€3.4 million, despite stable net sales. Commercial performance was uneven, with the high sales reported by Courir and GO Sport Pologne compensating the drop in net sales of GO Sport France. Profitability was well up due to the increase in gross margin and control over operating costs. Efforts to reduce inventory levels and sell off store premises considerably strengthened the Group's financial structure, halving net debt to €41 million. Continued implementation of these action plans, which initiated a recovery in the business in 2007, should enable the Group to return to profitability.

Finally, the investment portfolio contributed €95 million to current operating income, compared with €38 million in the previous year. It was worth €614 million at year-end 2007, a 20% increase in value compared with year-end 2006. The portfolio should continue to create value in 2008.

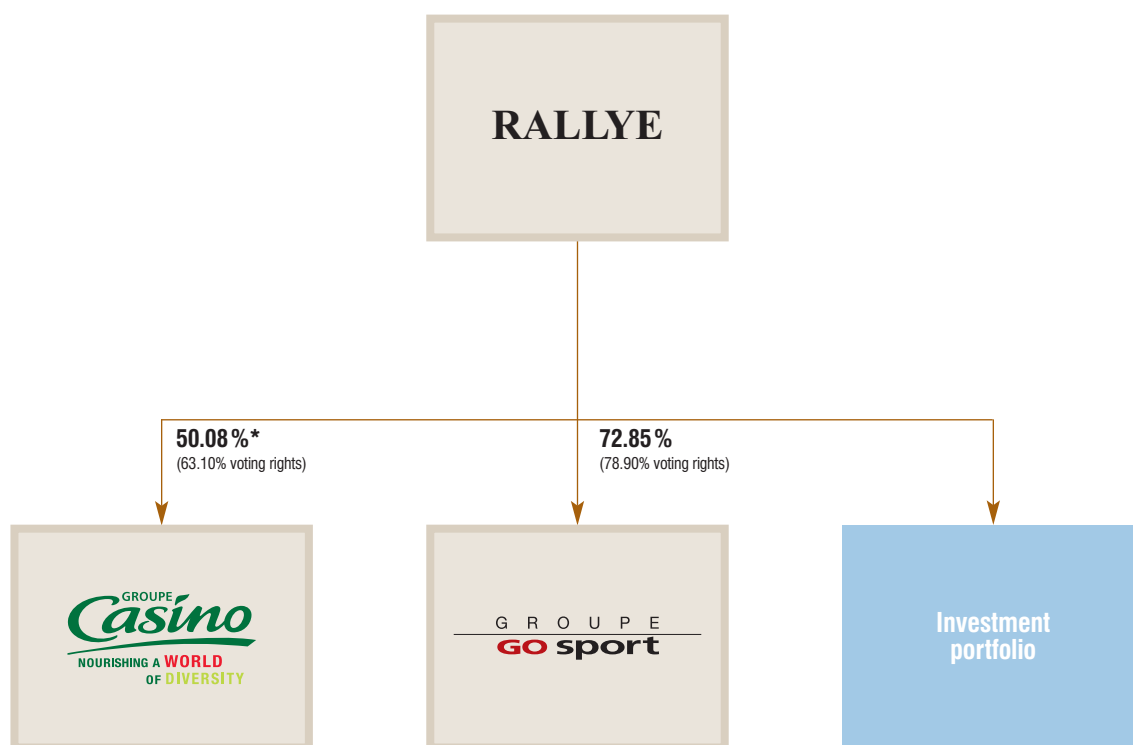
Rallye's aggregate consolidated net sales and current operating income increased by 10.6% and 20.7%, respectively, and net income, Group's share totaled €288 million compared with €147 million for 2006. Rallye's liquidity position is still excellent, with €1.3 billion in unused and available confirmed credit lines.

Due to the Group's performance, the Board of Directors will propose a dividend payment of €1.83 per share at the Shareholders' General Meeting of June 4, 2008, up 5.2% from the dividend for 2006, of which an interim payment of €0.80 was made on October 5, 2007.

Finally, I extend my thanks to all Rallye's staff, teams and partners, who by their commitment and enthusiasm have contributed to our overall success and enable our Group to look to the future with confidence and serenity.

Jean-Charles NAOURI

SIMPLIFIED ORGANIZATION CHART AT DECEMBER 31, 2007



 Companies listed on the French Stock Exchange

* Percentage of common shares

MAJOR KEY FIGURES

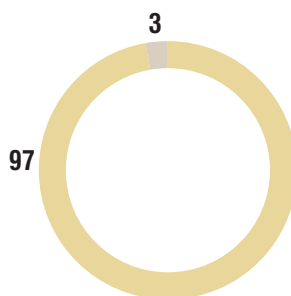
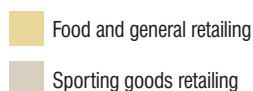
In € millions	2007	2006	2005
Net sales from continuing operations	25,755	23,282	21,120
EBITDA ⁽¹⁾	1,883	1,583	1,437
Current operating income	1,261	1,045	959
Net income – continuing activities	680	425	256
of which Group's share	215	69	(6)
Net income – discontinued activities	154	174	31
of which Group's share	73	78	10
Net income	834	599	287
of which Group's share	288	147	4
Shareholders' equity Group's share	1,942	1,472	1,361
Market capitalization at December 31	2,069	1,609	1,408
Average workforce (nb)	165,975	136,931	130,710

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

KEY FIGURES

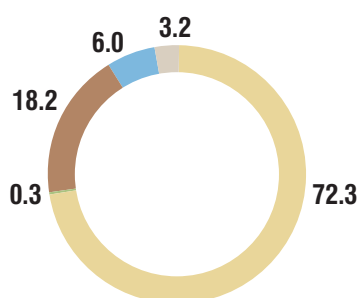
Net sales by line of business

as at December 31, 2007 (in %)



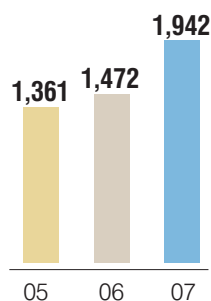
Net sales by geographic area

as at December 31, 2007 (in %)



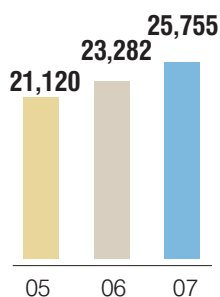
Shareholders' equity, Group's share

(in € millions)



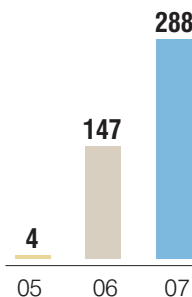
Net sales

(in € millions)



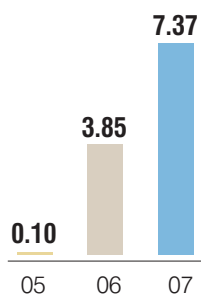
Net income, Group's share

(in € millions)



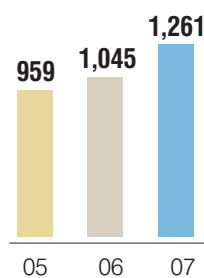
Net income, Group's share per share

(in € per share)



Current operating income

(in € millions)



05 ► 36,583,988 06 ► 38,094,968 07 ► 39,078,298
Weighted average number of shares

MANAGEMENT REPORT HIGHLIGHTS

CASINO: ROBUST GROWTH IN SALES AND CURRENT OPERATING INCOME, LED BY INTERNATIONAL OPERATIONS AND SATISFACTORY PERFORMANCE IN FRANCE WITH A FAST TURNAROUND AT FRANPRIX AND LEADER PRICE

In 2007, the Casino group's performance reflected the effectiveness of the group's action plans and well-positioned asset portfolio, both in France and abroad. Consolidated net sales were up 11.0% from the previous year to €24,972 million. Current operating income increased by 14.7% to €1,196 million, and net income, Group's share, rose by 35.7% to €814 million.

In France, banner-specific commercial policies and tight management of operating costs helped boost sales growth and increase current operating income. Following the appointment of a new management team for Franprix and Leader Price in spring 2007, the activities of the two companies visibly improved in the fourth quarter and should continue to do so in 2008.

International retail was confirmed as the growth engine of Casino's business in 2007. The group benefited from the full consolidation of Exito since May 1, 2007 and the strong increase in sales in South America and Asia. Casino has significantly improved the profit growth profile of its international business due to strong organic growth in South America and Asia, higher profitability in these two priority regions and the repositioning of the asset portfolio.

STRENGTHENING OF CASINO'S FINANCIAL STRUCTURE

Groupe Casino's financial position was significantly strengthened, in particular through the completion, under excellent conditions, of the €2.5 billion asset disposal plan. Net debt stood at €4,410 million at end 2007, virtually unchanged from a year earlier despite the consolidation of Exito. The net debt to EBITDA ratio was reduced to 2.45 from 2.81 at end 2006.

GROUPE GO SPORT: INCREASE IN PROFITABILITY AND STABILIZATION OF SALES

In 2007, Groupe GO Sport consolidated net sales reached €773.1 million, up 0.2%. In France, GO Sport banner saw a 2.0% drop in sales due to a high base effect after two years of market overperformance. Courir confirms its leadership position in the sneaker market with a 3.0% sales growth. The increase in international sales was driven by the strong growth registered in Poland (sales up 31.2%).

Current operating income was up €8.5 million to reach –€3.4 million on the back of an improving gross margin rate and well-contained operating expenses. Net income stood at €12.9 million, incorporating a €23.1 million net capital gain related to the disposal of 6 store properties.

Groupe GO Sport strengthened its capital structure with a net debt of €41 million at end 2007 (vs. €80.9 million in 2006) through the disposal of premises for €34.3 million and working capital improvements.



Supermarché Casino, Cannes, France



Géant, Bourges, France



Petit Casino, Vannes, France



Vival, Albertville, France



Super de Boer, Baarl-Nassau, Netherlands

TRANSFER OF RALLYE SHARES AS PART OF THE CONVERSION OF OCEANE BONDS

In connection with the conversion of an aggregate 3,314,454 Rallye OCEANE bonds, Rallye issued 3,127,264 new shares and allocated 253,478 existing shares, following the exercise of the same number of Rallye purchase options acquired in February 2005 for the OCEANE bond coverage. 55% of the Rallye OCEANE bonds were converted.

SUBSEQUENT EVENTS

Cancellation of Rallye treasury stock in the first quarter of 2008

In the first quarter of 2008, Rallye cancelled 316,452 treasury shares. Following this transaction, the share capital of Rallye totaled €127,008,420, divided into 42,336,140 shares.

Purchase of Casino's preferred shares during the first quarter of 2008

Rallye purchased 665,818 Casino preferred shares during the first quarter of 2008 for an aggregate of €34 million.

Casino's increased stake in Super De Boer in the first quarter of 2008

On January 28, 2008, the Group announced its intention to Super De Boer's management board to purchase 7 million shares, corresponding to a 6% stake in Super de Boer, from Amber Fund, at €3.8 per share. The purchase took place on February 19, 2008. On March 17, 2008, Casino purchased a 6% stake in Super de Boer from Amber Fund at €4.3 per share. The transaction of €30 million enabled Casino to increase its stake and voting rights in Super De Boer to 57%.

Casino's sale of a block of shares in Mercialys in April 2008

On April 3, 2008, Casino sold off-market a block of 1,357,962 shares in Mercialys at €27.75 per share or an aggregate amount of €37.7 million.

The transaction enabled Casino to decrease its stake in Mercialys from 61.48% to 59.67%, in accordance with the SIIC 4 regulation (which requires the majority shareholder to own less than 60% of share capital and voting rights).



Courir, Champs-Élysées, Paris, France



Go Sport, Saint-Cloud, France

MANAGEMENT REPORT

BUSINESS REVIEW

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

Casino is Rallye's main asset, representing 97% of consolidated net sales. It is a key food retailer in France, with a wide network of multi-format chains and leading market positions in high-growth regions, such as South America and South-East Asia.

Specializing in sporting goods retail, GO Sport is one of the largest sporting goods retailers in France and Poland, with the GO Sport and Courir brands.

In addition, Rallye manages a diversified investment portfolio, which comprises financial investments in the form of direct inter-

ests or interests in specialized funds, and direct real estate programs, with three projects at December 31, 2007.

CASINO

In 2007, Casino generated consolidated net sales of €24,972 million, up by 11.0% from the previous fiscal year. Operating income rose by 14.7%, to €1,196 million. Sales and current operating income for the Group break down as follows:

Net sales (In € millions)	2007	2006	Change
France	17,915	17,599	+1.8%
International	7,057	4,906	+43.8%
South America	4,686	2,637	+77.7%
Asia	1,536	1,445	+6.2%
Indian Ocean	834	823	+1.3%
Poland (continuing operations)	1	1	
Group total	24,972	22,505	+11.0%

Current operating income (In € millions)	2007	2006	Change
France	880	852	+3.3%
International	316	191	+65.4%
South America	192	87	+120.2%
Asia	82	56	+47.0%
Indian Ocean	47	52	-9.6%
Poland (continuing operations)	(6)	(4)	
Group total	1,196	1,043	+14.7%

France

France generated 72% of the Group's net sales and 74% of its current operating income.

In France, net sales were up 3.1% (excluding Franprix and Leader Price). Current operating income increased by 3.3%, reflecting targeted commercial policies and tight management of operating costs.

Following the appointment of a new management team for Franprix and Leader Price in spring 2007, the activities of the two companies visibly improved in the fourth quarter and should continue to do so in 2008.

Accelerated growth resulted from strong sales activity in all types of convenience stores, particularly the Casino and Monoprix supermarkets, and from the Géant Casino hypermarkets, which

maintained their market share.

Current operating margin improved as a result of a better brand and product mix, with a wider range of private label brand items and fresh food, and tight management of operating costs, which compensated the decrease in margin in the second half due to the efforts to turn around the Franprix and Leader Price business. Other businesses (real estate, Cdiscount, Banque Casino and Casino Restauration) posted a significant increase in net sales, reflecting their strong sales activity.

The effectiveness of the Casino group's multi-format strategy was further confirmed in 2007, enabling the group to promote a more differentiated market position.



Monoprix, Champs-Élysées, Paris, France

The breakdown of Casino's net sales in France, by type of store, was as follows:

Net sales (In € millions)	2007	2006	Change
Géant hypermarkets	6,299	6,294	+0.1%
Discount ⁽¹⁾	3,915	4,021	-2.6%
Convenience ⁽²⁾	6,569	6,326	+3.8%
Other business	1,131	958	+18.1%
TOTAL FRANCE	17,915	17,599	+1.8%

– The market share of the **Géant Casino hypermarkets** remained stable over the year. Net sales were boosted by food, driven by a double-digit increase in own-brand products and a focused sales policy entailing enhancing the fresh food range and optimizing pricing using the dunnhumby tool. The decrease in sales of non-food items was essentially due to the continued action to reposition the asset portfolio and increase market differentiation. Hypermarkets thus posted growth in gross margin, resulting from a strong brand mix and less discounted sales due to improved inventory management. Implementation of the business operations best practice program also enabled more effective cost control. The priority is also to develop and modernize shopping malls by making the locations more attractive and adding value to the land.

– Net sales of **Casino supermarkets** were up 5.8%, reflecting the vitality of the retail chain and the improved attractiveness of its stores. This was largely due to the development of its own-brand products, its pricing policy, an optimal product offering using the dunnhumby tool and the implementation of the operations best practice program. Growth, reflecting the performance of the Casino supermarkets, was strong throughout 2007, resulting in a 0.1 percentage-point increase in market share for financial year 2007.

– **Monoprix** maintained excellent profit levels, confirming the attractiveness of its unique urban « citymarché » supermarket concept, with sales up by 3.8%. In 2007, Monoprix continued to proactively expand by opening eight new stores and rapidly developing new concepts (eleven Monoprix stores and four Beauty Monoprix stores).

– The **small supermarkets** operating under the brands Petit Casino, Spar, Vival and EcoService posted stable net sales, while maintaining high operating margin. They have established a leading position as a result of their unrivalled geographic coverage of France. The renown and know-how of the model has attracted new affiliates, with approximately 4,000 new franchises registered at year-end 2007. New concepts are still being developed, with the introduction of vending machines (Petit Casino 24 and Express by Casino) and vending corners in airports and train stations.

(1) *Franprix and Leader Price*

(2) *Supermarkets, Monoprix and small supermarkets.*

– Following the appointment of a new management team at **Franprix and Leader Price**, in spring 2007, there has been turnaround in sales. The first effects of the recovery plan to boost Franprix and Leader Price discount store business were visible in the fourth-quarter. All-stores sales stopped decreasing, Franprix' stores posted growth on a same-store basis and Leader Price recorded a limited decrease in sales on a same-store basis. Operating margin was down 6.9% compared with 7.4% in 2006, reflecting the impact of the recovery plans. The turnaround should continue in 2008.

– Net sales from the Group's other businesses grew by 18.1% to €1,131 million and current operating income decreased by 2.9% to €65 million.

- **Cdiscount**, number one in France for e-business, maintained high growth with net sales up more than 25%;
- **Mercialys** rental income was up 20.9% driven by strong organic growth and an active acquisition policy;
- **Banque Casino** outperformed the market in terms of expanding credit production, and increased outstanding loans by nearly 17.3%;
- **Casino Restauration** is still repositioning its commercial offering, particularly through new initiatives such as theme restaurants and "Les Comptoirs Casino" self-service cafeterias.

International business

International retail was again a growth engine for Casino's business in 2007. The group gained from the full consolidation of Exito from May 1, 2007 and the rapid increase in organic growth in South America (up 14.8%) and Asia (up 9.8%). The international business profit profile improved considerably as a result of increased profitability in these two regions and the repositioning of the asset portfolio. International retail generated 28% of the Group's net sales and 26% of current operating income. The consolidated net sales of foreign subsidiaries for 2007 amounted to €7,057 million, up by 43.8% and current operating income increased by 65.4% to €316 million.

Casino streamlined its international operations to focus on two key areas: South America, with CBD in Brazil and Exito in Colombia, and South-East Asia, with Big C in Thailand and Vindémia in Vietnam.

– The strong growth in **South America** reflects the positive effects of the consolidation of Exito and increased sales by CBD, driven by its dynamic development policy (opening of new stores, acquisition of Assai), and also the significant sales growth, on a same-store basis, recorded in Argentina, Venezuela and Uruguay. In Colombia, Exito posted a sharp 60% increase in net sales as a result of its consolidation of Carulla Vivero from February 1, 2007 and a 13.9% increase in organic sales with the opening of six new stores and the revamping of fourteen stores. By purchasing Carulla Vivero, Exito has strengthened its position as the undisputed leader on the Colombian market and number one for all sales formats (hypermarkets, supermarkets and discount stores). Profit for all the countries in the region was up, at 4.1%.



Exito, Colombia



Pao de Açúcar, Brazil

– In **South-East Asia**, the Group again improved sales and operating performance, with strong organic sales growth of 9.8%. In Thailand, Big C's sales were up 6.4% due to a dynamic development policy (opening of five hypermarkets in 2007) and a significant increase in current operating margin.

– Finally, in **the Netherlands**, Super De Boer (formerly Laurus) recovered profitably in 2007 and was fully consolidated from January 1, 2008. Consolidated net sales totaled €1.9 billion with growth of 3.7% on a same-store basis. Current operating income and net income were positive at €7 million and €10 million respectively. Net financial debt remained stable at €77 million.



Big C, Thailand

Casino Key Figures

Casino's key figures for 2007 compared with 2006 and 2005 were as follows:

(In € millions)	2007	2006	2005	Change 2007/2006
Net sales	24,972	22,505	20,390	+11.0%
EBITDA	1,799	1,560	1 424	+15.3%
Current operating income	1,196	1,043	966	+14.7%
Current operating margin	4.8%	4.6%	4.7%	+15 bp
Income before tax	1,041	828	517	+25.7%
Net income				
continuing operations, Group share	664	436	324	+52.4%
discontinued operations, Group share	149	163	20	-
Net income, Group share	814	600	344	+35.7%
Net financial debt	4,410	4,390	5,444	

Changes in the market price of Casino's common and preferred shares were as follows:

(In €)	As at 12/31/2007	As at 12/31/2006	As at 12/31/2005
Casino common shares	74.39	70.40	56.25
Casino preferred shares	64.37	55.00	49.00

As at December 31, 2007, Casino's market capitalization was €8.2 billion. Rallye held 50.08% of Casino's common shares, 39.87% of its preferred shares and 63.10% of its voting rights.

GROUPE GO SPORT

In 2007, Groupe GO Sport opened eleven stores GO Sport (five in France, one in Belgium plus five franchises in Kuwait, Saudi Arabia and in the French overseas departments and territories) and three Courir stores (one in France and two franchises in Saudi Arabia). It also continued to streamline its operations, with the closure of three GO Sport stores, fifteen Courir stores and two Moviesport stores. Groupe GO Sport thus had 368 retail outlets as at December 31, 2007: 168 Groupe GO Sport stores, including eleven franchises, 197 Courir, including seventeen franchises, and three Moviesport stores.

Groupe GO Sport generated consolidated net sales of €773.1 million as at December 31, 2007, up by 0.2% in comparison with 2006. In France, Groupe GO Sport's net sales dropped by 2%, following two years of exceptional market performance in 2005 and 2006, and the effect of the 2006 Football World Cup. However, Courir consolidated its position as the leading retailer of sneakers, with a 3.0% increase in net sales and a sharp increase in sales per square meter (up 7.5%).

International business was buoyant, with sales up 31.2% in Poland compared with the previous year (28.0% in zlotys), which compensated for the stagnation in net sales in Belgium (down 0.3%), due to competitive pressure in a mature market.

The group's gross margin increased 0.5 point to 38.8% of net sales, particularly due to the development of own-brand products. This gain in margin (+€4.3 million) along with a decrease in operating expenses (–€4.2 million) resulted in improved current operating income, which amounted to –€3.4 million compared with –€11.9 million as at December 31, 2006. Net income amounted to €12.9 million, including net capital gains of €23.1 million from the sale of the premises of six stores as at December 31, 2007.

Net financial debt as at December 31, 2007 totaled €41.0 million, down from €80.9 million as at December 31, 2006, due to proceeds of €34.3 million (net selling price before taxes) from the sale of store premises and the improvement in working capital requirement.

The measures taken in 2007 to reposition the commercial offering, reorganize purchasing and logistics and improve costs control and investment management, enabled Groupe GO Sport to initiate its turnaround, as reflected in the improved current operating income. The measures will be implemented further in 2008 and should allow the Group to return to profitability.

The consolidated key figures for 2007 compared with 2006 and 2005 were as follows:

(In € millions)	2007	2006	2005
Net sales	773	771	723
Current operating income	(3)	(12)	(8)
Income before tax	13	(16)	(10)
Net income	13	(12)	(8)
Cash flow	14	9	11
Gross investments	(26)	(31)	(21)

GO Sport shares, which are listed on Euronext's Eurolist Compartment B, were valued at €60.99 per share as at December 31, 2007, with market capitalization of €230.4 million. Rallye held 72.85% of GO Sport shares and 78.90% of voting rights.

INVESTMENT PORTFOLIO

Rallye's investment portfolio was worth €614 million as at December 31, 2007, up from €511 million as at December 31, 2006. The investment portfolio comprises financial investments with a market value⁽¹⁾ of €545 million and real estate programs recorded at their historical cost⁽²⁾ of €69 million.

The investment portfolio generated cash and grew by €103 million (up 20%) compared with December 31, 2006, due to the €116 million appreciation in value of the investments and net divestments of –€13 million, of which –€34 million from real estate programs. The appreciation in value only concerned financial investments as real estate programs are not revalued before they are sold.

In 2007, the financial investment portfolio was a strong driver of value creation, contributing €95 million to Rallye's current operating income, compared with €38 million in 2006.

The Group has extensive investment experience with internal teams based in Paris and New York. These professionals draw on the long-standing expertise of the Euris/Rallye Group in financial investment and commercial real estate development programs and the long-standing relationships with prominent investment funds (Carlyle, Terra Firma, LBO France, Riverstone, Newbridge Capital...) and commercial real estate specialists such as Sonae Sierra.

The €116 million appreciation in value of its financial investments in 2007 corresponds to an annual return of 27.9%, after 21.3% in 2006, 30.6% in 2005 and 16.6% in 2004. The high returns gener-

ated in recent years are due to the Group's selective investment strategy consisting of only considering projects that generate a net minimum expected internal rate of return (IRR) of 20%.

Risk is spread widely by portfolio diversification across geographic areas, sectors, types, partners and sizes, resulting in a large number of small-size investments. The portfolio comprises around 230 lines, four-fifths of which represent amounts under €4 million, with a maximum per line of €16 million in net invested cash.

The portfolio is managed prudently, with an increase in investments in low-correlated assets in defensive sectors, such as energy in the United States and telecommunications in the emerging countries. Currency hedges are systematically set up to cover the risk of currency devaluation and generate foreign exchange gains.

The €545 million in financial investments are spread evenly in geographic terms, with 31% in the United States, 48% in Europe, 18% in Asia and 3% in other countries. In 2007, the exposure in Asia increased, with €32 million of net investments in the region, compared with a net divestment of –€18 million in Europe, and –€3 million in the United States.

In industry terms, €18 million were divested from the LBO funds and transferred mainly to the energy sector (additional €25 million net investment). Real estate funds and joint investments accounted for 26% of financial investments, due to the combined effect of the net divestments in real estate in the United States and the additional investments in Asia. Investments in LBO accounted for 51% of financial investments, energy 8%, development capital 4% and the remainder 11%.

The main divestments in 2007 were as follows:

- In 2004 and 2005 Rallye had purchased a stake in Redbirds France, which is controlled by Eurazeo and holds Eutelsat shares. It sold these securities to Caisse des Dépôts et Consignations in December 2006. The cash collected and associated capital gains were recorded in financial year 2007. This investment of €11 million generated an internal rate of return greater than 100% or 2.7 times the capital invested;
- In 2005, Rallye had invested €5 million in Actaris, the former division of Schlumberger, alongside LBO France. When sold in April 2007 for €18 million, this investment generated an internal rate of return greater than 100% or 3.5 times the capital invested;
- In 2003, at the time of the buyout of the aeronautics division of Fiat, Rallye had purchased a €4 million stake in Avio alongside Carlyle. When sold in May 2007 for €13 million, the investment generated an internal rate of return of more than 40% and an invested capital multiple of 2.9;
- Other major operations in 2007 included the sale for €5 million of the joint investment with the American mid-market private equity investor Snow Phipps Group in Excel Mining Systems, a company specialized in roof support for the coal and hard rock mining industries, compared with just under €1 million invested in October 2006;
- Finally, Rallye had purchased a €9 million stake in a fund that mainly invested in Volia Cable, the number one cable TV operator

(1) The market value of the financial investments is the book value recorded in the consolidated financial statements (fair value – IAS 39). It is based on external appraisals (General Partners of the funds) adjusted, where appropriate, with the most recently available data.
(2) The real estate programs are recorded at historical cost. Their value is not remeasured until investments are sold (IAS 16).

in Ukraine, acquired in a secondary transaction in June 2007. Following the partial sale in December 2007 for €7 million, the investment was revalued at 1.6 times the invested capital.

The investment portfolio of €614 million also includes the €69 million invested in three real estate development programs. The first two are commercial real estate development projects undertaken in Germany with Sonae Sierra, Foncière Euris and Paris Orléans: ALEXA and LOOP5. The ALEXA shopping center in Berlin, which opened on September 12, 2007, representing a total investment

of €290 million, is financed by debt of €165 million and by €125 million invested capital. Rallye invested €34 million and holds a 27% stake in the project. The LOOP5 shopping mall in Weiterstadt in the suburbs of Frankfurt is currently being marketed, with opening planned for 2009. The aggregate investment amounts to €250 million, including €11 million financed by Rallye as at December 31, 2007, which owns 24% of the shopping mall. The third is a €12 million residential real estate program near Boston, which is currently being marketed.

MANAGEMENT REPORT

FINANCIAL REVIEW

CONSOLIDATED FINANCIAL STATEMENTS

In compliance with IFRS 5, Casino's business activities in Poland and the United States were recorded as discontinued operations and the 2006 and 2005 financial statements were adjusted accordingly.

Main changes in the scope of consolidation

During 2007, changes in the Group's percentage interests in certain companies led to a change in consolidation method. Almacenes Exito (Colombia) has been fully consolidated since May 1, 2007. The Casino group acquired shares of the company

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

(In € millions)	2007		2006		2005	
	Amount	%	Amount	%	Amount	%
Food and general retailing	24,972	97.0	22,505	96.7	20,390	96.5
Sporting goods retailing	773	3.0	771	3.3	723	3.5
Other business	10		5		6	
Total	25,755	100.0	23,281	100.0	21,119	100.0

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

(In € millions)	2007		2006		2005	
	Amount	%	Amount	%	Amount	%
France	18,625	72.32	18,313	78.66	17,734	83.97
Other European countries	74	0.29	64	0.27	58	0.27
South America	4,686	18.19	2,637	11.33	1,621	7.67
Asia	1,536	5.96	1,445	6.20	1,282	6.08
Indian Ocean	834	3.24	823	3.54	424	2.01
Total	25,755	100.0	23,282	100.0	21,119	100.0

Current operating income increased 20.7% to €1,261 million, reflecting the effectiveness of Casino's action plans and well-positioned asset portfolio, and the strong performance of the investment portfolio. A detailed analysis of changes in current operating income for each operating subsidiary is provided in the business review section of the present report.

Other income and expense from operations amounted to €161 million, mainly due to the proceeds on the sale of property by Casino to the OPCI real estate investment funds. These sales involved two separate transactions, one concerning the premises of 255 small supermarkets and standard supermarkets in France, classified as mature, and the other the premises of six hypermarkets, seven supermarkets and six warehouses on Reunion, owned by Vindemia. These sales for a total of €650 million before taxes are in line with Casino's policy of enhancing the value of its property assets.

on the market during the first quarter in 2007, increasing its stake in Almacenes Exito from 38.6% to 39.5%, before acquiring an additional 21.9% stake on May 3, 2007. As at December 31, 2007, following its subscription to part of the capital increase in July 2007, the Casino group held a 59.8% stake in the company.

Earnings

Rallye reported consolidated net sales of €25.8 billion, up 10.6% from €23.3 billion in 2006. A detailed analysis of sales trends was carried out for each operating subsidiary in the business review section of the present report.

The cost of net financial debt amounted to –€468 million and other financial income and expenses to €4 million.

Income before tax totaled €958 million, compared with €699 million in 2006.

The income from companies accounted for by the equity method was €18 million in 2007 compared with €6 million in 2006.

Net income, Group's share, amounted to €288 million compared with €147 million in 2006.

In 2007, the number of employees working for the Rallye Group averaged 165,975.

The breakdown of the average number of Group employees per business over the last three years was as follows:

(In € millions)	2007	%	2006	%	2005	%
Food and general retailing ⁽¹⁾	159,946	96.37	130,811	95.53	124,776	95.46
Sporting goods retailing	5,936	3.58	6,035	4.41	5,849	4.47
Other business	93	0.05	85	0.06	85	0.07
Total	165,975	100.0	136,931	100.0	130,710	100.0

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

Financial structure

Shareholders' equity for the Group amounted to €1,942 million as at December 31, 2007, up from €1,472 million as at December 31, 2006, arising from:

- 2007 net income, Group's share, of €288 million;
- the capital increase resulting from the conversion of OCEANE bonds, for €164 million;
- net changes in fair value of €54 million;
- foreign exchange translation gains of €31 million;
- other changes in the amount of €15 million.

Negative items included:

- the dividend payment of €71 million, of which €34 million for the 2007 interim dividend paid as at October 5, 2007;
- the elimination of treasury shares for €11 million.

As at December 31, 2007, the EBITDA financial interest coverage ratio was 4.02 as against 4.65 for 2006 and 4.04 for 2005.

Rallye's net financial debt totaled €7,060 million as at December 31, 2007, compared with €6,889 million as at December 31, 2006, and can be broken down as follows:

- Casino group's net financial debt is stable at €4,410 million, compared with €4,390 million as at December 31, 2006;
- Groupe GO Sport decreased its net debt to €41 million from €81 million as at December 31, 2006;
- Rallye holding perimeter's net debt totaled €2,469 million, compared with €2,367 million as at December 31, 2006;
- Rallye investment subsidiaries' net debt totaled €140 million corresponding to project-specific real estate financing, essentially without recourse to the holding companies.

Changes in the debt/equity ratio during the previous three years were as follows:

(In € millions)	2007	2006	2005
Net financial debt	7,060	6,889	7,833
Consolidated shareholders' equity	6,408	5,193	4,831
Debt/equity ratio	110%	133%	162%

Two indicators are used to assess the financial structure of the Rallye holding perimeter, which includes Rallye and its wholly-owned subsidiaries which act as holdings and own shares in

Casino, Groupe GO Sport and the investment portfolio:

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

In 2007, the dividends received by the Rallye holding perimeter amounted to €118 million, representing more than 1.7 times the holding perimeter's net interest expense. The interest coverage ratio in 2006 was 172%, compared with 158% and 145% for 2006 and 2005, respectively.

As at December 31, 2007, the assets of the Rallye holding perimeter were revalued at €4,839 million, including Casino shares worth €4,001 million, Groupe GO Sport shares worth €168 million, the investment portfolio worth €614 million, and other assets worth €56 million. The debt of the Rallye holding perimeter amounted to €2,469 million as at December 31, 2007. As at December 31, the net debt of the Rallye perimeter was covered 1.96 times by the revalued assets. The coverage ratio was 1.84 and 1.57 at December 31, 2006 and 2005, respectively.

RALLYE PARENT COMPANY FINANCIAL STATEMENTS

Earnings

The parent company reported a €25.5 million operating loss, as against a €21.3 million loss as at December 31, 2006.

As at December 31, 2007, Rallye employed 42 persons.

Rallye generated financial income of €67.0 million, as against €131.8 million as at December 31, 2006. During the year, the main entries were:

- revenue and dividends from subsidiaries and investments, mainly from:
 - Casino: €28.5 million,
 - Parande: €18.0 million,
 - Cobivia: €5.9 million;
- income and expense from Group cash management, which posted a positive balance of €3.3 million;
- provision reversal of €11.2 million, primarily for the bond redemption premiums that are no longer due to the OCEANE bondholders who converted their bonds.

And, conversely:

- provisions recorded for bond redemption premiums, which

amounted to €8 million.

Net income for the year amounted to €39.4 million, compared with €113.6 million as at December 31, 2006.

Financial structure

Shareholders' equity amounted to €1,625.9 million as at December 31, 2007, compared to €1,512.9 million as at December 31, 2006, as a result of:

- the capital increase and issue premium resulting from the creation of 3,127,264 new shares for the partial conversion of OCEANE bonds and the 314,300 new shares issued following the exercise of stock options, for €144.3 million;
- net income for 2007 of €39.4 million;
- and negative amounts arising from:
- the dividend payment of €70.7 million, including €34.0 million for the interim payment on the 2007 dividend.

DIVIDEND POLICY

Rallye will propose a net dividend of €1.83 per share for fiscal year 2007 at the Annual Shareholders' Meeting on June 4, 2008, compared with a net dividend of €1.74 for 2006 and €1.68 for 2005. An interim dividend for 2007 of €0.80 per share was paid on October 5, 2007, reducing the outstanding payment due to €1.03. Rallye's dividend is expected to vary with the company's earnings and the dividend paid by Casino. The company reserves the right to make another interim dividend payment in 2008.

INCOME APPROPRIATION

Rallye's financial statements for the year ended December 31, 2007 showed a profit of €39,362,293.72, which the Board proposes to allocate as follows:

(In €)	
Net income for the year	39,362,293.72
Legal reserve appropriation within a limit of 10% of share capital	(1,032,469.20)
Retained earnings	97,065,183.56
Profit allocation	135,395,008.08
Dividend	(77,728,297.80)
Balance appropriated to retained earnings	57,666,710.28

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

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

An interim dividend of €0.80 per share was paid on October 5, 2007; the outstanding amount due of €1.03 per share will be paid beginning on June 13, 2008.

Dividends from treasury shares held by the company as at the dividend payment date will be recognized in retained earnings.

The dividends paid out over the last three years and the associated tax credits were as follows:

(In €)	2006	2005	2004
Net dividend	1.74	1.68	1.68
Tax credit			0.60 ⁽¹⁾

(1) For the €1.20 interim dividend paid on October 14, 2004.

The comparative table of earnings for the past year and the four previous years is provided on page 160 of this report.

Non-deductible expenses incurred by the company during the financial year under article 223-4 of the French General Tax Code amounted to €17,290.62.

STOCK MARKET INFORMATION

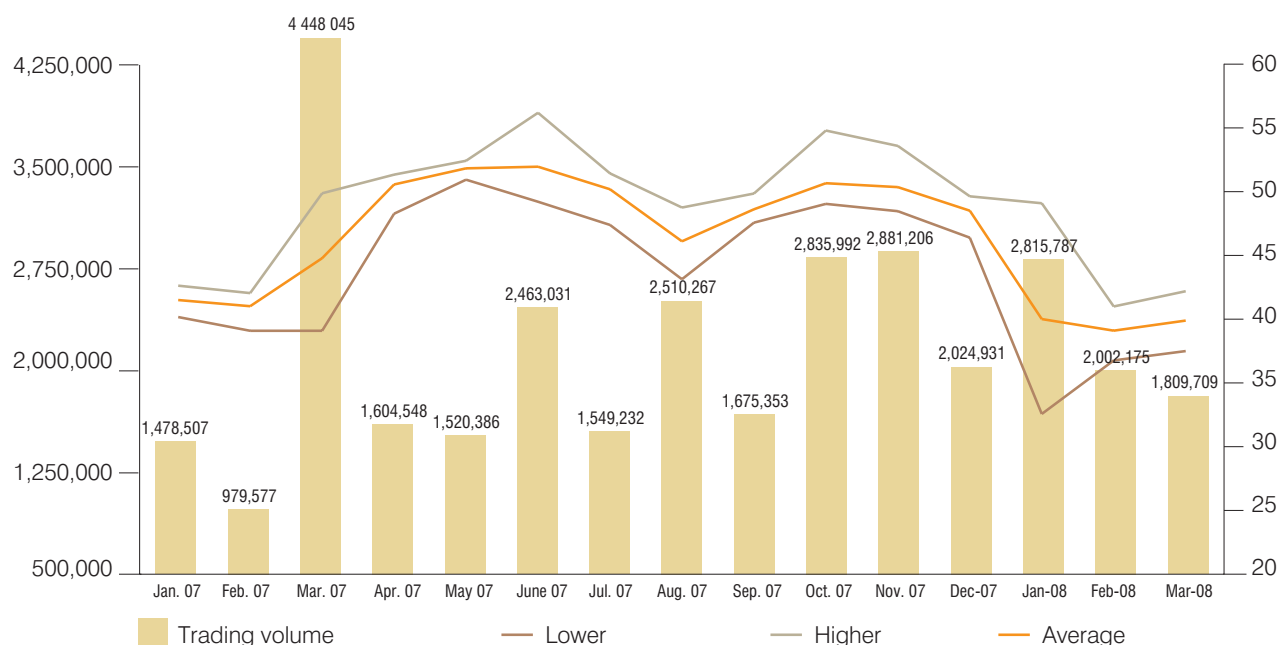
Rallye shares are listed on the Eurolist by Euronext Paris (compartment A).

ISIN: FR0000060618

Highest share price (06/04/2007)	€56.41
Lowest share price (02/28/2007)	€39.11
Share price as at 12/31/2007	€48.50
Number of shares traded in 2007	25,971,075
Volume of capital exchanged in 2007	€1,267,000,000

As at December 31, 2007, Rallye's market capitalization amounted to €2.1 billion.

Rallye share – monthly changes in share price in 2007 and early 2008



RECENT TRENDS AND OUTLOOK

Recent trends

During the first quarter of 2008, the Rallye Group's net sales reached €7,046.6 million, up by 24.4% on the first quarter of 2007.

Casino

In the first quarter of 2008, Casino's consolidated net sales reached €6,861.8 million, up by 25.2%, led by the full consolidation of Exito and Super de Boer and faster organic growth of 7.6%. In France, performance was satisfactory with a gain in sales of 5.3% on robust growth at the supermarket banners – Casino supermarkets (up 10.1%) and Monoprix – and the sustained increase in Franprix/Leader Price sales (up 8.5%). At the latter banners, the upturn in sales reported in fourth-quarter 2007 gathered momentum. Same-store growth turned positive at Leader Price, at 1.3% versus a 3.8% decline in fourth-quarter 2007. Same-store sales continued to improve at Franprix, gaining 5.8%. Casino is benefiting from its favourable format mix, which is heavily weighted towards the market's most promising segments, supermarkets and discount formats. The good performance in France also reflects the effectiveness of the Casino's marketing policies and the ramp up of its differentiation drivers, particularly the strong development of private-label sales which once again enjoyed double-digit growth for the period.

International operations confirmed their role as a growth driver for Casino, with organic growth accelerating to 15.2% for the quarter on faster gains of 20.1% in South America and 12.6% in Asia. This

excellent performance reflected sustained same-store growth, particularly in South America, and the Casino's assertive expansion strategy in the key countries of Brazil, Colombia and Thailand.

International operations now account for close to 35% of Casino's consolidated sales.

Groupe GO Sport

During the first quarter of 2008, Groupe GO Sport reported sales of €180.1 million, down by 1.8% on the first quarter of 2007. Sales increased by 5.0% abroad and decreased by 2.5% in France. On a same-store basis, GO Sport sales in France declined by 3.4% and those of the Courir chain, excluding Moviesport, increased by 11.3%.

During the first quarter of 2008, Groupe GO Sport closed one Courir store, one GO Sport store in Belgium and two GO Sport stores in France. It also opened three Courir stores among which a Courir franchise in Saudi Arabia. Groupe GO Sport thus had 369 stores on March 31, 2008: 167 GO Sport stores, 13 of which were franchises, 199 Courir stores, 18 of which were franchises and three Moviesport stores.

Outlook

Casino

Casino has a well-positioned asset portfolio, which will enable it to develop its business on both a national and international level:

– in France, with a diversified mix of store formats, an effective differentiation strategy based on a product offering adapted to meet

customers expectations and a targeted sales strategy for each banner;

– on the international scene, the prime target for expansion, where Casino holds leading market positions, enjoys greater exposure to high growth regions as a result of its strategic refocusing and is developing its dual Retail/Real Estate model.

Casino should continue to capitalize on this sound base to deliver growth in the long term.

The Casino group has set itself the following objectives for 2008:

- faster organic growth in sales;
- further growth in current operating income.

Groupe GO Sport

Further implementation of the action plan, based on the diversification of Groupe GO Sport's commercial offering and the upscaling of its own-brand production, increased communication, the reorganization of the purchase and supply chain, investment management and profit-focused expansion should enable Groupe GO Sport to return to profitability.

Financial information calendar

2008 first half-year results: August 29, 2008.

MANAGEMENT REPORT

CAPITAL AND SHAREHOLDING STRUCTURE

SHARE CAPITAL

As at December 31, 2007, Rallye's share capital amounted to €127,957,776, or 42,652,592 shares with a par value of €3 per share. As at December 31, 2006, the share capital totaled €117,633,084 for 39,211,028 shares.

The increase was due to the exercise of the share subscription options, which gave rise to 314,300 new shares and the conversion of OCEANE bonds which resulted in the creation of 3,127,264 shares.

SHAREHOLDING STRUCTURE

As at December 31, 2007, Foncière Euris directly and indirectly held 57.28% of the company's share capital and 71.44% of voting rights, and its subsidiary Matignon Corbeil Centre held 5.33% of share capital and 7.14% of voting rights.

On June 20, 2006, Foncière Euris sold temporarily 3,090,713 Rallye shares, representing 7.88% of share capital and 5.12% of voting rights, to HSBC Financial Products SNC, under a sale and repurchase agreement, which was rescindable at the company's option during a three-year period. Foncière Euris exercised its right to terminate the agreement early on August 31, 2007 and recovered the shares previously transferred.

As at December 31, 2007, Rallye held 405,828 shares or 0.95% of share capital. Some 54,100 shares were held as part of the liquidity agreement prepared in accordance with the Code of Conduct of the French Association of Investment Firms (AFEI), and entered into with Rothschild & Cie Banque on June 21, 2005. In addition, Rallye holds call options on its own shares, which it acquired to cover the June 2003 and 2004 share subscription

option plans. Rallye's call options were valued at €5.5 million for 649,830 shares.

To the company's knowledge, no other shareholder controlled more than 5% of share capital or voting rights as at December 31, 2007.

During 2007, UBS's interest in Rallye's share capital successively rose above and fell below the 1% threshold:

- above 1% on January 3, 2007;
- below 1% on January 4, 2007;
- above 1% on April 16, 2007.

During 2007, UBS's interest successively rose above and fell below the 2% threshold of Rallye's voting rights:

- above 2% on July 4, 2007;
- below 2% on July 6, 2007.

During 2007, Tocqueville Finance's interest successively rose above and fell below the 3% threshold in Rallye's share capital and the 2% threshold of Rallye's voting rights:

- above the threshold on April 27, 2007;
- below the threshold on December 18, 2007.

Boussard & Gavaudan AM's interest exceeded the 2% threshold of Rallye's voting rights on June 4, 2007.

Richelieu Finance's interest rose above and fell below the 3% threshold in Rallye's share capital and the 2% threshold of Rallye's voting rights:

- above the threshold on June 4, 2007;
- below the threshold on December 27, 2007.

BNP PARIBAS AM's interest dropped below the 1% threshold of Rallye's voting rights on June 20, 2007.

HSBC Financial Products SNC's interest dropped below the 1% threshold of Rallye's voting rights on September 6, 2007.

Société Générale AM's interest rose above the 1% threshold in Rallye's share capital on October 4, 2007.

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

Informant	Financial instrument	Transaction date	Nature	Weighted average price	Transaction amount
Didier CARLIER ⁽¹⁾	shares	11/05/2007	subscription	€29.51	€929,565.00
	shares	11/07/2007	disposal	€52.50	€380,625.00
	shares	11/09/2007	disposal	€50.84	€241,510.00
	shares	11/14/2007	disposal	€50.61	€399,802.00
	shares	12/18/2007	disposal	€48.25	€559,700.00
Jacques DUMAS ⁽¹⁾	shares	11/29/2007	subscription	€29.51	€929,565.00
	shares	11/30/2007	disposal	€49.28	€1,552,389.00
Foncière Euris ⁽¹⁾	shares	08/31/2007	acquisition	€32.35	€100,000,000.00
Pierre FÉRAUD ⁽¹⁾	shares	07/05/2007	subscription	€29.51	€663,975.00
	shares	08/03/2007	disposal	€47.57	€24,070.42

Informant	Financial instrument	Transaction date	Nature	Weighted average price	Transaction amount
Pierre FÉRAUD ⁽¹⁾	shares	08/03/2007	disposal	€47.57	€24,070.42
	shares	08/06/2007	disposal	€45.99	€494,116.56
	shares	08/06/2007	disposal	€45.99	€494,116.56
Jean-Marie GRISARD ⁽¹⁾	shares	11/22/2007	subscription	€29.51	€590,200.00
	shares	11/23/2007	subscription	€29.51	€339,365.00
	shares	11/30/2007	disposal	€49.54	€121,719.78
	shares	11/30/2007	disposal	€49.54	€280,099.16
	shares	11/30/2007	disposal	€49.54	€121,719.78
	shares	11/30/2007	disposal	€49.54	€121,719.78
	shares	11/30/2007	disposal	€49.54	€121,719.78
	shares	12/03/2007	disposal	€49.57	€126,056.51
	shares	12/03/2007	disposal	€49.57	€126,056.51
	shares	12/03/2007	disposal	€49.57	€126,056.51
	shares	12/03/2007	disposal	€49.57	€126,056.51
	shares	12/03/2007	disposal	€49.57	€126,056.51
	shares	12/03/2007	disposal	€49.57	€289,786.22

(1) Director.

The above disclosures were published on the AMF websites. To Rallye's knowledge, no other corporate officer carried out transactions on company shares in 2007.

SHARE EQUIVALENTS

OCEANE bonds convertible into or exchangeable for new or existing shares

On January 16, 2003, Rallye issued 6,011,362 OCEANE bonds with a par value of €44 each. These bonds could be converted into or exchanged for Rallye shares at any time until December 19, 2007, on the basis of 1.02 shares for 1 bond.

In addition, the company had covered 490,196 OCEANE bonds in February 2005, by purchasing 500,000 call options on Rallye

As at December 31, 2007, there were 961,941 options outstanding, giving the holders the right to subscribe to or buy 961,941 shares, based on the following plans:

Allocation date	06/04/2003	06/09/2004	06/08/2005	06/07/2006	10/01/2007
Type of plan	Subscription	Subscription	Subscription	Subscription	Subscription
Number of options	23,630	292,050	216,584	248,870	180,807
Number of shares	23,630	292,050	216,584	248,870	180,807
Strike price ⁽¹⁾	€29.51	€41.38	€40.16	€36.84	€48.73

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

shares from a number of banks.

Following the conversion of 3,314,454 OCEANE bonds during the year, 3,127,264 new shares were issued and 253,478 existing shares were transferred upon the exercise of the Rallye call options. The 246,522 residual call options matured as at December 31 without being exercised.

The remaining 2,696,908 OCEANE bonds were repaid by Rallye at a unit price of €48.25 (€44 nominal and €4.25 redemption premium).

Stock and call option plans

At the Extraordinary Shareholders' Meetings on June 4, 2003, June 9, 2004 and June 7, 2006, the shareholders authorized the Board of Directors to allocate stock options to the Group's employees and corporate officers.

As at December 31, 2007, Rallye's corporate officers held 311,533 options, giving them the right to subscribe to or buy 311,533 shares.

Bonus shares

At the Extraordinary Shareholders' Meeting of June 8, 2005, the shareholders authorized the Board of Directors to issue bonus shares to the Group's employees and corporate officers on the basis of the company's performance. The Board assesses performance annually on the basis of the ratio of coverage of the holding perimeter's debt by revalued assets.

As at December 31, 2007, there were 104,428 unacquired bonus shares relating to the following plans:

Allocation date	06/08/2005	06/07/2006	10/01/2007
Number of shares	35,276	39,546	29,606
Final acquisition date	06/08/2008	06/07/2009	01/01/2011

Rallye's corporate officers held 27,338 bonus shares as at December 31, 2007.

COMPANY PURCHASE OF ITS OWN SHARES

As at December 31, 2007, the company held 153,578 treasury shares acquired over previous fiscal years to cover stock option plans. The company's treasury shares were purchased for an aggregate €5.8 million representing 0.36% of share capital and a nominal value of €0.5 million.

Rallye also held 198,150 treasury shares resulting from the automatic exercise of 198,150 Rallye call options when they reached maturity for €10.3 million as at October 11, 2007. These call options had been acquired in February 2005 to cover the stock option plans of April 11, 2002 that matured on October 11, 2007, at which time 13,000 stock options had been exercised.

Thus, as at December 31, 2007, 35,276 treasury shares were allocated to cover the requirements of the bonus share plan of June 8, 2005 and 316,452 shares were allocated for cancellation in 2008.

On June 21, 2005, the company implemented a liquidity agreement with Rothschild & Cie Banque to guarantee the activity of the securities market. As such, 54,100 shares remained appropriated to the agreement at December 31, 2007.

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

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

- to cover the share purchase and/or subscription options plans granted to employees and corporate officers, in compliance with

articles L. 225-177 et seq. of the French Commercial Code, as well as all corporate savings plans and share ownership plans;

- to allocate bonus shares to employees and management in compliance with the provisions of articles L. 225-197-1 et seq. of the French Commercial Code;

- to ensure active trading of the company's shares under the liquidity agreement signed with an investment service firm, in accordance with the Code of Conduct issued by the AFEI and approved by the AMF;

- to hold shares to give to holders of securities issued by the company when the rights attached to them are exercised and require the payment, conversion or exchange, upon the presentation of a warrant or any other instrument with vested rights to shares;

- to hold shares in reserve to use at a later date as a means of exchange or payment in external growth operations in conformity with the market practices authorized by the AMF;

- to cancel shares in connection with a capital reduction program, within the limit of a maximum 10% of the company's share capital per 24-month period.

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

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

Under the terms of the authorization, the company may hold a maximum of 10% of share capital at March 31, 2008. This corresponds to a maximum of 4,233,614 treasury shares for a maximum amount of €317 million.

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

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

Shareholders shall decide whether the company can continue to implement its repurchase program in the event of a takeover bid or public offer on the company's shares, bonds or other securities.

The shareholders' authorization on the share repurchase program will expire at the next Shareholders' Meeting convened to approve the 2008 financial statements and management report, and no later than December 4, 2009.

MANAGEMENT REPORT

CORPORATE SOCIAL AND ENVIRONMENTAL INFORMATION

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

Rallye's business as a holding company, with 42 employees as at December 31, 2007, had no significant direct social or environmental implications.

The principal corporate social and environmental information concerning the business activities of Rallye and its main subsidiaries is presented below. The subsidiaries specialized in food and sporting goods retailing have had a social and environmental impact. Additional information is provided in the annual reports of the subsidiaries concerned and more specifically in the sustainable development report for 2007 drawn up by Casino.

Scope

For Casino, the information presented concerns all the entities wholly owned by the group in France, including Casino Guichard-Perrachon, Distribution France Casino (and the subsidiaries Serca, Acos, Casino Vacances), Codim 2, Casino Cafétéria (and the subsidiary Restauration Collective Casino – R2C), Easydis, Casino real estate (and the subsidiary Sudéco), Tout pour la maison (TPLM), Casino Entreprise (and the subsidiary Imagica), EMC Distribution, Comacas and Casino Services, CIT, IGC Services and Monoprix (a subsidiary 50%-owned by the Casino group).

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

Through the actions taken in social and environmental terms, the Group aims to promote high quality social relations, to act in a responsible manner and to protect the environment.

PROMOTING QUALITY SOCIAL RELATIONS

Safeguarding jobs and developing employees' professional skills

As part of its policy of fostering the loyalty of its employees, Casino has set up profit-sharing and incentive plans to enable its staff to share in company growth.

Casino has always been strongly committed to developing its employees' skills and to enabling them to build rich and rewarding careers. Employees receive both internal and external training in France and abroad.

The wide range of businesses and bridges between the banners enable it to propose a variety of career paths and offer employees the opportunity to learn new skills and make the most of their careers. For 2007, Groupe GO Sport's training budget amounted to €1.3 million (compared with €1.6 million for 2006). More than 600 employees have been able to take the training courses requested in connection with their Individual Right to Education provided by law, for an aggregate 6,800 training hours (interpersonal communication, time management, development of partnerships with sport clubs, etc.).

Promoting health and safety in the workplace

In order to improve its performance in health and safety in the workplace, in 2004 Casino set up a steering committee comprised of the health and safety managers of each of its divisions as a means of promoting best practice and knowledge sharing.

A vast cross-company study conducted in 2006 had enabled the main causes of work accidents and illnesses related to the Group's business to be identified, along with an action plan to combat them. Based on this analysis, in 2007, ambitious projects were initiated in the different divisions as a follow-up.

In 2006, Casino conducted a study on health in the workplace and signed a national charter with the French health insurance fund (CNAM) on June 21, 2006. An accident prevention plan was initiated in 2007 entitled "Cap Prevention". Agreements were signed with the French salaried workers' health insurance fund (CNAMTS) to set up an accident prevention policy from the outset of store design and renovation.

In addition, Casino included in its health and safety policy a module to raise awareness among employees of the risks in the workplace relating to addictions, and information on the prevention of cardiovascular risks. Lastly, Casino continued to provide psychological support to employees who have been victims of violence or aggression in the workplace.

Groupe GO Sport also strives to constantly improve the health and safety of its employees. The group set up a working group comprising management and employee representatives to assess risk in the workplace and identify actions to avert risk.

Courir set up an internal safety commission in 2005 to raise awareness among the teams on the issue. The first action plans to improve the safety conditions were implemented in 2006.

Commitment to diversity

In 2007, Casino continued to actively participate in the European Community's Initiative "EQUAL LUCIDITÉ"⁽¹⁾ which aims to combat racial and sexual discrimination in access to jobs, career development and service relations.

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

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

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

Groupe GO Sport has taken further steps to promote the integra-

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

tion of disabled workers through the creation of "Mission Handicap". The company places particular emphasis on raising awareness of these issues by recruiting, training and reserving posts for disabled workers or for those who have become disabled.

Quantitative social data

2007 social indicators	Unit	Rallye Holding	Casino ⁽¹⁾	Groupe GO Sport
Number of employees at December 31	Nb	42	69,285	5,963
Percentage of women	%	45%	62%	49%
Percentage of part-time workers	%	10%	37%	29%
Number of long-term contracts ⁽²⁾	Nb	42	62,311	4,823
Number of short-term contracts ⁽²⁾	Nb		7,395	1,140
Average number of hours of training per employee per year	Hours	1	5.4	22.7
Number of long-term contract recruitments	Nb	8	12,674	2,381
Number of short-term contract recruitments	Nb	0	43,065	4,636
Number of economic layoffs	Nb	0	152	0
Net job creation ⁽³⁾	Nb	5	-545	216
Payroll (salaries, wages and social charges)	€ millions	10	1,904	118
Amount paid to the Works Committee	€ millions	-	14.9	0.8
Amount of donations (solidarity, sports, culture)	€ millions	-	3.0	0.7

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

(2) Average annual number of employees at month end for Casino.

Number of employees as at December 31, 2007, for Groupe GO Sport and Rallye.

(3) Long-term contract recruitments – long-term contract terminations.

SOLIDARITY AND RESPONSIBILITY IN RETAILING

Promoting product safety and quality, and consumer health

Casino has always made the safety and quality of its products and consumer interests a key concern. Product traceability was enhanced in 2007 with more than 95% of manufacturers subscribing to the company's "Trace One" system, which is a rapid and effective management system used for withdrawing and recalling products.

In addition, to combat the rapid increase in the number of overweight and obese people, which has become a major public health issue in France, in 2007, Casino signed a charter with the Ministry for Health and Solidarity reflecting its commitment to improve the nutritional value of its products, enhance customer information and promote balanced eating habits.

To ensure a high level of protection of its customers' health, in accordance with Regulation (EC) No. 1907/2006 of the European Parliament and of the Council, at the end of 2007, Groupe GO Sport laid down new restrictions on the use in its laboratories of substances that are classified as carcinogenic, mutagenic or toxic for reproduction and are listed in categories 1 and 2 as defined in Council Directive 67/548/EEC. It has done the same for persist-

ent bioaccumulative and toxic (PBT) and very persistent and very bioaccumulative (vPvB) substances. Groupe GO Sport also intends from 2008 on to impose these constraints on its suppliers by requiring proof that their goods have been produced in compliance with these requirements.

Groupe GO Sport is also involved in combating obesity, diabetes and cardiovascular illnesses and campaigns actively to encourage physical activity and sport in France.

Ensuring proper ethical and social conditions in product manufacturing

Casino constantly verifies that its products comply with the Ethical Charter set out by its central purchasing group, EMC Distribution. The social auditors conduct their work on the basis of principles recognized internationally, such as the Universal Declaration of Human Rights, the UNICEF Convention on the Rights of the Child, the Conventions and Recommendations of the International Labour Organization (ILO), the social regulations applicable in the countries concerned, and the criteria set forth in the Ethical Charter. In order to verify that its production sites comply with the Charter, Casino conducted 71 social audits, 43 of which took place in China and 22 in Bangladesh, the two countries representing a

major portion of the group's direct imports and a significant level of risk. Since 2003, Casino has worked closely with Amnesty International, which provides expertise on human rights issues and social ethics, and in 2007 it participated in its Enterprises for Human Rights campaign.

In order to involve its business partners in its sustainable development work, Groupe GO Sport includes its "Code of conduct for the sports sector" in the general purchase conditions sent to suppliers and their subcontractors. The code requires respect for the fundamental rights described in the eight recommendations of the International Labour Organization, protection of the environment in compliance with ISO 14001, compliance of its subsidiaries with the fundamental conventions of the International Labour Organization and promotion of these conventions to its subcontractors.

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

Sharing performance with suppliers

To promote quality relations with its suppliers, Casino accompanies the development of small and medium-sized enterprises, which are the majority of its suppliers. Small- and medium-sized enterprises produce 75% of Casino's own-brand products and thus contribute to extending the range of products on offer in its stores. Casino also constantly works to improve its relationship with suppliers, particularly through the joint "innovation" committee set up with the French Federation for Enterprise (Fédération française des entreprises et entrepreneurs) to facilitate the product listing by retailers of goods produced by small and medium-sized enterprises. In addition, Casino actively supports the development of fair trade and has set up partnerships with local producers enabling them to develop their business with a guaranteed outlet for their products.

Groupe GO Sport's purchasing department is also vigilant with suppliers, particularly with regard to product quality and safety, which it guarantees by testing for compliance with current standards. The GO Sport brand has set up an original partnership with Lafuma to retail fleeces manufactured from recycled plastic. To publicize the operation, the group offered customers vouchers towards new fleeces in exchange for dropping-off their used fleeces in its stores for collection and recycling.

TAKING ACTION TO PRESERVE THE ENVIRONMENT

Waste management

Casino generates small quantities of non-toxic waste (cardboard,

plastic and wood) and industrial waste requiring specific recycling (fluorescent tubes, cooking oil, office waste). As well as reducing the quantity of waste produced (developing reusable containers, publishing less leaflets), Casino has made waste sorting and recycling a priority and has set up waste collection and recovery systems for this purpose.

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

Groupe GO Sport is a member of the French organization "Eco-Systèmes" and as such participates in funding the recovery and recycling of end-of-life electrical and electronic equipment. In 2008, in accordance with the law no. 2006-1666, Groupe GO Sport also agreed to contribute financially to recovering and recycling the textile waste generated by the clothing and shoes it sells to its customers.

Promoting environmentally sustainable products

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

Casino also encourages the use of wood from sustainable forests for the manufacture of the furniture it retails which is made from exotic wood. It also aims to extend eco-labeling, further support fair trade and protect fishing stock (particularly endangered deep-sea species).

Contributing to combating climate change and promoting sustainable building

Casino's gas emissions are essentially limited to carbon dioxide from the transportation of goods and the indirect carbon dioxide emissions generated by electricity consumption. Apart from saving energy on this front, the group has also managed to cut down the distances traveled for deliveries, thus saving more than 8.9 million kilometers or the equivalent of almost 6,000 tons of carbon dioxide emissions in 2007. The group has cut down on 18,800 tons of CO₂ emissions over five years.

The group participates in international initiatives to combat climate change and in the action initiated by the first carbon assessment "Bilan Carbone" in 2004 on a representative sample of entities. The assessment measures the environmental impact

(1) Professional Federation of sports companies.

of head offices and employee transportation in terms of greenhouse gas emissions and was first carried out in 2005. The plan to reduce greenhouse gas emissions was set out for the period from 2006 to 2008 (see more details in Casino's 2007 Sustainable Development Report).

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

In 2007, Casino launched a sustainable store program, aimed at designing environmentally-friendly shopping areas.

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

Limiting environmental damage

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

- in order to limit the risks of soil and groundwater pollution, single membrane fuel containers are systematically being replaced by double membrane containers;
- in 99% of gas stations, refueling gas emissions are recovered. At the end of 2007, all of the 58 retail gas stations dispensing more than 3,000 m³ of fuel were equipped with pipes to recover volatile organic compounds;
- the Casino stores recently built comply with regulatory requirements regarding the recovery and treatment of rainwater in gas stations and supermarket parking areas. All the gas stations operated by the hypermarkets in France are equipped with hydrocarbon separators.

Improving energy efficiency

Store lighting and food refrigeration are the two highest energy consumers, which is mainly generated by electricity. In 2007, efforts were made to:

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

Quantitative environmental data

The main data presented below concern the business of Casino and Monoprix (fully consolidated) in France.

Environmental data of importance to Casino	Unit	2007	2006
Total quantity of waste sorted for recycling ⁽¹⁾	Ton	43,174	43,917
Tonnage of batteries collected from customers	Ton	355	330
Energy consumption by source			
Electricity	MWh	1,570,504	1,573,330
Natural gas	MWh	167,389	164,801
Fuel	MWh	20,897	28,330
Water consumption	m ³	2,410,539	2,724,829
Greenhouse gas emissions related to goods transportation ⁽²⁾	Ton of CO ₂	184,905	177,444
Number of quality audits of supplier production sites	Nb	668	908
Number of quality audits in stores	Nb	2,042	2,120
Number of social audits on supplier production sites	Nb	125	106

(1) Waste collected under national framework agreements.

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

Casino is regularly in contact with professionals in the socially responsible investment industry (rating agencies, ethical investment funds) who have noted the Group's steady progress in this field. In 2007, Casino was again listed in the indexes presenting socially responsible investment products FTSE4Good (Eiris rating agency), ASPI (Vigeo) and in the Ethibel Pioneer® index.

MANAGEMENT REPORT

CORPORATE GOVERNANCE

STRUCTURE AND OPERATION OF THE BOARD OF DIRECTORS

The term of office of all the Directors expires at the Ordinary Shareholders' Meeting of June 4, 2008. If the resolutions proposed are adopted, after the meeting, the Board of Directors will comprise 13 directors:

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

The appointment of a new Director, the company Matignon Corbeil Centre, will be proposed at the Ordinary Shareholders' Meeting of June 4, 2008, to replace Jean LEVY who cannot be reappointed.

Directors, whose term of office is one year, are appointed by the Shareholder's Meeting and may be reappointed indefinitely. However, all individual Directors and permanent representatives of a legal entity must step down from office at the end of the Ordinary Shareholders' Meeting convened to examine the financial statements for the year during which they reach 75 years of age. The rules and modes of operation of the Board of Directors are as established by law, company by-laws and the Board's internal rules of procedure. They are described in detail below, in the "Chairman's report".

As part of its mission, the Appointments and Remunerations Committee examined the membership of the Board of Directors, and in particular the independence of the Directors in light of the recommendations in the "Bouton Report". The committee submitted its conclusions to the Board of Directors at its meeting on April 23, 2008.

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

The Board of Directors deemed that four Directors are independent under the meaning of the "Bouton Report": Jean CHODRON de COURCEL, Jacques DERMAGNE, Christian PAILLOT and Gilbert TORELLI.

In order to increase the representation of independent members, the appointment of Matignon Diderot, a Group subsidiary, as Director, will also be proposed at the Ordinary Shareholders' Meeting of June 4, 2008, to be replaced after the General Meeting by a new independent Director.

The remaining members of Rallye's Board of Directors are either officers or executives from the Rallye parent company or its parent companies.

The Board does not include a Director elected by employees.

Censor

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

The appointment of Jean LEVY as censor will be proposed at the Ordinary Shareholders' Meeting of June 4, 2008 to replace Julien CHARLIER, who has reached the age limit set by the company's by-laws.

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

All information relative to the operation of the Board of Directors appears in the Chairman's report on the organization of the Board and the internal control procedures, pages 45 to 50 of this annual report.

All Directors in office in 2007 were reappointed for a one-year period at the Ordinary Shareholders' Meeting of June 6, 2007.

DIRECTORS WHOSE REAPPOINTMENT IS PROPOSED AT THE SHAREHOLDERS' GENERAL MEETING

Jean-Charles NAOURI

Chairman and Chief Executive Officer

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

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

Date of birth: March 8, 1949. Age: 59.

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

Biography

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

Other offices held during 2007 and continuing as at March 31, 2008

Within the Euris group:

- Chairman and Chief Executive Officer of Casino, Guichard-Perrachon SA;
- President of Euris SAS;
- Chairman of the Board of Finatis SA;
- Representative of Casino, Guichard-Perrachon SA, President of Distribution Casino France SAS;
- Vice-President of Fondation Euris;
- Member of the Supervisory Board of Companhia Brasileira de Distribuicao (CBD).

Outside the Euris group:

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

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

- Chairman of the Board of Directors of Euris SA;
- Member of the Supervisory Board of Casino, Guichard-Perrachon SA, Groupe Marc de Lacharrière SCA and Super de Boer;
- Director of Continuation Investment NV, Crédit Commercial de France SA and HSBC France SA;
- Managing Partner of Rothschild & Cie Banque;
- Censor of Fimalac SA and Caisse Nationale des Caisses d'Épargne et de Prévoyance (CNCE).

Number of Rallye shares held: 328.

André CRESTEY

Vice-Chairman and Director

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

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

Date of birth: February 22, 1939. Age: 69.

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

Biography

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

Offices held in 2007 and continuing as at March 31, 2008

Within the Euris group:

- Vice-Chairman of Rallye SA;
- Director of Miramont Finance et Distribution SA and Groupe GO Sport SA;
- Permanent representative of Omnium de Commerce et de Participations SAS to the Board of Directors of Casino, Guichard-Perrachon SA.

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

Within the Euris group:

- Director of Foncière Euris SA.

Outside the Euris group:

- President of Perifem.

Number of Rallye shares held: 36,113.

Jean CHODRON de COURCEL

Director

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

Date of birth: May 14, 1955. Age: 53.

Biography

Jean CHODRON de COURCEL is a graduate of HEC School of Management and an alumnus of ENA, the French National School of Public Administration. After having held various positions within the Administration and ministerial staff, in 1990, Jean CHODRON de COURCEL joined senior management at the Schneider group, then, in 1997, at Crédit Agricole Indosuez. From 1995 to 1997, he was Deputy Private Secretary to Prime Minister Alain JUPPÉ. He was Deputy Managing Director of the group Penauille Polyservices SA.

Other offices held in 2007 and continuing as at March 31, 2008

None.

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

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

Number of Rallye shares held: 321.

Jacques DERMAGNE

Director

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

Date of birth: November 28, 1937. Age: 70.

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

Biography

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

Other offices held in 2007 and continuing as at March 31, 2008

- President of the Conseil Économique et Social de la République;
- Director of Unibail SA, Cetelem SA, and Devanlay SA;
- Member of the Supervisory Board of DMC SA;
- Censor of France Convention SA.

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

- Chairman of the French Committee of Exhibitions and Conventions;
- Vice-Chairman and member of the Supervisory Board of France Convention SA.

Number of Rallye shares held: 500.

Jacques DUMAS

Director

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

Date of birth: May 15, 1952. Age: 56.

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

Biography

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

Other offices held in 2007 and continuing as at March 31, 2008

Within the Euris group:

- Deputy Managing Director of Euris (ex. Groupe Euris);
- Advisor to the Chairman of Casino, Guichard-Perrachon SA;
- Member of the Executive Committee of the Casino group;
- Director of Mercialis SA;
- Chairman of the Board of SAAD;
- Member of the Supervisory Board of Franprix Holding SA;
- Vice-Chairman of the Supervisory Board of Geimex SA;
- Chairman of the Supervisory Board of Leader Price Holding;
- Permanent representative of Asinco to the Board of Directors of Cafige SA and Financement Gestion Administration et Contrôle – FIGEAC;
- Permanent representative of Distribution Casino France SAS to the Board of Directors of Baud SA;
- Permanent representative of Distribution Casino France SAS, member of the Supervisory Board of Cofilead SAS;
- Permanent representative of Germinal SNC, President of Théiadis;
- Permanent representative of RLPI, Director of Vilette Discount SA;
- Permanent representative of RLPI, Director of Clignancourt Discount SA;
- Permanent representative of Société de Distribution Parisienne (SDP), Director of Gregorim Distribution SA.

Outside the Euris group:

- Manager of SCI Cognacq-Parmentier.

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

Within the Euris group:

- Director of Legal Affairs of Euris SA (ex. Groupe Euris);
- Chairman and Chief Executive Officer of La Bruyère SA;
- Director of Miramont Finance et Distribution (MFD), Carpinienne de Participations SA, Groupe GO Sport SA, CDiscount SA and Monoprix SA;
- Permanent representative of Euris (ex. Groupe Euris) to the Boards of Directors of Casino, Guichard-Perrachon SA and of Foncière Euris SA;
- Permanent representative of Parcade to the Board of Directors of Casino, Guichard-Perrachon;
- Permanent representative of The Athlete's Foot Group to the Board of Directors of AFME SA;
- President of Alpetrol (until June 25, 2007) and of Kerrous (until June 29, 2007);
- Permanent representative of L'Habitation Moderne de Boulogne to the Boards of Directors of Colisée Finance SA and Colisée Finance II SA;
- Director of Fondation Euris.

Number of Rallye shares held: 150.

Pierre FÉRAUD

Director

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

Date of birth: September 28, 1940. Age: 67.

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

Biography

A graduate of HEC School of Management and of the Institut d'Études Politiques de Paris, Pierre FÉRAUD held various positions related to real estate development financing, as well as to the active management of real estate assets, mainly within the companies UIC-SOFAL and GMF. He joined Euris in 1991 and was appointed Chairman of Foncière Euris in 1992.

Other offices held in 2007 and continuing as at March 31, 2008

Within the Euris group:

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

Outside the Euris group:

- Vice-Chairman of the Supervisory Board of Les Nouveaux Constructeurs SA;
- Permanent representative of Foncière Euris SA to the Boards of Directors of Apsys International SA.

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

Within the Euris group:

- Chairman of the Board of Directors of Marigny Belfort SA;
- President of Maignon Marne La Vallée SAS and Marigny Expansion SAS;
- Permanent representative of Artois-Savoie to the Board of Directors of Euris, of Foncière Euris to the Supervisory Board of Casino, Guichard-Perrachon, of Maignon Diderot to the Board of Directors of Euris;
- Representative of Foncière Euris SA, President of Centre Commercial de l'Île-Saint-Denis SAS, Maignon Meylan SAS, Marigny Percier SAS, Maignon Moselle SAS, Marigny Participations SAS, Marigny Valbréon SAS, Marigny Tours SAS, Les Moulins à Vent SAS and Marigny-Concorde SAS;
- Manager of SCI Maignon Lannes, SNC Maignon Commerce, Centrum Development, Centrum Gdynia, Centrum Wroclaw, Centrum Poznan;
- Representative of Foncière Euris SA, manager of SCI des Boucles de Seine, SCI Île Saint-Denis Développement, SCI Mas de La Serras, SCI Touquet Plage and SCI Hôtel d'Arc 1800;
- Representative of SNC Foncière Cézanne Mermoz, manager of SCI Alta Saint Georges;
- Representative of SNC Marigny Garonne, co-manager of SNC Foncière Cézanne Mermoz, SNC Altaréa Les Tanneurs, SCI Alta Maignon and SNC Bordeaux Sainte-Eulalie;
- Representative of Marigny-Foncière, co-manager of SCI Palais des Marchands;
- Representative of Marigny Valbréon, co-manager of Société d'Aménagement Valbréon (SNC);
- Representative of Maignon Commerce SAS, co-manager of SNC Altaréa Les Tanneurs, SNC Avenue Paul Langevin, SNC Bordeaux Sainte-Eulalie, SNC Collet Berger, SNC Foncière Cézanne Maignon, SCI Reims Buirette, SNC 166 à 176 rue de Paris, SNC Alta Maignon;
- Permanent representative of Foncière Euris SA, President of Marigny Concorde SAS;
- Representative of Maignon Abbeville SAS, President of Mat-Bel 1 SAS;
- Manager of SNC Marigny Garonne;
- Representative of Maignon Diderot SAS to the Board of Directors of Euris;
- Manager of Centrum Development, Centrum Gdynia, Centrum Wroclaw, Centrum Poznan.

Number of Rallye shares held: 1,337

Christian PAILLOT

Director

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

Date of birth: September 9, 1947. Age: 60.

Biography

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

Other offices held in 2007 and continuing as at March 31, 2008

– Manager of Écurie du Haras de Plaisance SARL, and SCI Parim.

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

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

Number of Rallye shares held: 300.

Gilbert TORELLI

Director

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

Date of birth: August 21, 1936. Age: 71.

Biography

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

Other offices held in 2007 and continuing as at March 31, 2008

None.

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

- Director of Le Portefeuille Diversifié SA, Victoire SA, Moulinex SA;
- Chairman of the Board of Directors of Finamex SA.

Number of Rallye shares held: 250.

FINATIS SA

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

Head office : 83, rue du Faubourg-Saint-Honoré – 75008 PARIS
712 039 163 RCS Paris

Director

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

Other offices held in 2007 and continuing as at March 31, 2008

– Director of Carpinienne de Participations SA, Casino, Guichard-Perrachon SA and Foncière Euris SA.

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

- Member of the Supervisory Board of Casino, Guichard-Perrachon SA;
- Director of Euris SA.

Number of Rallye shares held: 253.

Permanent representative:

Jean-Marie GRISARD

Date of birth: May 1, 1943. Age: 65.

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

Biography

A graduate of HEC School of Management, Jean-Marie GRISARD began his career with the mining group Penarroya-Le-Nickel-Imétal, where he held various positions in Paris and London. He was appointed Finance Director of Francarep (now Paris Orléans) in 1982. He joined Euris in 1988 as Company Secretary.

Other offices held in 2007 and continuing as at March 31, 2008

Within the Euris group:

- Company Secretary of Euris SAS (ex. Groupe Euris SAS);
- President of Maignon Diderot SAS, Maignon Rousseau SAS and Matimob 1SAS;
- Chief Executive Officer of Finatis SA;
- Director of Finatis SA, Foncière Euris SA, Carpinienne de Participations SA, Euris Limited, Euris North America Corporation (ENAC), Euris Real Estate Corporation (EREC), Euristates and Park Street Investments International Ltd;
- Permanent representative of Maignon Diderot SAS to the Board of Directors of Casino, Guichard-Perrachon SA;
- Director and Treasurer of Fondation Euris.

Outside the Euris group:

- Manager of Frégatinvest SARL;
- Member of the Management Committee of the association “Promotion des talents”.

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

- Company Secretary of Euris;
- Chief Officer of Euris;
- President of Matignon Condorcet SAS, Matignon Voltaire SAS and Eurdev SAS;
- Director of Green Street Investments International Ltd;
- Permanent representative of Euris SA to the Supervisory Board of Casino, Guichard-Perrachon SA, of Foncière Euris to the Board of Directors of Marigny Belfort SA; of Euris SA to the Board of Directors of Casino, Guichard-Perrachon SA, of Groupe Euris SAS to the Board of Directors of Euris SA.

FONCIÈRE EURIS SA

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

Head office : 83, rue du Faubourg-Saint-Honoré – 75008 Paris.
702 023 508 RCS PARIS

Director

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

Other offices held in 2007 and continuing as at March 31, 2008

- President of Matignon Abbeville SAS, Matignon Corbeil Centre SAS, Marigny-Élysées SAS, Marigny Expansion SAS, Marigny Foncière SAS, Matignon Bail SAS, and Marigny Belfort SAS;
- Director of Casino, Guichard-Perrachon SA and Apsys International SA;
- Manager of SCI Sofaret, SCI Les Herbiers;
- Co-manager of SNC Alta Marigny Carré de Soie.

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

- President of Centre Commercial de l'Île Saint-Denis SAS, Matignon Moselle SAS, Marigny Percier SAS and Marigny Concorde SAS;
- Director of Marigny Belfort SA and Marignan Consultants SA;
- Member of the Supervisory Board of Casino, Guichard-Perrachon SA;
- Manager of SCI Mas de Las Serras, SCI Touquet Plage and SCI Pont de Grenelle.

Number of Rallye shares held: 22,159,533.

Permanent representative

Didier CARLIER

Date of birth: January 5, 1952. Age: 56.

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

Biography

Didier CARLIER is a graduate of the École Supérieure de Commerce de Reims (Reims Management School) and a certified public accountant. He began his career in 1975 with Arthur

Andersen, which he left in 1983 as Manager. He subsequently served as Company Secretary at Équipements Mécaniques Spécialisés and as Chief Financial Officer at Hippopotamus. He joined Groupe Rallye in 1994, as Chief Financial Officer, and was appointed Deputy Managing Director in 2002.

Other offices held in 2007 and continuing as at March 31, 2008

Within the Euris group:

- Deputy Managing Director of Rallye SA;
- Chairman and Chief Executive Officer of Miramont Finance et Distribution SA, Colisée Finance SA, Colisée Finance II SA and La Bruyère SA;
- President of Alpétrol SAS, Kerrous SAS, Les Magasins Jean SAS, L'Habitation Moderne de Boulogne SAS, Parande SAS, Parande Développement SAS, Parcade SAS, Cobivia SAS, Omnium de Commerce et de Participations SAS, Matignon Sablons SAS, MFD Finances SAS, Genty Immobilier et Participations SAS, Soparin SAS, Colisée Finance III;
- Chairman and Chief Executive Officer of MFD Inc;
- Managing Director of Club Sport Diffusion SA and Limpart Investments BV;
- Representative of Parande SAS, president of Matignon Neuilly SAS until June 28, 2007, Pargest SAS, Pargest Holding SAS, Parinvest SAS;
- Permanent representative of Euris to the Board of Directors of Casino, Guichard-Perrachon SA, of Omnium de Commerce et de Participations SAS to the Board of Directors of Groupe Go Sport SA;
- Manager of SCI de Kergorju, SCI des Sables, SCI des Perrières.

Outside the Euris group:

- Manager of SC Dicaro.

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

Within the Euris group:

- Chairman and Chief Executive Officer of Ancar SA;
- Chairman of the Board of Directors of Miramont Finance et Distribution SA;
- President of Mermoz Kléber SAS and Syjiga SAS;
- Director of The Athlete's Foot Group Inc;
- Manager of SCI de Periaz, SCI des Îles Cordées;
- Representative of Parande SAS, president of Matignon Meylan SAS, Matignon Moselle SAS, Parande Concorde SAS, Parande Kléber SAS and Sybellia SAS;
- Permanent representative of Miramont Finance et Distribution SA to the Board of Directors of AFME SA;
- Director of Clearfringe Ltd.

Outside the Euris group:

- Director of Compagnie holding de gestion SA (CHG).

EURIS (formerly named GROUPE EURIS)

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

Head office : 83, rue du Faubourg Saint-Honoré – 75008 Paris.
348 847 062 R.C.S. Paris

Director

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

Other offices held in 2007 and continuing as at March 31, 2008

– Director of Finatis SA, Foncière Euris SA, and Casino, Guichard Perrachon SA.

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

– Director of Euris SA;
– Member of the Supervisory Board of Casino, Guichard Perrachon SA.

Number of Rallye shares held: 304.

Permanent representative

Catherine SOUBIE

Date of birth: October 20, 1965. Age: 42.

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

Biography

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

Other offices held in 2007 and continuing as at March 31, 2008

Within the Euris group:

– Deputy Managing Director of Rallye SA;
– Director of Mercialis SA and Groupe GO Sport SA;
– Permanent representative of Finatis SA to the Board of Directors of Casino, Guichard-Perrachon SA and of Casino, Guichard-Perrachon SA to the Board of Directors of Banque du Groupe Casino SA;
– Director of Fondation Euris.

Outside the Euris group:

– Manager of Eurl Bozart.

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

Within the Euris group:

– Chairman of the Board of Directors of Groupe GO Sport SA;
– Permanent representative of Miramont Finance et Distribution

SA, director of Groupe GO Sport SA;

Outside the Euris group:

– Executive Director, then Managing Director of Morgan Stanley.

DIRECTORS WHOSE APPOINTMENT IS PROPOSED AT THE ORDINARY SHAREHOLDERS' MEETING OF JUNE 4, 2008

MATIGNON CORBEIL CENTRE

French Simplified Public Limited Company (SAS) with share capital of €57,420,000.

Head office : 83, rue du Faubourg-Saint-Honoré – 75008 Paris.
392 679 247 RCS Paris

Director

Other offices held in 2007 and continuing as at March 31, 2008

None.

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

None.

Number of Rallye shares held: 2,271,575.

MATIGNON DIDEROT

French Simplified Public Limited Company (SAS) with share capital of €3,038,500.

Head office : 83, rue du Faubourg-Saint-Honoré – 75008 Paris.
433 586 260 RCS Paris

Director

Other offices held in 2007 and continuing as at March 31, 2008

– Director of Casino, Guichard-Perrachon SA

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

– Director of Euris SA.

DIRECTOR WHOSE APPOINTMENT IS NOT RENEWABLE

Jean LEVY

Director

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

Date of birth: November 9, 1932. Age: 75

Professional address: 8, rue de Berri – 75008 Paris.

Biography

After graduating in economics from the Institut d'Études Politiques de Paris and in international economics from Yale, Jean LEVY spent most of his career at L'Oréal (1960-1987), where he was Vice-President for consumer products. He then joined Sanofi,

where he was a member of the Management Committee from 1987 to 1992. Since 1991, as an independent counselor and company Director, he has held the offices of Chairman of AFOHT (the French Association of Duty Free Commerce). He is an honorary member of Conseillers du Commerce Extérieur de la France.

Other offices held in 2007 and continuing as at March 31, 2008

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

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

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

Number of Rallye shares held: 1.

The appointment of Jean LEVY as censor will be proposed at the Ordinary Shareholders' Meeting.

CENSOR

CENSOR WHOSE APPOINTMENT IS NOT RENEWABLE

Julien CHARLIER

Date of birth: November 10, 1927. Age : 80.

Biography

After graduating with an MBA from the University of Chicago's Graduate School of Business, Julien CHARLIER served, from 1954 to 1969, as Chief Executive Officer of General Medical, in Belgium, then from 1969 to 1975 as Vice-President and Chief Executive Officer of the Medical Systems Division at General Electric. In 1975, he entered the Cokerill group as Chairman and Chief Executive Officer, and from 1982 to 1994 served as Chairman and Chief Executive Officer of Dollfus Mieg et Cie. He has held Director offices at Euris, Saint Laurent Couture et Parfums, and Société des Bains de Mer in Monaco.

Other offices held in 2007 and continuing as at March 31, 2008

- Manager of Sofin and Soges.

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

- President of Société Générale d'Hôtellerie in Monaco;
- Director of Société des Bains de Mer in Monaco;
- Censor of Euris SA.

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

EXECUTIVE MANAGEMENT

The Board of Directors decided to maintain the joint office of Chairman of the Board of Directors and of Chief Executive Officer, and as such, the office of Chairman and Chief Executive Officer was given to Jean-Charles NAOURI.

At the end of the Ordinary Shareholders' Meeting of June 4, 2008, the Board of Directors will be asked to hand down a decision regarding the renewal of the offices of Chairman and CEO.

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

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

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

COMPENSATION RECEIVED BY EXECUTIVES AND CORPORATE OFFICERS

Remuneration paid to executives and corporate officers by Rallye, by all companies controlled by Rallye, and by Foncière Euris, the company which controls Rallye, is as follows:

Compensation received by executives

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

Compensation received by the Chairman and Chief Executive Officer

In 2007, Jean-Charles NAOURI received no remuneration or benefits, other than the Director's fees received for the office of Director, i.e., the sum of €10,000.

As the Chairman and Chief Executive Officer of Casino, Guichard-Perrachon, controlled by Rallye, he received a fixed remuneration of €700,000, a variable remuneration for 2006 of €668,038 and Director's fees of €12,500.

In 2007, Jean-Charles NAOURI received no compensation or Director's fees from Foncière Euris, Rallye's parent company.

Jean-Charles NAOURI is not part of any supplementary pension scheme and will not benefit from any premium on terminating his office. He has not been given any share subscription or purchase options, bonus shares in Rallye, or in the companies controlled by Rallye, or in Foncière Euris, Rallye's parent company.

Compensation received by the Deputy Managing Directors

The aggregate compensation received by the Deputy Managing Directors, who are also Board Members, comprises a fixed part and a performance-based part dependent on the extent to which they contributed to meeting the year's targets and implementing and managing the financial operations of the company and its subsidiaries.

Catherine SOUBIE

The total gross amount of compensation and benefits of any kind paid out by the company to Catherine SOUBIE in 2007 equals €660,000 euros, including a variable amount of €330,000 for 2006. The variable remuneration calculated for 2007 and paid by the company in 2008 was set at €350,000.

In 2006, the total amount of compensation and benefits of any kind received by Catherine SOUBIE amounted to €600,000 and €225,181 in 2005.

Catherine SOUBIE also received Director's fees totaling €10,000 in 2007. She did not receive any compensation from the companies controlled by Rallye or from Foncière Euris, Rallye's parent company, other than the €39,707 Director's fees corresponding to her office as member of the Board.

Didier CARLIER

The total gross amount of compensation and benefits of any kind paid out by the company to Didier CARLIER in 2007 equals €684,500, including a variable amount of €397,500 calculated for 2006. The variable amount calculated for 2007 and paid in 2008 was set at €105,200.

In 2006, the total amount of compensation and benefits of any kind received by Didier CARLIER amounted to €356,000 and €330,000 for 2005.

Didier CARLIER also received from the company Director's fees totaling €10,000 in 2007. This was the same amount as in 2006. He received no remuneration from the companies controlled by Rallye or from Foncière Euris, Rallye's parent company, other than the €39,417 Director's fees received for his office as member of the Board.

Compensation received by other corporate officers

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

The total amount of Directors' fees and remuneration paid out in June 2007 for the previous year to Directors, to the censor, and to members of the specialized committees totaled €280,400, as against €270,800 and €261,333 the years before.

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

Director	Director's fees and compensation paid out in 2007 (in €)					Director's fees and compensation paid out in 2006 (in €)				Director's fees and compensation paid out in 2005 (in €)			
	By Rallye				By companies controlled by Rallye, or by Rallye's holding company	By Rallye				By Rallye			
	Directors		Committees	Other		Directors		Committees	Other	Directors		Committees	Other
	Fixed	Variable				Fixed	Variable			Fixed	Variable		
Jean CHODRON de COURCEL	4,000	16,000				4,000	16,000			4,000	10,667		
Jacques DERMAGNE	4,000	16,000	20,000			4,000	16,000	20,000		4,000	13,333	20,000	
Jean LEVY	4,000	16,000	10,000			4,000	12,800	10,000		4,000	16,000	10,000	
Christian PAILLOT	4,000	12,800	10,000			4,000	12,800	10,000		4,000	16,000	10,000	
Gilbert TORELLI	4,000	16,000	10,000			4,000	16,000	10,000		4,000	13,333	10,000	
André CRESTEY	4,000	6,000	20,000	20,000 ⁽⁶⁾	100,071.39 ⁽¹⁾	4,000	6,000	20,000	20,000 ⁽⁶⁾	4,000	6,000	20,000	20,000 ⁽⁶⁾
Jacques DUMAS	4,000	6,000	10,000		410,900.96 ⁽²⁾	4,000	6,000			4,000	6,000	10,000	
Pierre FÉRAUD	4,000	6,000			482,695.96 ⁽³⁾	4,000	6,000			4,000	6,000		
Jean-Marie GRISARD	4,000	6,000			25,717.39 ⁽⁴⁾	4,000	6,000			4,000	6,000		
Société EURIS (ex. Groupe Euris)				280,000 ⁽⁵⁾	420,000.00 ⁽⁵⁾				280,000 ⁽⁵⁾				280,000 ⁽⁵⁾
Julien CHARLIER (censor)	4,000	9,600				4,000	3,200			4,000	8,000		

(1) Including €8,217.39 by Foncière Euris and €91,854 by controlled companies: Casino, Guichard-Perrachon, Groupe GO Sport and Miramont Finance et Distribution.

(2) Including €9,586.96 by Foncière Euris and €401,314 by controlled companies: Casino, Guichard-Perrachon, Mercalys and Groupe GO Sport.

(3) Including €9,586.96 by Foncière Euris and €473,109 by controlled companies: Casino, Guichard-Perrachon, Mercalys and Parande.

(4) Including €13,217.29 by Foncière Euris and €12,500 by Casino, Guichard-Perrachon, controlled company.

(5) Consulting and assistance fees paid by Rallye, Casino Guichard-Perrachon and Foncière Euris.

(6) Director's fees corresponding to his office as Vice-Chairman.

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

In 2007, stock options granted to corporate officers by the company and the companies it controls were as follows:

	Number of options	Exercise price (in €)	Date granted	Date of maturity
Stock subscription options granted for the period to corporate officers by Rallye				
Didier CARLIER	13,333	48.73	10/01/2007	03/31/2013
Jacques DUMAS	4,000	48.73	10/01/2007	03/31/2013
Pierre FÉRAUD	9,533	48.73	10/01/2007	03/31/2013
Catherine SOUBIE	24,000	48.73	10/01/2007	03/31/2013

Stock subscription options granted for the period to corporate officers by Groupe GO Sport, a controlled company

Didier CARLIER	3,000	70.59	05/22/2007	11/21/2012
Jacques DUMAS	3,000	70.59	05/22/2007	11/21/2012
Catherine SOUBIE	3,000	70.59	05/22/2007	11/21/2012

Stock subscription options granted for the period to corporate officers by Casino, Guichard-Perrachon, a controlled company

Jacques DUMAS	10,000	75.75	04/13/2007	10/12/2012
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In 2007, bonus shares granted under certain conditions to company officers by the company and the companies it controls were as follows:

	Number of bonus shares	Value per bonus share granted (in €)	Date granted	Vesting date of granted shares	Date from which the shares may be sold
Bonus shares allocated during the year to corporate officers by Rallye⁽¹⁾					
Didier CARLIER	1,667	48.73	10/01/2007	01/01/2011	01/01/2013
Jacques DUMAS	500	48.73	10/01/2007	01/01/2011	01/01/2013
Pierre FÉRAUD	1,192	48.73	10/01/2007	01/01/2011	01/01/2013
Catherine SOUBIE	3,000	48.73	10/01/2007	01/01/2011	01/01/2013
Bonus shares allocated during the year to corporate officers by Casino, Guichard-Perrachon, a controlled company⁽²⁾					
Jacques DUMAS	2,000	75.75	04/13/2007	10/13/2010	10/13/2012

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

(2) The performance criterion chosen is that of organic sales growth in France.

Information on the subscription options and purchase options exercised by the corporate officers in 2007 is provided in the section of this report entitled "Capital and shareholding structure".

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

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

The company also entered into an agreement with Euris, the company controlling Casino in which Jean-Charles NAOURI is majority shareholder, for the provision of advisory services.

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

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

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

The Statutory Auditor's special report on regulated agreements signed between the company and the Chairman and CEO, one of the Board members or one of the shareholders owning over 10% of the voting rights, or, in the case of a company holding over 10% of the voting rights, the company that controls such shareholder, and which are not ordinary operations carried out under normal conditions, is available at the head office of the company. There are no loans or guarantees granted or outstanding, made by the company to members of the Board of Directors.

STATUTORY AUDITORS

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

Statutory Auditors

KPMG

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

Date of first office: June 29, 1993.

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

ERNST & YOUNG et Autres

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

Date of first office: June 1st, 1999.

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

Deputy Statutory Auditors

Patrick-Hubert PETIT

KPMG Deputy.

Date of first office: June 6, 2001.

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

Philippe PEUCH-LESTRADE

ERNST & YOUNG et Autres Deputy.

Date of first office: June 9, 2004.

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

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

FEES PAID TO STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS BY THE GROUP IN 2007 AND 2006

(In €)	Ernst & Young				KPMG			
	Amount		%		Amount		%	
	2007	2006	2007	2006	2007	2006	2007	2006
Audit								
Statutory audit, certification, inspection of individual and consolidated accounts								
Issuer	208,750	210,529	5	5	207,250	208,000	39	26
Fully consolidated subsidiaries	3,254,079	3,082,974	81	70	248,121	246,560	46	31
Additional assignments								
Issuer								
Fully consolidated subsidiaries	524,976	1,036,620	13	23		75,000		9
Subtotal	3,987,805	4,330,123	98	98	455,371	529,560	85	66
Others services rendered by the networks to fully consolidated subsidiaries								
Legal, tax, social	10,216	44,072	1	1	26,631	63,059	5	8
Other (to be detailed if > 10% audit fees)	51,500	62,850	1	1	52,083	211,133	10	26
Subtotal	61,716	106,922	2	2	78,714	274,192	15	34
TOTAL	4,049,521	4,437,045	100	100	534,085	803,752	100	100

REPORT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

The aim of this report is to inform shareholders of the conditions of preparation and organization of the work of the Board of Directors and of the limits placed on the powers of the Chief Executive Officer, as well as the internal control procedures established by the company.

It also includes the principles and the rules established by the Board of Directors to determine the compensation and benefits of any kind paid out to corporate officers.

This report is attached to the management report prepared by the Board of Directors describing the activities of the company and its subsidiaries during the year ending December 31, 2007. It is made available to the shareholders before the Annual General Meeting.

PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK

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

Organization and operation of the Board of Directors

At its meeting on June 6, 2007, the Board of Directors renewed the term of office of its Chairman and Chief Executive Officer, thereby maintaining the joint office of Chairman of the Board and CEO, taken on by Jean-Charles NAOURI.

Organizational rules applicable by law, regulations and company by-laws are defined by the company rules of procedure, which also include the principles of "corporate governance", that the company has adopted and whose implementation they have organized.

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

The rules of procedure set out the rules of ethics applicable to members of the Board of Directors, in particular the obligations of confidentiality under article L. 465-1 of the French Monetary and Financial Code and by articles 621-1 et seq. of the regulations of the French Financial Markets Authority (AMF), as well as the abstention obligation concerning all transactions with the company's shares during the fifteen-day period preceding the publication of the company's annual and interim financial statements. They also mention the registration of Directors on the list of permanent insiders drawn up by the company as part of the new provisions intended to better preventing insider trading and breaches and to harmonize European legislation in force.

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

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

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

Each Director commits to holding a number of company shares corresponding to at least the equivalent of one year of Director's fees.

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

Missions and powers of the Board of Directors, the Chairman of the Board and the Chief Executive Officer

- In compliance with the provisions of article L. 225-35 of the Code of Commerce, the Board of Directors lays down guidelines for the company's business and ensures that these guidelines are implemented. Subject to the powers expressly attributed to the Shareholders' Meetings, and within the limits of the company's purpose of business, the Board of Directors deals with all issues that concern the company's operations. Through its proceedings, it resolves the issues confronting the company. It also carries out all the verifications it deems necessary.

The Board of Directors notably reviews and closes the consolidated financial statements and the parent company financial statements, both annual and interim. It presents reports on the activities and performance of the company and its subsidiaries. It reviews the company's management forecasts. It determines the amount of senior executive compensation, and decides whether to grant share purchase or subscription options and bonus shares.

- The Chairman of the Board of Directors organizes and manages the work of the Board of Directors. He convenes the meetings of the Board of Directors and is in charge of setting the agenda and producing the minutes of these meetings. He ensures that the company's management bodies are functioning and, in particular, that the Directors are in a position to fulfill their mission.

- The Chief Executive Officer, in compliance with article L. 225-56 of the Code of Commerce, has the broadest powers to act on behalf of the company in every circumstance. He exercises these powers within the limits of the company's purpose of business and subject to the powers expressly attributed by law to the Shareholders' Meetings and to the Board of Directors. He represents the company with respect to third parties.

However, in application of the rules of procedure, any transaction liable to have an impact on the Group's strategy, financial structure, or business must be previously approved by the Board of Directors.

Independence of the Directors

To ensure proper corporate governance and in accordance with the recommendations of the "Bouton Report", the Board of Directors sees that the Directors remain independent. The Board therefore applies each year the criteria suggested by the Bouton Report to review the Directors' independence and their relationships with the company, and to determine whether these relationships might affect the Directors' independent judgment or result in potential conflicts of interest.

The Appointments and Compensations Committee presented its conclusions to the Board of Directors at the meeting held on April 23, 2008.

Sound corporate governance is also ensured by the diversity of the Directors' expertise, experience and backgrounds, as well as by their availability and level of commitment.

Information given to the Directors

In compliance with article L. 225-35 of the Code of Commerce, the Chairman or the CEO must send to the Directors all the documents and information they need to carry out their mission.

The Directors receive the information they need, subject to their availability and based on the state of progress of the matters under consideration, to review the items they will be asked to discuss at the Board meetings prior to these meetings.

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

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

Board activities in fiscal 2007

In 2007, the Board of Directors met five times. The attendance rate was 90%.

Statement of accounts – the company and its affiliates

The Board of Directors examined the provisional and final statements for the year ended December 31, 2006, and those for the first semester 2007, as well as the management forecasts. It also established the reports and the text of the resolutions brought to the Ordinary and Extraordinary General Meeting held on June 6, 2007. The Board took note of the Group's activity for each quarter, its number of employees, level of debt, and available sources of funds.

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

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

Corporate governance

The Board of Directors also examined the situation in terms of the principles of corporate governance: the membership and organization of the Board of Directors and technical committees, and the independence of directors. To this end, it took note of the recommendations made by the Appointments and Compensations Committee.

It also proposed the reappointment of KPMG SA as Statutory Auditor at the General Meeting, upon the recommendation of the Audit Committee.

Compensation

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

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

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

Board committees

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

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

AUDIT COMMITTEE

Membership

The Audit Committee has three members, one of whom is independent and another who is a qualified expert: André CRESTEY (Chairman), Jean LEVY and Christian PAILLOT, who have been appointed for the duration of their terms as Directors.

Missions

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

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

Activities in 2007

The Audit Committee met three times in 2007, with all members present.

When the interim and annual financial statements were closed, the Audit Committee verified the closing process and took note of the comments and conclusions of the Statutory Auditors concerning consolidation procedures and the company's accounts. The committee also reviewed off-balance-sheet commitments, risks and accounting decisions on provisions as well as the relevant changes in the legal and accounting framework.

The committee took note of progress on the Chairman's report on internal control procedures in force within the company.

Furthermore, the Audit Committee took part in the procedure for renewing the term of a Statutory Auditor and a Deputy Statutory Auditor. In this context, it presented its conclusions and recommendations to the Board of Directors.

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

THE APPOINTMENTS AND COMPENSATIONS COMMITTEE

Membership

The Appointments and Compensations Committee has three members of which two are independent directors: Jacques DER-MAGNE (Chairman), Jacques DUMAS and Gilbert TORELLI, who have been appointed for the duration of their terms as directors. The Chairman and CEO is entitled to attend the committee's meetings as a non-voting member, to present his proposals notably concerning senior executive compensation and stock option and bonus shares allocations.

Missions

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

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

Activities in 2007

The Appointments and Compensations Committee was convened four times in 2007, with an attendance rate of 100%.

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

The committee also examined the independence of the members of the Board in light of the recommendations included in the Bouton Report.

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

The committee examined the executive management's proposal on the issuance of stock options and bonus shares to executives and employees of the company and of related companies, as well as the Directors' fees to be allocated to members of the Board, the censor, and to the members of the technical committees.

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

Assessment of the conditions in which the Board of Directors operates

The rules of procedure state that the work of the Board of Directors must be discussed and formally evaluated on a regular basis, by the Appointments and Compensations Committee, with the help, if necessary, of an external consultant.

A further evaluation of the organization and operation of the Board of Directors was planned for the end of 2008.

PRINCIPLES AND RULES DETERMINING COMPENSATION AND BENEFITS GRANTED TO CORPORATE OFFICERS

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

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

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

The Board of Directors set the variable portion of compensation paid to the Deputy Managing Directors for 2007, on the basis of an overall evaluation of the implementation and management of the financial affairs of the company and its subsidiaries and on the achievement of the year's objectives.

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

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

INTERNAL CONTROL PROCEDURES SET IN PLACE BY RALLYE

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

Definition and objectives of internal control procedures

Framework

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

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

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

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

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

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

Control environment

The control environment within the company consists mainly of the corporate governance principles and the Group's organization principles. It has been designed carefully and is applied

scrupulously, so that all types of risk can be managed as a whole and so as to provide a reasonable assessment of potential risks of any kind facing the Group.

Description of control procedures set in place

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

General organization of internal control

The internal control procedures are part of the general policy framework laid down by the Board of Directors and implemented under the direct responsibility of the company's senior management. The main people involved in managing the internal control system are as follows:

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

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

Statutory Auditors and independent consultants
Rallye's financial managers are in constant touch with a college of two Statutory Auditors who, as part of their mission, implement due diligence in examining the company and consolidated financial statements in conformity with the prevailing legal and regulatory requirements.

As part of their mission, the Statutory Auditors also examine how the internal control procedures are organized and applied in practice. If necessary, they are asked to make recommendations.

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

Dissemination of information within the Group

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

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

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

Identification of risks

The Group identifies and assesses the main risks that could hinder the achievement of its objectives. It takes measures to limit the occurrence and effects of such risks.

In the course of its business, the Group is exposed to a range of risks. These risks and the systems designed to manage them are partially described in note 21 "Financial risk management objectives and policies" of the notes to the consolidated financial statements for the year ended December 31, 2007. Note 21 mentions the main risks associated with the Group's financial instruments: interest rate, foreign exchange, credit, liquidity and share price risk. The operational risks related to business operations, the legal risks and the description of the insurance policies are described in the company's annual report in the chapter entitled "Other information – information on Rallye's activity".

Control activities

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

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

In the operating subsidiaries

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

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

Information is also verified when Rallye's central controlling department monitors the subsidiaries' information systems. It is also verified at monthly meetings with the operating subsidiaries. The company's financial communication and that of its subsidiaries rely increasingly on shared software to generate quantitative data. The security of the subsidiaries' IT systems is taken into account from the design stage and is implemented through constant monitoring.

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

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

attendant risks.

At Rallye

• Monitoring operating risks

Cash, financing and expenditures

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

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

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

Financing arrangements can optimize management of the balance sheet and of financial debt, and enhance the Group's financial structure, it must be approved by the Board of Directors depending on their level of complexity (e.g., bilateral lines, bond issues, structured financing...). Independent consultants validate the legal, technical and accounting aspects of structured financing as necessary.

All expenditures must follow a formal authorization procedure, so as to facilitate and reinforce the control of company spending, from financial investments to general administrative expenses. Invoices must be authorized at the appropriate management level before the payment can be made.

Market risks monitoring

The company's market risk monitoring policy is described on note 21 entitled "Financial risk management objectives and policies" of the notes to the consolidated financial statements for the year ended December 31, 2007. In light of the priorities it uncovers, managers regularly adapt the corresponding control measures.

Investment portfolio

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

Payroll and compensation

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

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

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

IT system security

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

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

● **Producing and processing financial and accounting data**

Production of the parent company and consolidated financial statements

The administration and finance department is responsible for preparing the financial statements. These can be a source of financial risk, particularly regarding the accounting records, the consolidation process, and the process for reporting off-balance sheet commitments.

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

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

Consolidation of the financial statements is performed every six months, as a centralized procedure, carried out by the consolidation team on the basis of information provided by the subsidiaries. The team performs an overall review of the Group's financial statements, prepares a file which includes all the restatements and eliminations made, and documents the checks performed, thereby ensuring traceability.

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

In the course of their mission to certify the company's and consolidated accounts, the Statutory Auditors prepare a report intended for the Group shareholders, in which they certify that the financial statements are accurate, truthful, and faithful. For the year 2007, the Statutory Auditors found no significant weakness or major deficiency in the internal control system.

Finally, the financial statements are reviewed by the executive management prior to examination by the Audit Committee, in

preparation for the deliberation by the Board of Directors which gives the final approval to the financial statements.

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

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

Controlling

This department reports to the Chief Financial Officer.

The department's mission is to:

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

Financial communication

The Group financial communication is in charge of coordinating information to the financial community in order to provide a clear, transparent and precise understanding of the Group's performance and outlook.

In practice, financial information is prepared by the finance department and disseminated via various media, in accordance with legal requirements and AMF regulations.

The company also regularly publishes a reference document, which is filed with the AMF according to the a posteriori control procedure in force since 2002. The document is subject to internal control procedures at various stages of the drafting process and also to a verification of financial and accounting information by the Statutory Auditors, through to its publication and physical distribution in paper format, and online on the AMF website and the company's website.

From January 20, 2007, in compliance with article L. 451-1-2 of the French Monetary and Financial Code, which results from the transposition of the so-called EU "Transparency" Directive (Directive 2004/109/EC), Rallye is making a "Regulated Information" section available on its website <http://www.rallye.fr/bin/documentation.asp> and is transmitting this information electronically to a professional news distributor that fulfills the AMF requirements. In this section, the documents relating to published regulated information from 2007 onwards are published and archived during five years.

STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMPANY LAW (CODE DE COMMERCE), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF RALLYE COMPANY, ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION *(translation of a French language original)*

To the Shareholders,

In our capacity as Statutory Auditors of Rallye, and in accordance with article L. 225-235 of the French Code of Commerce, we hereby present our report on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Code of Commerce for the year ended December 31, 2007.

It is for the Chairman to give an account, in his report, notably of the conditions in which the duties of the Board of Directors are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We have performed our task in accordance with the professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

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

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

Paris-La Défense and Neuilly-sur-Seine, April 24, 2008
The Statutory Auditors

KPMG Audit
Département de KPMG SA
Catherine Chassaing

ERNST & YOUNG
et Autres
Henri-Pierre Navas

