Rallye

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Board of Directors – Executive management – Statutory Auditors

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Represented by Gérard RIVIÈRE

Chairman's message

Jean-Charles NAOURI

The development strategy implemented by Casino, Rallye's main subsidiary, paid off once again in 2003. Against a persistently difficult economic context, Casino's strong operating performance largely explains the strong increase in Rallye's earnings. With a 10.8% increase in operating income and a 12.9% rise in pre-tax income from current operations, Casino demonstrated the adequacy of its predominantly food-based, multiformat retail positioning. All of the Group's chains in France showed increased profitability. Leader Price, the Group's discount chain, did particularly well. International business registered a significant recovery in the second half of the year.

In sporting goods retail, the Courir chain encountered difficulties, especially in the second half of the year, but the measures taken by Go Sport enabled the chain to win new market share. Similarly, Groupe Go Sport recorded a 7.0% increase in net income to €14.6 million, thanks to continued improvements in sales margins, coupled with a reduction in average net debt.

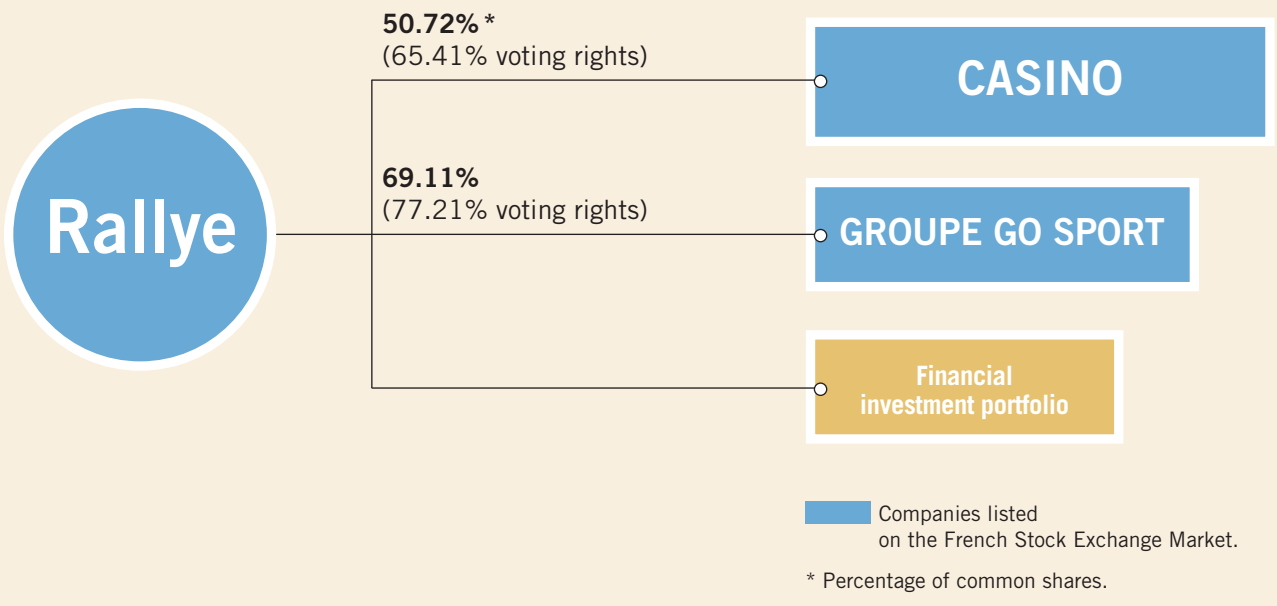
Rallye's good performance reflects that of its main subsidiaries. Operating income increased by 10.7% to €1,056 million while net income for the group surged by 71.4%, to €108 million. Based on this performance, a dividend payment of €1.60 per share, up by 33% on the 2002 figure, is proposed by the Board of Directors.

Major events in 2003 included the sale of Athlete's Foot, which eliminated a source of recurrent losses, and measures to bolster Rallye's financial structure. After issuing over €1 billion in bonds in 2003 and 2004, Rallye can draw on approximately €1.7 billion in confirmed, unused financing. This sound financial base will enable the Group to support the growth dynamics of its subsidiaries over the long term, in line with its strategy.

Both Rallye and its subsidiaries expect to continue reporting growth in 2004. Casino in particular should derive fresh earnings momentum from the accelerated development of the fast-growing store formats in France and from a significant improvement in income from international subsidiaries.

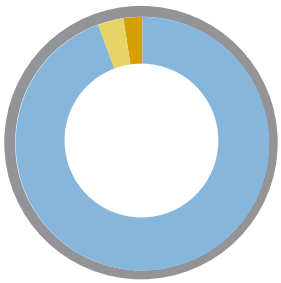
Finally, I would like to take this opportunity to thank our employees who contribute to the Group's success, and our shareholders, who continue to put their trust in our Group.

Simplified organization chart at December 31, 2003



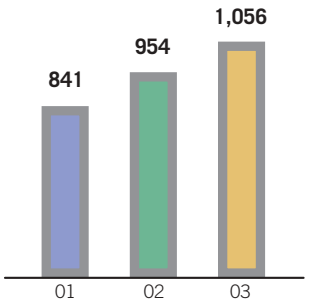
MAJOR KEY FIGURES			
(in € millions)	2003	2002	2001
Net sales	23,768	23,681	22,863
Operating income	1,056	954	841
Income from current operations	782	657	597
Net income from current operations	446	409	350
Net income	426	366	342
Net income, group's share	108	63	75
Net income, group's share per share	€3.14	€1.80	€2.54
Cash flow	911	923	831
Group's shareholders' equity	785	854	1,626
Market capitalization at December 31	1,635	1,373	2,266
Average workforce	124,143	122,994	113,444

2003 Key figures



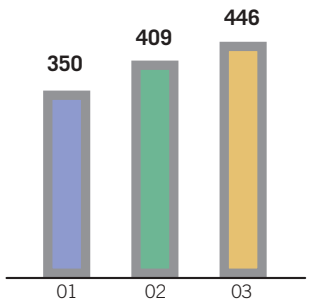
Net sales by line of business

- **94.3%** Food and general retailing
- **3.3%** Sports good retailing
- **2.4%** Other activities



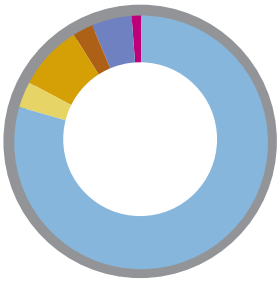
Operating income

(in € millions)



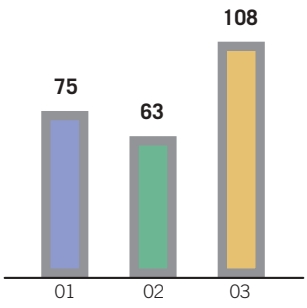
Net income from current operations

(in € millions)



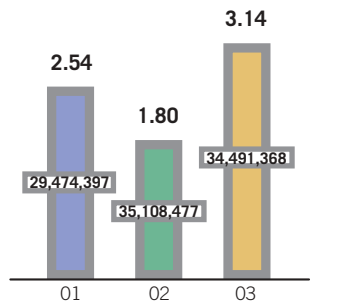
Net sales by geographical area

- **79.5%** France
- **3.3%** Other European countries
- **8.3%** North America
- **2.6%** South America
- **5.1%** Asia
- **1.2%** Idian Ocean



Net income, group's share

(in € millions)



Net income, group's share, per share

(in €)

Weighted-average shares outstanding

Management report Highligths

1

GOOD PERFORMANCE FOR CASINO IN 2003

In 2003, earnings for Rallye's main subsidiary surged ahead once again. Consolidated net sales reached €22,983 million, up by 4.7%, restated for changes in exchange rates. In addition, operating income grew by 10.8%, to €1,070 million, with net income, group's share at €492 million, up by 10.6%. Such good results reflect the effectiveness of Casino's strategy in France, focused on growth driver of profitable discount and convenience formats and improved performance abroad, in the second half of the year.

DISPOSAL OF LOSS-MAKING ACTIVITIES AT SMART & FINAL IN THE UNITED STATES

In September 2003, Smart & Final, Casino's American subsidiary, finalized the sale of its loss-making activities in Florida, and of its foodservice business in California. This transaction enables the company to focus on its core business, its profitable cash & carry business located on the East Coast.

GROUPE GO SPORT STANDS FIRM

In a tight market, which hurt the sales of Courir, Groupe Go Sport reported a satisfactory performance, with operating income after interest and before taxes increasing by 5.2%, and net income increasing by 7.0%.

DISPOSAL OF ATHLETE'S FOOT

On December 27, 2003, Rallye sold Athlete's Foot to its management, thereby ridding Rallye of a recurring loss-maker.

has an early redemption option, exercisable beginning January 1, 2006.
– In April 2003, Rallye issued €300 million in bonds exchangeable for Casino common shares, maturing July 1, 2013, i.e. 3,750,000 bonds with a par value of €80, and serving a coupon of 3.25%.
The bonds may be exchanged at any time for Casino common shares, at 1 Casino common share for 1 bond.
The redemption price for bonds at maturity is €95.256. The bonds also include investor puts exercisable at the future value as at July 1, 2008, and July 1, 2011, and an early redemption option exercisable by Rallye beginning July 1, 2006.

1 *Géant in France*
2 *Petit Casino in France*
3 *Go Sport in France*
4 *Leader Price in France*

REINFORCEMENT OF RALLYE'S FINANCIAL STRUCTURE

As in the past, in 2003, Rallye engaged in proactive management of its financial structure, in particular, by increasing available funding, and via the exchange offer on A share warrants ("BSA A").

Issue of bonds convertible into new shares or exchangeable for existing shares (OCEANE) and issue of bonds exchangeable for common shares

– In January 2003, Rallye issued €264.5 million in bonds convertible into new shares or exchangeable for existing shares (OCEANE), maturing January 1, 2008, i.e. 6,011,362 bonds with a par value of €44 each, and a coupon of 3.75%.
Given the conversion rate adjustment, these bonds may be converted or exchanged at any time for new or existing Rallye shares, at 1.02 Rallye shares for 1 OCEANE bond.
The redemption price at maturity is €48.25 per bond. Rallye

These two issues address Rallye's general need for funds, which also included the need to refinance convertible bonds which matured in January 2003, and a €152.5 million bond issue, redeemed in July 2003. In addition, they enable the Group to increase its financial flexibility by reducing its cost of funds, and extending the maturity of its debt.

Exchange offer on Rallye A share warrants

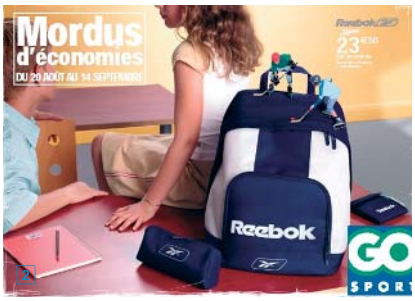
- In November 2003, Rallye launched an exchange offer on Rallye A share warrants. This enabled holders of A share warrants to exchange them against C share warrants, with a maturity date (November 2006) calculated to meet Rallye's financing requirements.
A total of 30,815,920 A warrants (92% of the total outstanding) were contributed to the offer, and were exchanged against 24,652,736 C warrants.
The C warrants have the same exchange value as the A warrants (14 warrants for 1 share) and may be exercised until November 30, 2006, at an exercise price of €58 until May 31,

2006, and subsequently at a price equal to 90% of the average initial price recorded by the stock market during the last twenty trading days prior to the 25th of the month preceding the exercise of the warrant. This price may not exceed €58 or be less than €48.
This transaction allowed Rallye to achieve a better match of its equity with the financing of future investments.

EXCHANGE OFFER ON CASINO B SHARE PURCHASE OR SUBSCRIPTION WARRANTS ("BASA B")

- On April 8, 2004, Casino filed with AMF, the French Securities Regulator *(Autorité des marchés financiers)*, an exchange offer for the Casino B warrants to purchase existing common shares or subscribe for new common shares ("BASA B"). Casino offered BASA B warrants holders the opportunity to exchange them for Casino C warrants to subscribe for new common

1 *Courir in France*
2 *Go Sport advertising*
3 *Go Sport in France*
4 *Géant in Poland*
5 *Monoprix in France*
6 *Smart & Final in the United States*
7 *Petit Casino in France*
8 *Franprix in France*



SUBSEQUENT EVENTS

RALLYE SETS UP BOND ISSUE AMOUNTING TO €500 MILLION

- In January 2004, Rallye issued bonds maturing on January 20, 2009, for an initial amount of €400 million, which was increased to €500 million in April 2004, with a coupon of 5.375%.
This issue, which comes in addition to the two bond issues made in 2003, brings the figure for bonds issued since January 1, 2003 to over €1 billion. It also enables Rallye to bolster its financial structure by extending the maturity of its debt, and by diversifying its sources of funds.

shares ("BSA C"), on the basis of 8 BASA B warrants for 3 BSA C warrants.
BSA C warrants have the same exchange value as the BASA B warrants (i.e. 2 warrants for 1 share), and may be exercised until December 15, 2006, at the exercise price of €102 until June 14, 2006, and thereafter, at a price equal to 90% of the average initial price recorded during the last twenty trading days prior to the 25th of the month preceding the exercise of the warrant. This price may not exceed €102, or be less than €91.8.
This offer will enable Casino to optimize its projected financing structure. Rallye, which either directly or indirectly owns 5,319,079 BASA B warrants (i.e. 67.1% of all BASA B warrants), expressed its intention to contribute its BASA B warrants to the offer.

Business review

The Rallye group is present in the food and specialized retail sectors, through its majority interests in its two main subsidiaries: Casino and Groupe Go Sport.
– Casino is Rallye's main asset, representing over 96% of consolidated net sales, and one of the largest food retail chains both in France and abroad.
– Groupe Go Sport specializes in sporting goods retail. With its three chains, Go Sport, Courir, and Moviesport, it is the second-largest integrated distribution network for sporting goods in France, and the leader in sporting goods retail in Poland.
In addition, Rallye manages a diversified investment portfolio, mainly in France and the United States, in the form of direct holdings, or via specialized funds.
Lastly, Rallye held a majority interest in Athlete's Foot Group, Inc., an American company specialized in sports shoe retail, and which has branches and franchises around the world. The interest was divested in December 2003.

CASINO

Casino's consolidated net sales amounted to €22,983 million in 2003, representing a 0.5% increase on the previous year, or 4.7% at constant exchange rates.
Throughout the year, Casino was able to maintain a satisfactory level of organic growth(1) in sales at 5.0%, which reflects the good positioning of its chains both in France and abroad.
Sales and operating income for the Casino group breakdown as follows:

(1) At constant exchange rates and scope of consolidation.

NET SALES					
(in € millions)	2003	2002	2001	% change 03/02	% change 03/02 at constant exchange rates
France	**18,287**	17,512	16,514	**+4.4**	**+4.4**
International	**4,696**	5,345	5,470	**–12.2**	**+5.4**
– North America	1,844	2,203	2,244	–16.3	+0.2
– Poland	746	873	818	–14.6	–2.5
– Latin America	608	718	1,263	–15.4	+22.0
– Asia	1,213	1,289	1,145	–5.9	+9.4
– Indian Ocean	284	262	–	+8.7	+10.4
Group total	**22,983**	**22,857**	**21,984**	**+0.5**	**+4.7**

OPERATING INCOME					
(in € millions)	2003	2002	2001	% change 03/02	% change 03/02 at constant exchange rates
France	**1,013**	912	776	**+11.1**	**+11.1**
International	**58**	54	78	**+6.0**	**+22.0**
– North America	24	18	36	+34.1	+60.5
– Poland	(17)	(24)	11	+26.4	+15.9
– Latin America	3	13	4	–76.0	–63.6
– Asia	33	31	26	+4.8	+20.1
– Indian Ocean	15	16	–	–5.1	–5.2
Group total	**1,070**	**966**	**854**	**+10.8**	**+11.7**

France

Casino realises nearly 80% of its sales and 95% of its operating income in France.
In 2003, Casino recorded sales of €18.3 billion, up by 4.4%, and its purchasing division, EMC, reported further increases in market share, bringing the increase observed since 2001 to 1 point, thereby confirming its position as third largest purchasing agency in France.
This good performance validates the Group's food-based multiformat positioning, as well as its strategy, which aims to develop formats that fulfill consumer expectations.
All the chains reported good performances, on a same-store basis. Leader Price did particularly well and registered 7.4% growth in 2003 after a 6.9% increase in 2002.
In addition, an ambitious store-opening program fueled growth on a same-store basis. In 2003, Casino opened nearly 120,000 sq. m. of new selling area, nearly 75% of which was allocated to the discount chains Franprix and Leader Price, and to convenience stores and small supermarkets:

Géant hypermarkets	+17,400 sq.m
Casino supermarkets	+9,700 sq.m
Monoprix	+1,500 sq.m
Franprix/Leader Price	**+36,100 sq.m**
Convenience stores and small supermarkets (Spar, Vival, Éco Service, Petit Casino)	**+54,200 sq.m**

These two highly dynamic store formats once again reported increases in sales in excess of 10% (10.1% for Franprix/Leader Price, and 11.5% for the convenience stores and small supermarkets).
In addition, the Group's sales strategy, focused on developing customer loyalty, has paid off as it did in 2002. As at December 31, 2003, the Group counted 3.3 million Géant and Casino supermarket cardholders.

Operating income from business in France totaled €1,013 million in 2003, up by 11.1%, and the operating margin grew by 5.2% to 5.5%.

This excellent performance results from:
– the efficiency of the Casino development model, focused on the formats with the most potential for growth and profit (discount and neighborhood stores), which led to an automatic improvement in the Group's margin mix. The discount and neighborhood store branches now make up 70% of Casino's operating income in France, as against 64% in 2000.
– contributions by all the chains to the increase in earnings:

– As in 2002, Franprix/Leader Price reported a strong increase in sales and operating income in 2003 (10.1% and 19.1%, respectively), and saw further improvements in operating margin, which rose to 8.1% of sales, as compared to 7.5% in 2002. Thus, in three years, Franprix/Leader Price's contribution to Casino operating income has doubled, and exceeded that of Géant for the first time in 2003. Leader Price saw its sales increase sharply (12.6%, of which 7.4% on a same-store basis), thereby legitimizing its unique 100%-own-brand discount store concept,

OPERATING MARGIN BY CHAIN (as % of sales)

	Géant hypermarkets	Casino supermarkets	Franprix Leader Price	Monoprix	Convenience stores & small supermarkets	Total retail France
2003	4.1%	4.2%	8.1%	5.7%	8.8%	5.6%
2002	3.9%	4.1%	7.5%	5.1%	8.7%	5.2%

1 *Leader Price in France*
2 *Géant in France*

– Net sales of Géant hypermarkets increased by 3.3%, and operating income rose by 9.2%. In 2003, as in 2002, Géant recorded the largest increase in market share in the hypermarket sector (0.2 points, following 0.3 points in 2002). Positive trends in sales and profitability for the chain support the strategic choices made by the Group, to favor hypermarkets with less than 7,000 sq. m. in selling area, located in average-sized cities, with a heavy emphasis on food.

– In 2003, sales of Casino supermarkets decreased by 2.0%, as a result of the transfer of over 80 stores to the convenience store network, and operating income increased by 1.8%. Various actions carried out (standardization of the store network, switching stores of less than 600 sq. m., improvement in the image of the chain, and improvements in customer loyalty) have enabled further increases in operating profitability, to 4.2% of sales, as against 4.1% in 2002.

while Franprix continued its fast-paced store opening program (31 store openings in 2003), driving a 6.9% increase in sales.

– Accounted for under the proportional consolidation method, Monoprix saw its contribution to Group sales increase by 1.5%, to €1,880 million. Operating income also improved dramatically (14,0%). These positive results demonstrate the effectiveness of the Monoprix store concept (quality stores and a leading edge downtown retail concept), and how successful it has become with consumers.

– With 4,568 stores and 2 million customers per day, Petit Casino, Vival, Spar and Éco Service chains make Casino the leader in the convenience store and small supermarket segment. These networks once again proved highly dynamic in 2003, as evidenced by the many store openings (over 54,000 sq. m. of new selling area, and 312 new outlets) and by the sustained growth in sales (11.5%) and operating income (13.3%).

– Poland started to recover. Steps taken in the beginning of the second half of 2003 (e.g., the replacement of executive management, the end of loss-making activities and more variety of food products on offer) began to yield results, and drove a significant reduction in operating losses on retail activity (€19 million, as against €35 million in 2002).
– In Thailand, Big C continued its development and recorded strong results. Measured in local currency, sales grew by 11.6%, and operating income by 13.4%.

1 *Jumbo (Vindémia) in Réunion Island*
2 *Big C in Thailand*
3 *Ley in Colombia*
4 *CompreBem in Brazil*

– Lastly, the contribution of other activities (Casino Cafétérias, Imagica, Komogo, and Cdiscount) remained less significant, with €562 million in sales and €16 million in operating income.

International activities

In 2003, international activities made up approximately 20% of sales, and only 5% of Casino's operating income.
The contribution of international subsidiaries to sales amounted to €4,696 million, down by 12.2%, but this represents 5.4% growth at constant exchange rates. Consolidated operating income rose by 6.0%, and 22.0% at constant exchange rates, to €58 million, with a strong improvement in earnings in the second half of the year.

Over 80% of Casino's sales abroad are now generated in four regions: the United States, Poland, Thailand, and the Indian Ocean.
– In the United States, operating income for Smart & Final soared by 34.1% to €24 million, as a result of the decision in the fourth quarter to focus on the profitable and high-growth cash & carry business.

– Vindémia enjoyed strong leadership in the Indian Ocean (Réunion Island, Mayotte, Madagascar, Mauritius and Vietnam), with 43 stores. In 2003, organic growth in sales reached a highly satisfactory 10.4%, and Vindémia's contribution to operating income for the Group (accounted for under the proportional consolidation method) totaled €15 million.

Other countries' contributions to Casino's earnings were less significant. Argentina, Uruguay, Venezuela, and Taiwan together represented just 4% of Casino's sales, and contributed a €5 million operating loss.

Lastly, the companies accounted for under the equity method (CBD, Exito and Laurus) added €40 million to Casino's net income, as against €31 million in 2002. This represents an impressive 27.4% increase, driven by growth in the earnings of all three subsidiaries. Laurus's results were particularly remarkable, with operating income up from €31 million in 2002 to €39 million in 2003.

Key figures for Casino in 2003 are compared below with figures for previous years:

(in € millions)	2003	2002	2001
Net sales	22,983	22,857	21,984
Operating income	1,070	966	854
Income from current operations	875	775	702
Net income			
Total	562	522	443
Group's share	492	445	379
Cash flow	1,041	1,011	886
Current investments	772	956	920
Acquisitions	214	458	225

Trends in the price of Casino common and preferred shares were as follows:

(in €)	As at 12/31/2003	As at 12/31/2002	As at 12/31/2001
Casino common shares	77.10	70.75	86.65
Casino preferred shares	63.75	51.95	62.50

As at December 31, 2003, Casino's stock market capitalization totaled €8.2 billion.

GROUPE GO SPORT

In 2003, Groupe Go Sport continued developing its network, with 17 store openings, in addition to the 11 outlets taken over from the Giacomelli group in Poland at year-end 2003. With 346 outlets (including 317 in France, 18 in Poland, and 11 in Belgium) as at December 31, 2003, Groupe Go Sport is the second-largest integrated sporting goods retailer in France, and number one in Poland.
Consolidated sales including VAT totaled €755.4 million in 2003, up by 1.2%.
In France, in a highly competitive environment, measures taken at Go Sport enabled the chain to restore growth in same-store sales (which increased by 2.6%), and gain market share. In contrast, business at Courir was more difficult (sales fell by 18.4% on a same-store basis), especially in the second half of the year.
Business abroad, which makes up only 6% of Groupe Go Sport sales, grew by 4.2%, or 9.1% at constant exchange rates.
The Group's sales margin improved once again and now stands at 46.0% of net sales, as against 44.9% in 2002 and 44.4% in 2001. Operating income declined by 8.2%, to €24.8 million, largely due to the drop in sales at Courir.
Lastly, the reduction in average net debt, and lower interest rates, allowed income from current operations and net income to increase, by 5.2% and 7.0%, respectively.

Key consolidated figures for 2003 compare as follows with preceding years:

(in € millions)	2003	2002	2001
Net sales	638.2	634.4	625.5
Operating income	24.8	27.1	24.0
Income from current operations	24.4	23.2	19.5
Net income	14.6	13.6	11.7
Cash flow	37.2	35.2	33.1
Net investments	15.9	19.8	33.7

As at December 31, 2003, Groupe Go Sport shares traded on the Second Market of the Paris Stock Exchange (Euronext) at €55.95, and market capitalization totaled €214.7 million.

ATHLETE'S FOOT GROUP INC.

Athlete's Foot Group, Inc. is an American company, specialized in the sale of sports footwear and textile. Athlete's Foot made up less than 1% of Rallye's sales in 2003. The company was divested at the end of 2003 and will no longer be consolidated by Rallye in 2004.

In 2003, Athlete's Foot continued the program begun several years ago, which consisted of closing loss-making branches in the United States. It closed 20 outlets, and converted 10 outlets into franchises in the Houston area. At the same time, the franchise network continued to grow, as new contracts were signed in Saudi Arabia, Canada, the United Kingdom, the United Arab Emirates, and the United States.
Despite these efforts, Athlete's Foot continued to generate losses and recorded an €11.6 million operating loss in 2003.

Key consolidated figures for 2003 compare as follows with preceding years:

(in $ millions)	2003	2002	2001
Net sales	**158.5**	172.1	208.7
Operating income	**(13.1)**	(16.2)	(16.5)
Income from current operations	**(17.0)**	(18.3)	(20.8)
Net income	**(23.4)**	(21.0)	(21.4)
Cash flow	**(15.7)**	(15.0)	(15.0)
Net holdings	**(5.3)**	2.5	1.3

Rallye sold Athlete's Foot to its management on December 27, 2003. The transaction, which had no impact on Rallye's financial statements for 2003, took place in several stages, over the end of 2003 and the beginning of 2004:
– the company's financial resources were bolstered by the securitization of $33 million in franchise revenues, and by the organization of branch funding,
– the franchise activity was sold to Athlete's Foot management, along with the branches.

After this transaction, the residual accounting risk for Rallye totaled $20 million, in the form of receivables from the buyers, to be recovered against future income from the entities sold.

FINANCIAL INVESTMENT PORTFOLIO

The net book value of Rallye's portfolio of financial investments, as at December 31, 2003, totaled €236 million (as against €224 million a year earlier).
Real estate investments account for 46% of the portfolio, in particular in the United States, investments in secondary funds (e.g., Lexington and Landmark funds) represent 22%, and LBO holdings, either directly (e.g. Nexity), or through specialized funds, such as PAI or LBO France, represent 13%. The remainder of the portfolio is invested in various other holdings (e.g., Cdiscount and Lonestar).
The main events in 2003 were:

– the divestment of Foncière Cézanne Matignon, for €12 million (compared to an initial investment of €5 million),
– the divestment of Actaris (Compteurs Schlumberger) at year-end 2003, for €24 million, with a capital gain of €17 million,
– the receipt of €3 million under the third LBO on Nexity, bringing the total amount received since the beginning of the transaction to €11 million, and compared to an initial investment of €3 million,
– the investment (in 2003) of €24 million in the FDV real estate fund managed by AXA, and the receipt (in early 2004) of €10 million following the sale of two buildings, bringing Rallye's commitment to €14 million.

Financial review

1 *Go Sport in France*
2 *Petit Casino in France*
3 *Laurus in the Netherlands*
4 *Eco Service in France*
5 *Exito in Colombia*

CONSOLIDATED FINANCIAL STATEMENTS

Earnings

Consolidated net sales totaled nearly €23.8 billion, up by 0.4% on 2002. This only partially reflects the performance of the Group's businesses, due to variations in the exchange rate of the euro, especially in the United States, South America, and Poland. In 2003, exchange rate fluctuations reduced consolidated sales by 4,1%, i.e. just under €1 billion.

Changes in the scope of consolidation mainly included the full consolidation of Devoto (Uruguay) on June 30, 2002, the divestment of Les Chais Beaucairois in August 2002, and the divestment of the Florida stores and of the foodservice activity in the United States, beginning in fourth quarter 2003. These changes explain the 0.4% decline in consolidated sales.

Restated for changes in the scope of consolidation and exchange rates, consolidated sales grew by 4.8%.

Sales by business line over the last three years breakdown as follows:

(in € millions)	2003		2002		2001	
	Sales	%	Sales	%	Sales	%
Food and general retailing	**22,420**	**94.3**	22,350	94.4	21,555	94.3
Sporting goods retailing	**778**	**3.3**	817	3.4	859	3.8
Other activities	**570**	**2.4**	514	2.2	449	1.9
Total	**23,768**	**100.0**	**23,681**	**100.0**	**22,863**	**100.0**

Operating income rose by 10.7%, to €1,056 million. Changes in the scope of consolidation resulted in a 0.5% increase in operating income, offset by the impact of exchange rate fluctuations of –0,6%. Restated for changes in the scope of consolidation and exchange rates, operating income rose by 10.8%. The strong organic increase in operating income is largely due to the dynamic performance of Casino's discount and neighborhood stores in France.
Net interest expense totaled €274 million, versus €297 million in 2002. This is largely the result of reduced consolidated debt and lower interest rates. As at December 31, 2003, the coverage ratio for financial costs was 5.8 times the EBITDA, (operating income less depreciation allowances and provisions) compared to 5 times the EBITDA a year earlier.

Income from current operations before tax increased by 19.2% from €657 million in 2002 to €782 million in 2003.
Income from current operations after tax totaled €446 million, versus €409 million in 2002.

The share contributed by companies consolidated under the equity method amounted to €54 million in 2003, up sharply from €39 million in 2002.

Net income for the Group totaled €108 million, as compared to €63 million in 2002, up by 71.4%.

In 2003, the Rallye group employed 124,143 people. The average workforce can be brokendown by year over the last three years and by business line as follows:

	2003	%	2002	%	2001	%
Food and general retailing	**111,462**	**89.8**	110,767	90.0	100,595	88.7
Sporting goods retailing	**6,313**	**5.1**	6,195	5.1	6,624	5.8
Other activities	**6,368**	**5.1**	6,032	4.9	6,225	5.5
Total	**124,143**	**100.0**	**122,994**	**100.0**	**113,444**	**100.0**

See note 16 of the "Notes to the consolidated financial statements" for a breakdown of employees by function.

Financial structure

Shareholders' equity for the Group totaled €785 million as at December 31, 2003, compared to €854 million as at December 31, 2002. This is mainly the result of:
– net income, group's share, for 2003, which totaled €108 million,
– increases in capital resulting from the exercise of share warrants, amounting to €8 million,
– other transactions amounting to €6 million.
And, conversely, to:
– a €68 million dividend distribution, of which €27 million in early dividend payments on 2003 earnings in September 2003,
– negative translation adjustments amounting to €123 million, from negative trends in the currencies used by certain operating subsidiaries, relative to the euro.

As at December 31, 2003, net financial debt totaled €5,672 million, down by €281 million from the previous year. This includes €128 million in bonds exchangeable for Casino shares. If the current stock market value of the underlying securities remains constant until the bonds mature, these bonds will be exchanged and Rallye's debt will be reduced by the same amount. As at December 31, 2003, based on current market conditions, the net "economic" indebtedness of the Rallye group amounts to €5,544 million, including €3,478 million from operating subsidiaries.

The ratio of net financial debt to consolidated shareholders' equity (gearing), over the last three years, is shown below:

(in € millions)	2003	2002	2001
Net financial debt	**5,672**	5,953	5,384
Shareholders' equity	**3,322**	3,412	4,741
Ratio	**171%**	174%	114%

The negative trend from 2001 to 2002 mainly reflects the reduction in net equity, due to declining exchange rates, principally in South America. Similarly, 2003 was affected by negative exchange rate trends, amounting to €123 million.

RALLYE PARENT COMPANY FINANCIAL STATEMENTS

Earnings

The parent company recorded a €23 million operating loss, comparable to the loss it recorded on December 31, 2002.

Rallye employed 36 people as at December 31, 2003.

Rallye reported a €5 million net financial loss for 2003, compared to a €13 million net financial profit the year before, resulting from:
– revenues and dividends from subsidiaries and equity affiliates:
  – €28 million from Casino,
  – €5 million from other companies,
– revenues and expenses generated by the Group's cash management, which netted a €6 million gain,
– other net financial expenses amounting to €3 million,
– provisions net of reversals, totaling €31 million, which were mainly related to Miramont Finance et Distribution, the holding company for the Group's interest in Athlete's Foot, and Parande, which holds the Group's financial investment portfolio,
– €9 million in provisions for the redemption premium on bonds exchangeable for Casino common shares issued in 2001.

The deterioration of 2003 financial income compared to 2002 reflects the payment in 2002 of a one-time €56 million dividend by Parcade and Omnium de Commerce et de Participations.

Net exceptional income (€99 million) includes capital gains recorded in 2003 on the sale of €85 million in equity interests, €5 million in provisions on treasury stock written back in 2003, and miscellaneous extraordinary income items amounting to €9 million.
Net income as at December 31, 2003 totaled €78 million, as against €32 million the year before.

Financial structure

Shareholders' equity totaled €1,401 million as at December 31, 2003, compared to €1,387 million a year earlier, and notably included:
– capital increases amounting to €9 million from the exercise of warrants and the conversion of bonds,
– net income for 2003, which totaled €78 million.
And, conversely:
– the €44 million dividend payment for 2002, and the €29 million early dividend payment for 2003.

In 2003 and early 2004, Rallye issued over €1 billion worth of bonds, with the following characteristics:

In January 2003, Rallye issued bonds convertible into new shares and/or exchangeable for existing shares "OCEANE" *(Obligations Convertibles ou Échangeable en Actions Nouvelles ou Existantes)* for a total of €264.5 million maturing in five-year, i.e. January 1, 2008. The issue is designed to strengthen the Company's financial structure in the long term, through the creation of new equity. Funds raised were allocated in particular to refinancing Rallye's debt, especially the 1998 issue of convertible bonds, which matured on January 1, 2003, with a residual amount redeemed (including the redemption premium) totaling €120 million.

In April 2003, Rallye also issued €300 million in bonds exchangeable for Casino common shares, maturing in 10 years and 2 months, i.e. July 1, 2013. The issue will make the Group's financial structure more flexible by reducing its cost of funds while extending debt maturity.

In January 2004, Rallye issued bonds in the initial amount of €400 million, set to increase to €500 million in April 2004, maturing in five years, in order to take advantage of favorable market conditions, while diversifying its sources of funds.

In November 2003, Rallye also launched an exchange offer on A share warrants issued in February 2002 with C share warrants. The goal is to increase equity in tiers, and continue financing growth. C warrants granted in the offer may be exercised until November 30, 2006, as described on page 103 of the present report.

DIVIDEND POLICY

At the June 9, 2004 Shareholders' Meeting, Rallye will propose the payment of a net dividend of €1.60 per share for 2003, as compared to €1.20 in 2002 and €0.80 in 2001. Half of the 2003 dividend (€0.80) was paid out in advance in September 2003.

The Rallye dividend should evolve according to the Company's earnings, and of the dividend paid out by Casino. The Company reserves the right to pay out an advance on the 2004 dividend as it did last year.

CHANGE IN METHODS

In compliance with Recommendation no. 2003-R.01 of the French National Accounting Board *(Conseil national de la comptabilité)*, the Group recorded a provision for work awards for the first time. This provision was determined retrospectively. The impact on the shareholders' equity and on the income statement is described in the notes to the consolidated financial statements ("Accounting principles and methods").

INFORMATION ON THE IMPLEMENTATION OF IFRS RULES

In compliance with European regulation no. 1606/2002 of July 19, 2002, the Rallye group will adopt international accounting rules ("IFRS"), beginning 2005.

To this end, the Rallye group has undertaken to prepare the implementation of these rules, adapt its information and consolidation systems, and ensure that its workforce is properly trained, to be able to comply with the new rules by the 2005 deadline.
A working group was set up at the Rallye parent company in close cooperation with the teams set up at the operating subsidiaries, in order to ensure the smooth transition to the new rules.

The main differences that have been identified between the French accounting standards, as laid down by regulation no. 99-02 of the French Accounting Regulatory Committee *(Comité de réglementation comptable)*, and the IFRS rules likely to have a significant impact on the financial statements, are listed below. However, this summary is by no means an exhaustive list of the differences between the two standards, and the impact of these differences on the financial statements will depend on changes in IFRS standards in 2004 and 2005.

The principal differences concern:
– the reallocation of market share and store locations to goodwill,
– the absence of systematic amortization of goodwill, which will be replaced by impairment value testing,
– the possibility that the group's real estate assets must be revalued upon first application of the IFRS rules,
– exchange- or interest-rate hedging instruments, which will be accounted for in the balance sheet at market value,
– hybrid debt instruments issued by Rallye will be broken down into their debt and equity components, with the result that there will be an increase in shareholders' equity, a reduction in debt, and an increase in the financial expense, in line with the normal cost of debt,
– treasury stock, held for stock price stabilization purposes or for stock repurchase plans, will be charged to shareholders' equity,
– full consolidation of Laurus, given that Casino holds an option to take it over at any time.

In accordance with the recommendations of AMF, the French Securities Regulator, the Rallye group will publish a report quantifying the impact of the first application of the IFRS standards on the financial statements, at the same time as the 2004 registration document is published (*Document de référence)*.

NET INCOME APPROPRIATION

The balance sheet for the period ended December 31, 2003 shows income amounting to €78,087,324.31, which the Board of Directors proposes to allocate as follows:

(in €)	
Income for the period	78,087,324.31
Legal reserve appropriation allocated to the special long-term capital gains reserve	(61,986.26)
Retained earnings	38,903,647.52
Earnings available for distribution	**116,928,985.57**
Allocation to the special long-term capital gains reserve	(5,572,445.74)
Dividend	(59,852,550.40)
Balance appropriated to retained earnings	**51,503,989.43**

The net dividend allocated to each share would thus be fixed at €1.60, accompanied by a 50% tax credit for individuals and legal entities entitled to tax treatment under the parent company-subsidiary regime, and at a 10% tax credit for others. An advance dividend payment of €0.80 per share was made on September 18, 2003. The remainder, €0.80 per share, will be paid out on June 17, 2004

Dividends on treasury stock held by the Company as at the date of payment of the dividend will be reallocated to “Retained earnings”.

Dividends paid over the last three years, as well as the related tax credits, are as follows:

(in €)	2002	2001	2000
Net dividend	1.20	0.80	0.70
Tax credit[1]	0.60	0.40	0.35

(1) At a rate of 50%.

A comparison of income for the year ended and in the four previous years is shown on page 114 of this report.

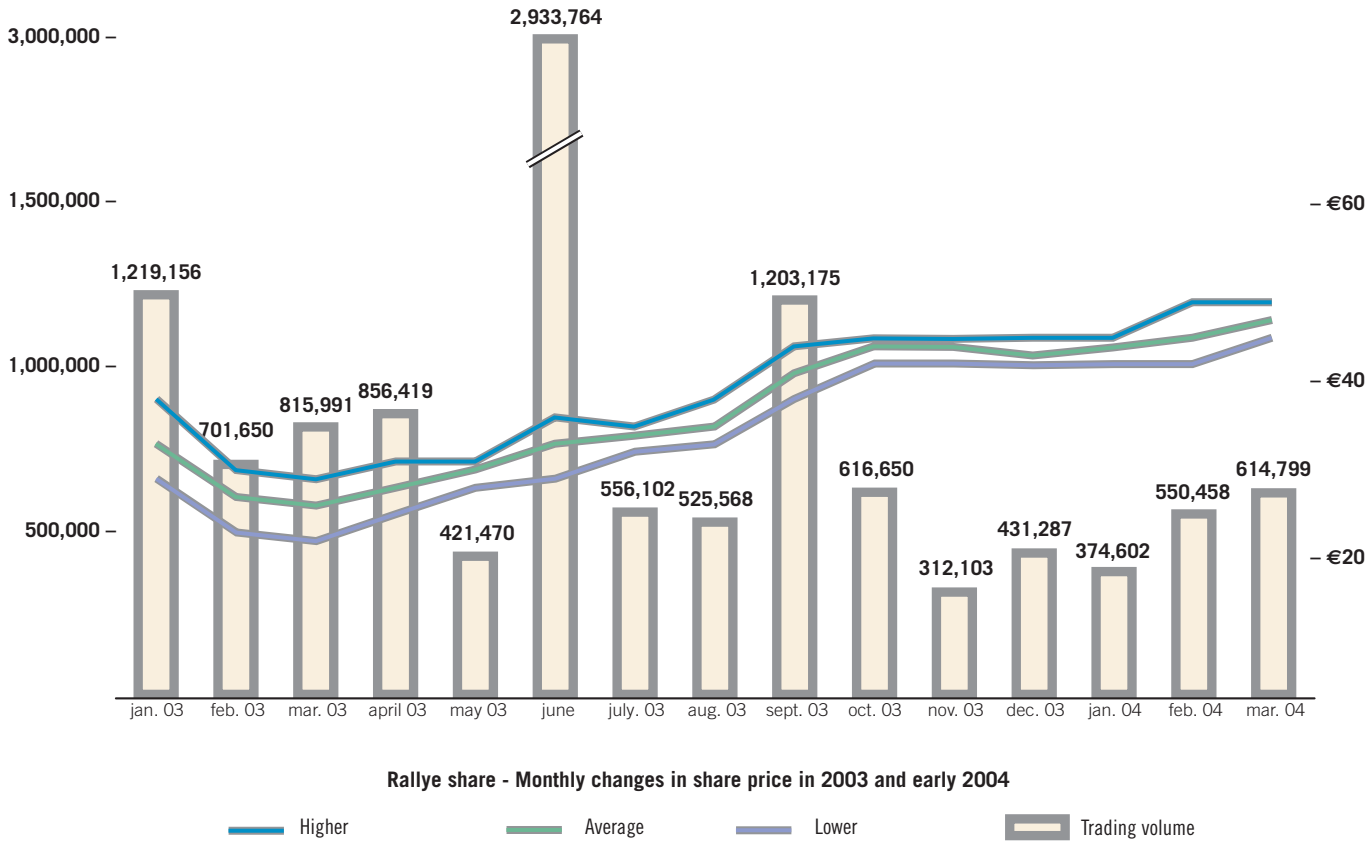
The amount of expenses which are non-deductible from a tax standpoint, in accordance with article 223-4 of the French General Tax Code, incurred by the Company during the fiscal year ended December 31, 2003, totaled €5,711.87.

STOCK MARKET INFORMATION

The Rallye share is listed on the Second Market of the Paris Stock Exchange (Euronext).

High (11/03/2003)	€44.88
Low (03/11/2003)	€21.70
Price as at 12/31/2003	€43.70
Number of shares exchanged in 2003	10,593,335
Trading volume in 2003	€287 M

As at December 31, 2003, Rallye’s stock market capitalization totaled €1.6 billion.



Rallye share - Monthly changes in share price in 2003 and early 2004

Recent trend and outlook

RECENT TREND

In the first quarter 2004, Rallye reported €5,489 million in consolidated net sales, up by 0.3% compared to the first quarter 2003. Adjusted for negative currency trends, sales increased by 2.8%.

Casino

Casino accounts for over 97% of Rallye's net sales. In the first quarter 2004, the Company recorded €5,348.8 million in consolidated sales, up by 1.0% compared to the same period in 2003, and by 5.6% at constant exchange rates. Excluding changes in the scope of consolidation, resulting from the divestment of Smart & Final's unprofitable businesses in the United States, sales grew by 3.0%.
In France, sales grew by 3.1% in the first quarter 2004. In a lackluster business environment, Casino's chains continued to outstrip the competition. Leader Price did particularly well and reported 8.8% growth in same-store sales. Over the quarter, more than 30,000 sq. m. of additional selling area were created, contributing to future growth in sales. These store openings are in line with Casino's expansion plan, which will accelerate in the coming quarters, and ultimately reach an annual target of 175,000 sq. m. In keeping with the strategic decision to give priority to accelerating the development of store formats that generate the highest return on capital invested, nearly 75% of the new selling area created in the first quarter was allocated to the Franprix/Leader Price chains and the convenience stores.
Abroad, strong organic growth in sales (16.0%) reflects excellent sales performances in all of the countries where Casino operates, with the exception of Taiwan. Note the resumption of growth in same-store sales in Poland, and the excellent performance reported by Smart & Final in the United States (18.9% growth on a same-store basis and 7.2%, excluding the favorable impact of strikes which hurt competitors in California).

Groupe Go Sport

Groupe Go Sport's Board of Directors met on April 9, 2004, and decided to separate the functions of Chairman of the Board and Chief Executive Officer.
Therefore, to replace Charles SETBOUN, Jean-Paul GIRAUD was appointed Chairman of the Board, and Philippe WARGNIER, previously Deputy Managing Director, was appointed Chief Executive Officer.

In a still difficult economic environment, Groupe Go Sport's sales in the first quarter 2004 totaled €139.6 million, down by 1.7%, as a result of a poor same-store performances at the Go Sport and Courir/Moviesport chains (down by 5.2% and 10.0%, respectively).
Negative trend in sales since the beginning of 2004 are likely to result in a significant drop in earnings as at June 30, 2004, compared with the year-earlier figure.
Note however that, given the seasonal nature of the business, the second half typically makes a larger contribution to annual earnings.

Major events since the end of the fiscal year are mentioned on page 6 under "Highlights".

OUTLOOK

Rallye's future growth prospects are good, and the Group should report another increase in earnings in 2004, driven by strong momentum in the earnings of subsidiaries, particularly Casino.

Casino

In France, Casino's emphasis on store formats with high growth potential means that it will be able to accelerate its expansion program, with 175,000 sq. m. in new selling area planned in 2004, and 205,000 sq. m. in 2005. Nearly 75% of the new selling area will be allocated to the most profitable store formats (convenience stores and Franprix/Leader Price).

These store openings, together with continued growth in existing stores and the contribution of stores opened in 2003, will fuel further improvements in the margin mix and generate solid earnings growth in 2004.
Earnings abroad are expected to pick up significantly in 2004, as a result of continued momentum in the operating results of Vindémia in the Indian Ocean, and of Big C in Thailand, together with a recovery in Poland and the significant improvement in earnings in the United States, as a result of Smart & Final's renewed focus on its core business.
Lastly, the contribution of the Latin American subsidiaries should benefit from the economic upturn observed since the second half 2003.
Thanks to these bright prospects, Rallye can be confident that Casino's objectives for 2004 will be attained: a growth in operating income and income from current operations thus exceeded 10% and a cash flow surplus after current investments of more than €400 million.

Groupe Go Sport

In 2004, Groupe Go Sport will continue to expand with some fifteen store openings. Steps taken to boost sales at Courir (with a new product range and improved merchandising techniques) are expected to yield results, and business abroad to benefit from the integration of 11 stores in Poland, as well as the first franchise openings in the Middle East and the French overseas departments.

PROVISIONAL SCHEDULE FOR FUTURE FINANCIAL PUBLICATIONS

– Sales for the first half 2004:	August 2004
– Earnings for the first half 2004:	September 16, 2004

Capital and shareholder information

SHARE CAPITAL

As at December 31, 2003, Rallye share capital totaled €112,223,532, divided into 37,407,844 shares with a par value of €3.
This compares with €111,603,672, divided into 37,201,224 shares with a par value of €3, as at December 31, 2002.
The change in share capital reflected:
– the conversion of bonds and the subsequent creation of 2,510 new shares, representing a total par value of €7,530,
– the exercise of A and B share warrants and the subsequent creation of 204,110 new shares, representing a total par value of €612,330.

MAIN SHAREHOLDERS

As at December 31, 2003, Foncière Euris directly controlled 57.67% of capital, and 77.00% of voting rights.

On June 11, 2003, HSBC CCF reduced its Rallye holdings to below the 5% capital threshold. On the same day, Matignon Corbeil Centre, a subsidiary of Foncière Euris, crossed the 5% capital threshold, and, on August 18, 2003, the 5% voting rights threshold. As at December 31, 2003, Matignon Corbeil Centre held 2,734,007 Rallye shares, representing 7.31% of capital, and 4.88% of voting rights.

On June 12, 2003, Foncière Euris declared a threshold crossing to under two thirds of Rallye's share capital.

As at December 31, 2003, Soparin and L'Habitation Moderne de Boulogne, which are controlled by Rallye, held 2,504,600 shares, i.e. 6.70% of capital, and 220,965 shares, i.e. 0.59% of capital respectively. Rallye also held 753,440 shares in treasury stock, representing 2.01% of capital.

As at December 31, 2003, Foncière Euris therefore controlled 74.28% of capital and 81.88% of voting rights.

To the Company's knowledge, as at December 31, 2003, no other shareholder owned more than 5% of capital or voting rights.

SHARE EQUIVALENTS

Share warrants

In February 2002, Rallye allocated a bonus issue of 34,507,263 category A share warrants, and 34,507,263 category B share warrants to shareholders.

In order to optimize its financial structure, Rallye decided to repurchase category A share warrants in October 2003, before they expired, by an exchange offer enabling holders of A warrants the opportunity to exchange them against new Rallye C share warrants, issued for that purpose, at 4 C warrants for 5 A warrants.
Under the offer, 30,815,920 category A warrants were exchanged for 24,652,736 category C warrants.

The characteristics of category B and C warrants are as follows:
• 14 B warrants give the right to subscribe to 1 Rallye share, at a subscription price of:
– €65 from February 19, 2002 to June 30, 2005,
– as of July 1, 2005 and until November 30, 2005: 90% of the average initial price recorded in the last twenty trading days prior to the 25th of the month preceding the exercise of the warrant. The exercise price thus defined may not be greater than €65, or less than €45.5.
• 14 C warrants grant the right to subscribe to 1 Rallye share, at a subscription price of:
– €58 from January 1, 2004 to May 31, 2006,
– as of June 1, 2006 until November 30, 2006: 90% of the average initial price recorded in the last twenty trading days prior to the 25th of the month preceding the exercise of the warrant. The exercise price thus defined may not be greater than €58, or less than €48.

As at December 31, 2003, following the exercise of 2,856,980 A warrants and 560 B warrants, and the subsequent creation of 204,110 new shares, and after the exchange of 30,815,920 A warrants against 24,652,736 C warrants, as part of an exchange offer, the 33,902,064 B warrants and the 24,652,736 C warrants outstanding may give rise to the creation of 4,182,485 new shares.

Bonds convertible into new shares or exchangeable for existing shares (OCEANE)

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

Stock options

The Extraordinary General Meetings of February 26, 1998 and June 6, 2001 authorized the Board of Directors to allocate share purchase or subscription options to employees and officers of the Group.

As at December 31, 2003, there were 1,025,390 unexercised stock options entitling the bearers to purchase or subscribe to 1,042,476 shares, according to the following stock option plans:

Dates of allocation	04/06/1999	06/13/2000	04/06/2001	12/19/2001	04/11/2002	06/04/2003
Type of plan	Purchase	Purchase	Purchase	Purchase	Purchase	Subscription
Number of options	35,500	48,500	150,500	192,660	217,250	**380,980**
Number of shares	36,920	50,440	156,520	200,366	217,250	**380,980**
Exercise price (1)	€52.20	€55.12	€55.00	€48.91	€49.71	**€29.51**

(1) The options are granted at the average market price, with no discounts.

As at December 31, 2003, Rallye officers held 335,000 unexercised stock options, representing rights to purchase or subscribe to 339,680 shares.

COMPANY PURCHASES OF ITS OWN SHARES

During the fiscal year 2003, the Company purchased 59,122 shares for price stabilization purposes, at an average price of €30.14 euros, i.e. a total of €1.8 million, including transaction costs.

Over the same period, it also disposed of 47,269 shares through the exercise of stock option plans at an average price of €25.14.
As at December 31, 2003, the Company held a total of 753,440 shares in treasury, under the stock option plans and for price stabilization purposes. The shares represented an acquisition cost of €37.7 million, and a par value of €2.3 million, accounting for 2.01% of capital.
At this year's Shareholders' Meeting, in accordance with the provisions of article L. 225-209 of the French Code of Commerce, shareholders will be asked to approve the renewal of the authorization enabling the Company to purchase its own shares.
To this end, the Board of Directors will be authorized to purchase the Company's own shares in order to, in particular:
– stabilize the stock price by systematically intervening against the trend,
– purchase or sell shares, depending on the market situation, as part of the management of shareholders' equity and cash,
– grant shares to employees or officers of the Company, in application of articles L. 225-179 and seq. of the French Code of Commerce,
– facilitate financial transactions or acquisitions by using the purchased shares in whatever way is necessary to achieve that end, notably holding, selling, transferring, or exchanging all or part of the shares,
– allocate them to the bearers of securities issued by the Company giving rights to existing shares in the Company, through the redemption, conversion, exchange, presentation of a warrant or any other method, upon the exercise of such securities,
– cancel shares, within a limit of 10% of the capital per 24-month period, and within the framework of a capital reduction plan, as authorized by the Extraordinary Shareholders' Meeting on June 4, 2003.

The maximum number of shares, which the Company may acquire under this authorization, may not exceed 10% of share capital; the maximum purchase price may not exceed €75 per share, and the minimum sale price may not be less than €25.
This share purchase program is described in a brochure certified by AMF, the French Securities Regulator, in compliance with COB regulation no. 98-02, as amended by COB regulation no. 2000-06.

EQUITY INTERESTS

As part of its holding activities, Rallye carried out various transactions with its subsidiaries, including reallocations, acquisitions or disposals of shares, particularly Casino shares held by Rallye and by eight of its subsidiaries of which it controlled over 99%, either directly or indirectly, on December 31, 2003.

AUTHORIZATION TO ISSUE BONDS AND/OR DEBT SECURITIES

In view of the bond issues carried out in January and April 2004, which totaled €500 million, the Ordinary Shareholders' Meeting held on June 9, 2004 will be asked to renew the authorization granted to the Board of Directors to issue bonds and/or debt securities, representing a maximum par value of €1 billion, in any currency or basket of currencies.

Social and environnemental information

Rallye's activities as a holding company, with 36 employees as at December 31, 2003, have no significant social or environmental implications.
The information presented here includes the most relevant social and environmental data, resulting from the activities of Rallye and its main subsidiaries. These subsidiaries, specializing mainly in food and sporting goods retail, manage the environmental and social consequences of their activities themselves. More extensive information on the subject may be obtained by consulting the annual reports for Casino and Groupe Go Sport, as well as the Casino 2003 sustainable development report.

SCOPE OF THE INFORMATION PRESENTED

For Casino, social data applies to all of the business establishments in which the Group has a 100% interest in France (unless otherwise specified). The environmental data presented applies to all of the Géant, Supermarché Casino and Petit Casino stores, Casino cafétérias, and Easydis warehouses. Figures for the Monoprix and Franprix/Leader Price subsidiaries have not been included.
For Groupe Go Sport, the figures below apply to all of the fully consolidated subsidiaries (unless otherwise specified), i.e. Groupe Go Sport, Go Sport France, Go Sport International, Go Sport Polska, Go Sport Belgique, and Courir France. Data on franchises have not been included in the figures.

HUMAN RELATIONS ARE CENTRAL TO THE RETAIL BUSINESS SOCIAL DATA (article 148 - 2 of the amended French decree dated March 23, 1967)

Building quality social relationships

Rallye and its subsidiaries attach considerable importance to the quality of social relationships, and are committed to job quality, non-discrimination in the workplace, and equal opportunity.
In this spirit, Casino attempts to limit part-time work that is not chosen by the employee, by offering the widest possible choice in the number of hours an employee can work in a week.
In 2003, the wage agreement, among other things, offered employees under contract the opportunity to move from a 28-hour workweek to a 30-hour workweek.

In 2003, Casino also continued actions introduced as part of the Group's partnership with Equal Lucidité [(1)], a European Community initiative program which aims at fighting discrimination based on race or gender, in access to work, promotions, and service relations. In 2004, four of the Group's sites will participate in a planned study, which will be the first of its kind to be carried out in France.
In 2003, the Groupe Go Sport companies (Groupe Go Sport, Go Sport France, and Go Sport International) were grouped together into a single economic and social unit (UES), allowing the implementation of social agreements to promote employee mobility between operational functions and within the different companies.
In the area of jobs for the disabled, Go Sport France and Go Sport International signed a national agreement with AGEFIPH [(2)] in 2003, promising to employ 40 disabled persons by 2005. In the second half of 2003, Go Sport France hired 25 people suffering from disabilities. A full-time staff member is responsible for building awareness among store managers, and setting up a pool of potential candidates, in tandem with specialized organizations.
In 2003, Casino renewed its commitment to jobs for disabled workers, through the signature of the new "Handipacte Casino" agreement, which was extended to all of the Group's French subsidiaries.

Ensure that activities are anchored locally, to foster solidarity in local development

As part of its "Urban Policy – Insertion and Solidarity Program", Casino ensures that its stores fit into their neighborhoods, which are often highly sensitive areas (this includes 60% of the Group's hypermarkets, and 40% of its supermarkets). Its initiatives in this respect are coordinated by a full-time staff member, and include participation in urban renewal projects, the inclusion of stores in urban areas, and the adjustment of store offers to meet the lifestyle needs and expectations of local residents.

(1) Which stands for the fight against ignorance and discrimination at work and in the workplace.
(2) The national association for the management of the fund for the employment of disabled persons.

In addition, the agreement signed with the Ministry of Cities in 1993, and renewed for the 2002 - 2006 period, provides for the recruitment of 250 people from neighborhoods identified as priority areas, with the aim of providing work for unskilled local residents, and to give young graduates from these areas opportunities to fill management positions.
In 2003, these principles were applied successfully for the new Géant hypermarkets opened in Nîmes and Fréjus, and for the reopening of the Casino supermarket in Toulouse Empalot, which had been damaged by the 2001 explosion at the AZF factory.

Rallye's subsidiaries also contribute to the economic development of the areas in which they operate, through the creation of long-term employment opportunities. In France, the development of Casino provided nearly 4,700 permanent jobs since 2000.

Support for humanitarian initiatives and quality of life

Rallye subsidiaries are encouraged to develop solidarity programs in partnership with various humanitarian organizations. Each year, they participate in numerous national and local operations such as food drives, telethons, and the fight against AIDS.
At the national and international levels, Casino develops its partnership with the association "Schools of the Sun" *(Les Écoles du Soleil)*, which, in 2003, continued its action in favor of disadvantaged children in France, Thailand, Colombia, and Venezuela.
In 2003, the Group also provided support to the victims of floods in Arles and Nîmes in France, and to the victims of earthquakes in Algeria.
For several years, Groupe Go Sport has been committed to promoting sports and exercise in France, as part of the fight against obesity, diabetes, and cardiovascular disease. The Group renewed its support to Fleurbaix Laventie City Health Study program, sponsored by the Ministry of Health. Fleurbaix and Laventie, two cities in the Pas-de-Calais department, have, for the last ten years, been carrying out research in order to improve the lifestyles of their populations, and their eating and exercise habits. To continue fostering customer awareness of these issues, Groupe Go Sport plans to improve information campaigns in its stores as of 2004, through appropriate media vehicles.

Sharing out quality requirements with our trading partners

Rallye and its subsidiaries understand the need to ensure that trading partners enjoy and promote good working conditions to manufacture and sell their products.
Since 2000, the action program implemented by Casino's central purchasing agency is designed to promote and monitor respect for human rights in the workplace, at the facilities belonging to its suppliers in developing countries.
In 2003, social audits of non-food production sites continued: 50 audits were carried out in China, Vietnam, Indonesia, Bangladesh, India, Pakistan, Turkey, Morocco, and Brazil.
In addition, by virtue of a protocol agreement signed in October 2003, Amnesty International will advise Casino in assessing ethical issues in its international development. The Supplier Ethics Charter, which is based on the fundamental principles of the ILO (International Labour Office), is included in all product-listing contracts since 2002, is one of the areas of cooperation with Amnesty International. Other areas include the analysis of audit reports and assistance in implementing corrective action plans or vigilance on human rights issues as applied to developing countries.
Casino has also made the quality and safety of its food products a major requirement for its staff as well as for its partners. Production site audits, store controls carried out by independent laboratories, and tests performed by expert tasters and consumer juries enable Casino to offer products which comply with its demanding in-house standards, and to remove or recall all defective products. Since 2003, a dedicated software program facilitates product traceability and helps to share updated product quality references with suppliers.
Groupe Go Sport subcontracts the manufacture of its own-brand products and demands that all its suppliers and subcontractors sign a written agreement to comply with the United Nations Charter and the Convention on the Rights of the Child. Since its creation in 2000, Groupe Go Sport also contributes to the work of the Ethics Committee of the French Federation of Sports Enterprises (FPS).

QUANTITATIVE DATA

2003 Social indicators	Units	Rallye holding	Casino	Groupe Go Sport
Workforce as at December 31	number	**36**	52,310	5,345
– of which long-term contracts	number	**36**	46,806(1)	4,446
– of which fixed-term contracts	number	**–**	5,207(1)	899
Gender balance	% of women	**53%**	61%	41%
Number of recruits	number	**2**	45,328(2)	6,327
– of which long-term contracts	number	**2**	11,310(2)	2,487
Layoffs	number	**1**	2,548(2)	337
– of which for economic reasons	number	**–**	194(2)	NA
Full-time employees	number	**34**	30,612	3,231
Part-time employees	number	**2**	21,698	2,114
Average length of workweek for part-time employees	hours	**19**	24.35	NA
Payroll (wages plus employer's contributions)	€ millions	**5.4**	1,957.6(3)	88.4
Frequency of occupational accidents	(4)	**–**	51.82	NA
Seriousness of occupational accidents	(5)	**NA**	2.30	NA
Average number of hours of training per employee per year	hours	**4.28**	8	3
Total amount spent on charitable activities	€ thousands	**–**	16,164	555
– of which spent on Works Council	€ thousands	**–**	10,764	555
– of which spent on sports and cultural donations	€ thousands	**–**	3,023	–
– of which spent on donations to humanitarian organizations	€ thousands	**–**	2,377	–

(1) Year-average number of employees at end-of-month. The sum of these averages by definition differs from the average number as at December 31.

(2) For France (Casino scope of consolidation), data are collected for the period from 12/01/N-1 to 11/30/N.

(3) For all companies within the financial scope of consolidation, including Monoprix.

(4) Number of accidents per million hours worked.

(5) Number of lost days per thousand of hours worked.

INTEGRATING THE ENVIRONMENT IN DAY-TO-DAY LIFE ENVIRONMENTAL DATA (article 148-3 of the amended French decree of March 23, 1967)

As responsible retailers, Rallye and its subsidiaries have progressively deployed methods to help protect the environment on a daily basis.

In 2003, Casino formally couched its environmental action principles in an Environment Policy.
All Casino sales are covered by a charter, a policy, and commitments to promote sustainable development, and 54.7% of sales are covered by a charter, a policy, and commitments to protect the environment.
Under this policy, Casino is committed to include environmental considerations in all its activities, from purchasing and transport to the design and operation of stores. This policy has been circulated among all staff.

In this framework, Casino is continuing its efforts to reduce water and energy consumption, reduce the production of waste and enhance waste management, and optimize the transport of merchandise:
– in 2003, energy efficiency awareness campaigns and the renovation and improvement of store lighting systems continued. The first "green energy" contract was signed, marking the inclusion of renewable energy sources in the Group's energy portfolio,
– with respect to waste, framework agreements were signed or extended to organize or optimize the sorting and recycling of various types of waste from retail activities. Reduction of waste at the source is also a desirable aim, achieved through the use of less packaging, or packaging that can be recycled,
– lastly, by optimizing delivery routes and using more efficient vehicles, the Company achieved significant reductions in the number of kilometers traveled by goods.

Groupe Go Sport remains vigilant as to its internal organization and choice of equipment, liable to have an impact on the environment. Its efforts are focused on the use of coolants, the adjustment of electricity contracts, waste recycling, and the collection of used batteries.

The Group also encourages suppliers to participate in this approach, and fosters the use of rail transport for goods.

QUANTITATIVE DATA

Most figures shown below concern Casino's businesses. Additional information is included in the management reports for Groupe Go Sport and Casino, as well as in Casino's sustainable development report.

Environmental data of importance to Casino	**Units**	**2003**
Total amount of waste sorted for recycling(1)	Tons	**22,684**
Total consumption of electricity	MWh	**1,077,340**
Total consumption of natural gas	MWh	**98,575**
Consumption of electricity in stores relative to selling area	kWh/m^2	**630**
Distance traveled for the transport of goods (from warehouse to store)	Thousands of km	**129,885**
CO_2 emissions from transport of goods (from warehouse to store)	Eq. Tons CO_2	**119,032**(2)
Indirect CO_2 emissions from electricity consumption	Eq. Tons CO_2	**79,723**(3)
Direct CO_2 emissions from natural gas consumption	Eq. Tons CO_2	**19,892**(3)
Total CO_2 emissions relative to sales(4)	Eq. Tons. CO_2 / 10^6 euros in total sales	**17.4**

(1) Covers used crates, and energy consumables collected under national agreements.

(2) Based on distance traveled, according to the method laid down in the Greenhouse Gas Protocol.

(3) Based on amounts consumed, according to the method laid down in the Greenhouse Gas Protocol.

(4) Based on sales in France, excluding Monoprix and Franprix/Leader Price.

Corporate governance

STRUCTURE AND OPERATION OF THE BOARD OF DIRECTORS

At the end of the Shareholders' Meeting of June 9, 2004, the Board of Directors will comprise the following eleven Directors, and one Censor, all of whose terms will begin or be renewed at the said Shareholders' Meeting.

– Didier CARLIER, representing Foncière Euris,
– Jean CHODRON de COURCEL,
– André CRESTEY,
– Jacques DERMAGNE,
– Jacques DUMAS,
– Pierre FERAUD,
– Jean-Marie GRISARD, representing Finatis,
– Jean LÉVY,
– Jean-Charles NAOURI,
– Christian PAILLOT,
– Gilbert TORELLI.

– Julien CHARLIER, Censor.

Christian PAILLOT, censor since October 15, 2003, was co-opted as a Director on April 15, 2004. Jean CHODRON de COURCEL was appointed censor on March 17, 2004.

The appointment of Christian PAILLOT and Jean CHODRON de COURCEL is subject to ratification by the Shareholders' Meeting of June 9, 2004.

Directors whose term of office is one year are appointed by the Shareholders' Meeting and are eligible for reappointment without limit. However, all individual Director and permanent representatives of companies appointed to the Board of Directors must step down from office at the Ordinary Shareholders' Meeting convened for the year during which they reach 75 years of age.
The rules and regulations of the Board of Directors are defined by law, the 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 missions, 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 Medef-Afep working party recommendations, contained in the so-called "Bouton report" of September 2002. The Committee presented its conclusion to the Board of Directors at its meeting on April 15, 2004.
The Board of Directors deemed that five Directors are independent under the meaning of the "Bouton report": Jean CHODRON de COURCEL, Jacques DERMAGNE, Jean LÉVY, Christian PAILLOT and Gilbert TORELLI, designated and recognized for their competence, experience, and willingness to participate in the development of the Rallye group.
The remaining members of Rallye's Board of Directors are officers or executives from the Rallye parent company or its subsidiary companies, and are chosen on the basis of competence, seniority, and complementarities.
The Board does not include a member elected by employees.

CENSOR

The office of censor was created in 2002 to encourage the participation of qualified individuals in the Board of Directors. Censors are appointed by the Ordinary Shareholders' Meeting or, between meetings, by the Board of Directors, subject to ratification by the next Shareholders' Meeting. Censors are appointed for a period of one year, and attend Board meetings; in this capacity, they express their observations and opinions, and take part in the proceedings, in a consultative role. The number of Censors must not exceed five. The age limit for Censors is 80 years of age.

In addition to Julien CHARLIER, Christian PAILLOT (from October 15, 2003 to April 15, 2004), and Jean CHODRON de COURCEL (from March 17, 2004 to June 9, 2004) have held the position of censor.
A Censor must step down from office at the end of the Ordinary Shareholders' Meeting convened for the year during which he reaches 80 years of age.

OFFICES HELD BY THE DIRECTORS

All Directors who held office in 2003, are to be appointed or reappointed at the Ordinary Shareholders' Meeting of June 4, 2003, for a period of one year.

Jean-Charles NAOURI

– First appointed to the Board of Directors on October 25, 1993.
– First appointed Chairman and Chief Executive Officer: April 2, 1998.
– Date of birth: March 8, 1949.

I – Offices held in 2003 and continuing until March 31, 2004:
Chairman of Groupe Euris SAS,
Chairman and Chief Executive Officer of Rallye SA,
Chairman of the Board of Finatis SA, Euris SA and Casino, Guichard-Perrachon SA,
Director of CCF SA and Continuation Investments NV,
Member of the Supervisory Board of Groupe Marc Ladreit de Lacharrière SCA,
Managing Partner of Rothschild et Cie Banque SCA,
Manager of SCI Penthièvre Seine and SCI Penthièvre Neuilly,
Censor of Fimalac SA.

II – Offices held since January 1, 2004:
Censor of Caisse Nationale des Caisses d'Épargne.

III – Offices ending in 2003:
Member of the Supervisory Board of Casino, Guichard-Perrachon SA.

Number of Rallye stocks owned: 310 shares, 310 B warrants and 248 C warrants.

André CRESTEY

– First appointed to the Board of Directors: August 14, 1992.
– First appointed Vice-Chairman of the Board of Directors: April 2, 1998.
– Date of birth: February 22, 1939.

I – Offices held during 2003 and continuing until March 31, 2004:
Chairman of Perifem,
Vice-Chairman of Rallye SA,
Director of Foncière Euris SA, Groupe Go Sport SA, Miramont Finance et Distribution SA, Rallye SA, and IFLS,
Permanent representative of Omnium de Commerce et de Participations SAS on the Board of Directors of Casino, Guichard-Perrachon SA.

II – Offices ending in 2003:
Permanent representative of Omnium de Commerce et de Participations SAS to the Supervisory Board of Casino, Guichard-Perrachon SA.

Number of Rallye socks owned: 37,693 shares, 23,574 B warrants and 18,863 C warrants.

François de MONTAUDOUIN

– First appointed to the Board of Directors: October 25, 1993.
– First appointed as Managing Director: April 2, 1998.
– Date of birth: September 7, 1958.

François de MONTAUDOUIN ceased being Managing Director on January 23, 2004, and ceased to be a Director of Rallye, on February 6, 2004.

I – Offices held during 2003 and continuing in March 31, 2004:
Manager of Orbite SARL,
Director of Société Privée de Conseil et de Gestion SA, and of First Britannia Mezzanine Capital BV and First Britannia Mezzanine NV.

II – Offices ending in 2003:
Chairman and Chief Executive Officer of Athlete's Foot Marketing Europe – AFME SA,
Permanent representative of Groupe Euris SAS to the Supervisory Board of Casino, Guichard-Perrachon SA.

III – Offices ending in 2004:
Deputy Managing Director of Rallye SA,
Chairman of MFD Inc., Genty Immobilier et Participations SAS, Kerrous SAS, Matignon Sablons SAS, Matimmob 1 SAS, and Matignon Tours SAS,
Director of Foncière Euris SA, Rallye SA and Groupe Go Sport SA,
Permanent representative of Groupe Euris SAS to the Board of Directors of Casino, Guichard-Perrachon SA,
Representative of Kerrous SAS, Chairman of Syjiga SAS,
Manager of SCI des Perrières.

Number of Rallye shares owned: 220.

(*) Offices concluded in 2003.

Jean CHODRON de COURCEL

- The nomination for Jean CHODRON de COURCEL as Director is submitted to the present General Meeting.
- Date of birth: May 14, 1955

Offices held as at March 31, 2004:
Deputy Managing Director of Penauille Polyservices SA,
Director of Penauille Polyservices SA, Globeground North America Ilc (CGNA Ilc) and Servisair PLC,
Censor of Rallye SA.

Number of Rallye shares owned: 300.

Jacques DERMAGNE

– First appointed to the Board of Directors: June 5, 2002.
– Date of birth: November 28, 1937.

Offices held during 2003 and continuing until March 31, 2004:
Chairman of the Economic and Social Council,
Director of Rallye SA and Unibail SA,
Vice-Chairman and member of the Supervisory Board of France Convention SA,
Member of the Supervisory Board of Cetelem SA, DMC SA, Devanlay SA,
Censor of France Convention SA.

Number of Rallye shares owned: 250.

Jacques DUMAS

– First appointed to the Board of Directors: July 19, 1990.
– Date of birth: May 15, 1952.

I – Offices held during 2003 and continuing until March 31, 2004:
Director of Legal Affairs for Groupe Euris SAS,
Chairman and Chief Executive Officer of La Bruyère SA,
Chairman of Alpétrol SAS,
Director of Carpinienne de Participations SA, Groupe Go Sport SA, and Rallye SA,
Permanent representative of Groupe Euris SAS to the Board of Directors of Casino, Guichard-Perrachon SA, and to the Board of Directors of Foncière Euris SA, Manager of SCI Cognacq Parmentier.

II – Offices ending in 2003:
Permanent representative of Parcade SAS to the Supervisory Board of Casino, Guichard-Perrachon SA.

III – Offices to terminate in 2004:
Permanent representative of Parcade SAS to the Board of Directors of Casino, Guichard-Perrachon SA.

IV – Offices held since January 1, 2004:
Chairman of Kerrous SAS.

Number of Rallye stocks owned: 7,252 shares, 7,220 B warrants and 5,776 C warrants.

Pierre FERAUD

– First appointed to the Board of Directors: June 16, 1995.
– Date of birth: September 28, 1940.

I – Offices held during 2003 and continuing until March 31, 2004:
Director of Parande SAS,
Chairman and Chief Executive Officer of Foncière Euris SA,
Chairman of the Board of Directors of Carpinienne de Participations SA and Marigny Belfort SA,
Chairman of Matignon Marne La Vallée SAS and Mermoz Kléber SAS,
Director of Rallye SA and Marignan Consultants SA,
Permanent representative of Foncière Cézanne Matignon SNC to the Board of Directors of Société d'Aménagement de la Mezzanine Paris Nord SA, of Groupe Euris SAS to the Board of Directors of Finatis SA, and of Matignon Diderot SAS to the Board of Directors of Euris SA,
Permanent representative of Foncière Euris SA to the Boards of Directors of Apsys International SA and Casino, Guichard-Perrachon SA,
Representative of Foncière Euris SA, Chairman of Centre Commercial de l'Île-Saint-Denis SAS, Marigny Concorde SAS, Marigny Élysées SAS, Marigny Expansion SAS, Marigny Foncière SAS, Marigny Participations SAS, Marigny Percier SAS, Marigny Valbréon SAS, Marigny Tours SAS, Matignon Abbeville SAS, Matignon Bail SAS, Matignon Corbeil Centre SAS, Les Moulins à Vent SAS, Matignon Meylan SAS and Matignon Moselle SAS,
Manager of Centrum NS SARL, and of SNC Marigny Garonne,
Representative of Foncière Euris SA, Manager of SCI Hôtel d'Arc 1800, SCI Île-Saint-Denis Développement, SCI Sofaret, SCI Les Herbiers, SCI Pont de Grenelle, SCI des Boucles de Seine, and SNC Alta Marigny Carré de Soie,
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 Altarea Les Tanneurs, SNC Alta Matignon and SNC Bordeaux Sainte-Eulalie,
Representative of Marigny Élysées SAS, co-Manager of SCCV des Jardins de Seine 1, SCCV des Jardins de Seine 2,

SNC du Centre Commercial du Grand Argenteuil,
Representative of Marigny Foncière SAS, co-Manager of SNC CCPC (Centre Commercial Porte de Châtillon),
SCI Palais des Marchands,
Representative of Marigny Valbréon SAS, co-Manager of Aménagement Valbréon SNC,
Representative of Matignon Abbeville SAS, Manager of Centrum K SARL, and Centrum J SARL.

II – Offices ending in 2003:
Permanent representative of Artois-Savoie SAS to the Board of Directors of Euris SA and of Foncière Euris SA to the Supervisory Board of Casino, Guichard-Perrachon SA,
Manager of SCI Matignon Lannes,
Representative of Foncière Euris SA, Manager of SCI Mas de Las Serras and SCI Touquet Plage,
Representative of Matignon Commerce SNC, co-Manager of SNC Altaréa Les Tanneurs, SNC Alta Matignon and SNC Bordeaux Sainte-Eulalie.

Number of Rallye stocks owned: 1,337 shares and 1,337 B warrants.

Jean LÉVY

– First appointed to the Board of Directors: June 23, 1994.
– Date of birth: November 9, 1932.

I – Offices held during 2003 and continuing as at March 31, 2004:
Director of Rallye SA, Interparfums Inc., Price-Minister SA, and Axcess SA.

II – Offices ending in 2003:
Director of Histoire d'Or SA and Groupe Zannier SA.

Number of Rallye shares owned: 456.

Christian PAILLOT

- First appointed to the Board of Directors: April 15, 2004.
- Date of birth: September 9, 1947.

I – Offices held as at March 31, 2004:
Chairman's adviser of Konica Europe,
Director of Rallye SA and FG Marine SA,
Manager of Écurie du Haras de Plaisance SARL,
SCI Parim and CP Immobilier SCI.

II – Offices held during 2003 and ending in 2004:
Censor of Rallye SA.

Number of Rallye shares owned: 300

Gilbert TORELLI

– First appointed to the Board of Directors: June 13, 2000.
– Date of birth: August 21, 1936.

Offices held during 2003 and continuing as at March 31, 2004:
Director of Rallye SA, Le Portefeuille Diversifié SA and Victoire SA,
Chairman of the Board of Directors of Finamex SA.

Number of Rallye shares owned: 250.

FINATIS SA

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

I – Offices held during 2003 and continuing as at March 31, 2004:
Director of Euris SA and Rallye SA.

II – Offices ending in 2003:
Director of Casino, Guichard-Perrachon SA.

Number of Rallye stocks owned: 250 shares, 250 B warrants and 200 C warrants.

Permanent representative:

Jean-Marie GRISARD
Date of birth: May 1, 1943.

I – Offices held during 2003 and continuing as at March 31, 2004:
Company Secretary of Groupe Euris SAS,
Chairman of Matignon Diderot SAS, and Matignon Rousseau SAS,
Chief Executive Officer of Euris SA and 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, Green Street Investments International Ltd, and Park Street Investments International Ltd,
Permanent representative of Euris SA to the Board of Directors of Casino, Guichard-Perrachon SA,
Permanent representative of Groupe Euris SAS to the Board of Directors of Euris SA,
Permanent representative of Foncière Euris SA to the Board of Directors of Marigny Belfort SA,
Permanent representative of Finatis SA to the Board of Directors of Rallye SA,
Manager of Frégatinvest SARL.

II – Offices ending in 2003:
Chairman of Matignon Condorcet SAS and Matignon Voltaire SAS,
Permanent representative of Euris SA to the Supervisory Board of Casino, Guichard-Perrachon SA.

III – Offices held since January 1, 2004:
Chairman of Matimmob 1 SAS.

FONCIÈRE EURIS SA

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

I – Offices held during 2003 and continuing as at March 31, 2004:
Chairman of Centre Commercial de l'Île-Saint-Denis SAS, Les Moulins à Vent SAS, Matignon Abbeville SAS, Marigny Concorde SAS, Matignon Corbeil Centre SAS, Marigny Tours SAS, Marigny Élysées SAS, Marigny Expansion SAS, Marigny Participations SAS, Marigny Valbréon SAS, Marigny Foncière SAS, Matignon Bail SAS, Matignon Meylan SAS, Matignon Moselle SAS, Marigny Percier SAS,
Director of Apsys International SA, Casino, Guichard-Perrachon SA, Marignan Consultants SA, Rallye SA, and Marigny Belfort SA,
Manager of SCI Hôtel d'Arc 1800, SCI Île-Saint-Denis Développement, SCI Sofaret, SCI Les Herbiers, SCI Pont de Grenelle, and SCI des Boucles de Seine,
Co-Manager of SNC Alta Marigny Carré de Soie.

II – Offices ending in 2003:
Member of the Supervisory Board of Casino, Guichard-Perrachon SA,
Manager of SCI Mas de Las Serras and SCI Touquet Plage.

Number of Rallye stocks owned: 21,462,370 shares, 24,192,359 B warrants and 19,353,884 C warrants.

Permanent representative:

Didier CARLIER
Date of birth: January 5, 1952.

I – Offices held during 2003 and continuing as at March 31, 2004:
Deputy Managing Director of Rallye SA,
Chairman and Chief Executive Officer of Miramont Finance et Distribution SA,
Chairman of Cobivia SAS, Les Magasins Jean SAS, L'Habitation Moderne de Boulogne SAS, Omnium de Commerce et de Participations SAS, Parande SAS, Parcade SAS, Mermoz Kléber SAS,
Chairman and Chief Executive Officer of MFD Inc.,
Managing Director of Club Sport Diffusion SA, Limpart Investments BV,
Representative of Parande SAS, Chairman of Matignon Neuilly SAS and Sybellia SAS,
Permanent representative of Foncière Euris SA to the Board of Directors of Rallye SA,
Permanent representative of Omnium de Commerce et de Participations SAS to the Board of Directors of Groupe Go Sport SA,
Permanent representative of Groupe Go Sport SA to the Board of Directors of Go Sport Espagne,
Manager of SCI de Periaz, SCI de Kergorju, SCI Les Sables and SCI Les Îles Cordées.

II – Offices ending in 2003:
Permanent representative of Miramont Finance et Distribution SA to the Board of Directors of Athlete's Foot Marketing Europe – AFME SA.

III – Offices held since January 1, 2004:
Chairman of Genty Immobilier et Participations SAS, Finaviv SAS, Syjiga SAS, and Matignon Sablons SAS,
Manager of SCI des Perrières.

CENSOR

Julien CHARLIER
Date of birth: November 10, 1927.

I – Offices held during 2003 and continuing as at March 31, 2004:
Censor at Euris SA and Rallye SA.

II – Offices ending in 2003:
Chairman of Société Générale d'Hôtellerie in Monaco, Director of Société des Bains de Mer in Monaco.

III – Offices held since January 1, 2004:
Manager of SOFIN and SOGES.

EXECUTIVE MANAGEMENT

The Board of Directors, at its meeting on June 5, 2002, adopted the monistic model of corporate governance and thereby confirmed Jean-Charles NAOURI as Chairman and Chief Executive Officer.

The Chairman of the Board of Directors organizes and leads the Board. As Chief Executive Officer, he also has wide powers enabling him to take action under any circumstances, on behalf of the Company. He exercises his powers within the framework of the Company's corporate charter, subject to the powers expressly granted by law to the Shareholders' Meetings and to the Board of Directors. He represents the Company in its relations with third parties.

However, in accordance with the rules of procedure, any decision likely to affect the strategy of the Group must have prior authorization by the Board of Directors.
The Board of Directors, following the Ordinary Shareholders' Meeting of June 9, 2004, will be asked to accept or reject the reappointment of Jean-Charles NAOURI as Chairman and Chief Executive Officer.

Didier CARLIER has been Deputy Managing Director since January 2002.

COMPENSATION RECEIVED BY EXECUTIVES AND OTHER CORPORATE OFFICERS

Compensation paid to executives and other corporate officials by Rallye, the companies it controls, and by Foncière Euris, the parent company that directly controls Rallye, is as follows:

Compensation received by executives

The Board of Directors determines the mode of payment and amount of fixed and variable compensation paid to company executives on the basis of the recommendations of the Appointments and Compensation Committee. The Board of Directors also sets the number and exercise price for any stock options granted to executives.

Jean-Charles NAOURI

Total gross compensation paid to Jean-Charles NAOURI in 2003 amounted to €15,245, which is the same amount paid a year previously. Jean-Charles NAOURI has renounced payment of this compensation as of January 1, 2004.
The director's fees he received from Rallye totaled €41,518 in 2003, and director's fees received from companies controlled by Rallye (Casino, Guichard-Perrachon) totaled €76,485.
Foncière Euris paid no remuneration or director's fees to Jean-Charles NAOURI in 2003.

François de MONTAUDOUIN

Total gross compensation and benefits paid to François de MONTAUDOUIN in 2003 amounted to €316,205, of which €104,000 were bonuses for 2002, and €12,205 were benefits in kind.
Director's fees received in 2003 from Rallye totaled €20,579, director's fees received by companies controlled by Rallye totaled €40,636 (Groupe Go Sport: €13,386, Casino, Guichard-Perrachon: €27,250), and those paid by Foncière Euris totaled €8,469.
Total compensation received by François de MONTAUDOUIN in 2002 amounted to €369,162.

Didier CARLIER

Total gross compensation and benefits paid to Didier CARLIER in 2003 totaled €267,628, of which €67,000 was bonuses for 2002.
Director's fees received in 2003 from companies under Rallye's control (Groupe Go Sport) totaled €13,386. Foncière Euris paid no compensation or director's fee in 2003 to Didier CARLIER.
Total compensation paid to Didier CARLIER in 2002 amounted to €243,919.

COMPENSATION RECEIVED BY OTHER CORPORATE OFFICERS

Fees granted by the Shareholders' Meeting to the members of the Board of Directors are distributed by the Board of Directors.

The total amount of director's fees and compensation paid to Directors, censors, and members of the special Committees in June 2003, for the previous year amounted to €270,000.

The fees include a fixed component (€4,000) and a variable component, calculated on the basis of attendance (€16,000). Director's fees allocated to executives and managers of the Group are reduced by 50%.

Committee members received an additional flat fee of €10,000 increased of the same amount for Committee chairs.

The Board of Directors decided that, as of 2004, the Company would no longer redistribute the variable amount not paid to absent Directors and Censors.
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	Director's fees and compensation paid out in 2003 (in €)			Director's fees paid out in 2002 (in €)	
Name	By Rallye		By Companies controlled by Rallye, or by Rallye's holding company	By Rallye	
	Director	Committees		Director	Committees
Paul CAMOUS	21,565	–	–	21,935	–
Julien CHARLIER	11,528	10,000	–	9,978	8,000
Jacques DERMAGNE	21,565	–	–	–	–
Jean LÉVY	16,546	10,000	–	19,942	8,000
Gilbert TORELLI	21,565	10,000	–	21,935	8,000
André CRESTEY	30,579	20,000	118,110(1)	17,971	8,000
Jacques DUMAS	11,518	–	49,299(2)	10,717	–
Pierre FERAUD	11,518	–	415,413(3)	10,717	–
Jean-Marie GRISARD	11,518	–	40,913(4)	10,717	–

(1) Of which €10,163 by Foncière Euris, and €107,947 by Casino, Guichard-Perrachon, Groupe Go Sport and Miramont Finance et Distribution, all companies controlled by Rallye.

(2) Of which €10,163 by Foncière Euris, and €39,136 by Casino, Guichard-Perrachon and Groupe Go Sport, all companies controlled by Rallye.

(3) Of which €55,898 by Foncière Euris, and €359,515 by Casino, Guichard-Perrachon and Parande, all companies controlled by Rallye.

(4) Of which €10,163 by Foncière Euris, and €30,750 by Casino, Guichard-Perrachon, company controlled by Rallye.

STOCK OPTIONS GRANTED TO CORPORATE OFFICERS AND OPTIONS EXERCISED

Stock subscription and purchase options granted by the Company and the companies it controls to corporate officers in 2003 are as follows:

	Number of options	Exercise price (in €)	Date granted	Maturity date
Stock options granted for the period to corporate officers by Rallye				
Didier CARLIER	31,500	29.51	06/04/2003	12/04/2008
Jacques DUMAS	31,500	29.51	06/04/2003	12/04/2008
François de MONTAUDOUIN	31,500	29.51	06/04/2003	12/04/2008
Jean-Marie GRISARD	31,500	29.51	06/04/2003	12/04/2008
Pierre FERAUD	22,500	29.51	06/04/2003	12/04/2008
Stock options granted for the period to corporate officers by Groupe Go Sport, controlled company				
Didier CARLIER	2,000	38.22	04/03/2003	10/03/2008
Jacques DUMAS	3,200	38.22	04/03/2003	10/03/2008
François de MONTAUDOUIN	4,000	38.22	04/03/2003	10/03/2008

Options granted to François de MONTAUDOUIN were cancelled, subsequent to his stepping down from office in January 2004, in accordance with the rules governing stock option plans.

Stock options exercised by corporate officers in 2003 are as follows:

	Number of options	Exercise price (in €)	Date granted	Maturity date
Stock options exercised during the period				
Jacques DUMAS	15,260	25.14	07/29/1996	07/29/2003
François de MONTAUDOUIN	12,920	25.14	07/29/1996	07/29/2003
Jean-Marie GRISARD	5,000	25.14	07/29/1996	07/29/2003

Regulated Agreements – Other executive interests

The special report by the Statutory Auditors on the agreements entered into by the Company and one of the Directors or a shareholder with over 10% of voting rights, or, in the case of a shareholding corporation, the company controlling it, and which do not have the characteristics of current transactions carried out under normal conditions, is available at the head office of the Company.

No loan or guarantee is granted to or taken out on behalf of the corporate officers by the Company or by any company in the Group.

No assets necessary for Company operations are owned either by any corporate officer, or by his or her family.

STATUTORY AUDITORS

In accordance with legal provisions, Rallye has two Statutory Auditors, and two deputy Statutory Auditors:

Statutory Auditors

KPMG

Signatory partner: Gérard RIVIÈRE (since 1993).
Date of first term: June 29,1993.
Date of expiration of last term: at the close of the Annual Shareholders' Meeting in 2007.

BARBIER FRINAULT & Autres

Signatory partner: Michel LÉGER (since 1998).
Date of first term: June 1, 1999.
Date of expiration of last term: at the close of the Annual Shareholders' Meeting in 2005.

Deputy Statutory Auditors

Patrick-Hubert PETIT

Deputy for KPMG.
Date of first term: June 6, 2001.
Date of expiration of last term: at the close of the Annual Shareholders' Meeting in 2007.

Philippe PEUCH-LESTRADE

Deputy for BARBIER FRINAULT & Autres
He will be nominated at the Annual General Meeting on June 9, 2004, to replace Paul HURTUT.
Date of expiration of last term: at the close of the Annual Shareholders' Meeting in 2005.

These firms also serve as Statutory Auditors for some of Rallye's main subsidiaries.

FEES PAID BY THE GROUP IN 2003 AND 2002 TO STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

	2003				2002			
	Ernst & Young		KPMG		Ernst & Young		KPMG	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit, certification, inspection of individual and consolidated accounts	2,870,410		419,518		2,232,698		353,400	
Additional assignments	856,323		83,720		257,000			
Sub-total	**3,726,733**	**87**	**503,238**	**71**	**2,489,698**	**81**	**353,400**	**100**
Other services								
Legal, tax, social	391,632				507,902			
Information technology	160,432		204,116		14,444			
Other	3,060				78,314			
Sub-total	**555,124**	**13**	**204,116**	**29**	**600,660**	**19**	–	–
Total	**4,281,857**	**100**	**707,354**	**100**	**3,090,358**	**100**	**353,400**	**100**

Report from the Chairman of the Board of Directors

In compliance with article L. 225-37 of the French Code of Commerce (article 117 of the Financial Security law voted August 1, 2003), the purpose of this report is to inform the shareholders of the conditions in which the Board of Directors' work is prepared and organized, and to explain the potential limits to the powers of the Chief Executive Officer and the internal control procedures defined by the Company.
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, 2003. It is made available to the shareholders before the Annual General Meeting.

PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK

The conditions in which the work of the Board of Directors is prepared and organized are defined by law, by the Company's by-laws, by the Board's rules and procedures and by the committees set up within the Board.

Organization and operation of the Board of Directors

As part of the provisions of the New Economic Regulations law of May 15, 2001, the Board of Directors, during its meeting held on June 5, 2002, decided that the offices of Chairman of the Board and Chief Executive Officer should continue to be entrusted to one person (monistic model).
In April 2003, the Board of Directors voted its own rules of procedure. These list, specify and expand on the organization rules defined by the laws and regulations in force and by the Company's own by-laws. The rules of procedure also integrate corporate governance principles applied by the Company, which the Board is in charge of implementing.
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 Appointment and Compensation Committee.
The rules also specify the ethical standards that the Directors must uphold, particularly confidentiality standards as per article L. 465-1 of the Monetary and Financial Code and COB regulation no. 90-08 on insider trading. The rules of procedure also forbid Directors from engaging in any trade involving Company shares for 15 days prior to the publication of the Company's annual and interim financial statements.
The rules of procedure set out the principle of formal and regular assessments of the Board of Directors' operations. They also define the modalities and conditions in which the meetings and proceedings take place. The rules notably allow Directors to attend Board meetings by videoconference.
The Board of Directors has also implemented COB recommendation no. 2002-01 dated January 22, 2002, according to which corporate officers are instructed to issue a statement every six months of all personal transactions involving their companies' shares.

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.
The Chairman of the Board of Directors organizes and manages the work of the Board of Directors. The Chairman reports to the Shareholders' Meeting on the work carried out by the Board of Directors.

The Chairman convenes the meetings of the Board of Directors and is in charge of setting the agenda and producing the minutes of these meetings. The Chairman ensures that the Company's management bodies are functioning and, in particular, that the Directors are in a position to fulfill their mission.
As Chairman and Chief Executive Officer, and in compliance with article L. 225-56 of the Code of Commerce, the Chairman has the broadest powers to act on behalf of the Company in every circumstance. The Chairman and CEO 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. The Chairman and CEO represents the Company with respect to third parties.
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 good corporate governance, according to the recommendations of the Bouton report, the Board of Directors reviewed the relationships between the Directors and the Company to determine whether these relationships might affect the Directors' independent judgment or result in potential conflicts of interest. To this effect, the Board assessed the Directors' independence on the basis of the criteria suggested by the Bouton report.
The Company has increased the number of independent Directors. On April 15, 2004, the Board of Directors co-opted a new member, Christian PAILLOT, and on June 9, 2004, it will propose that the Shareholders' Meeting appoints Jean CHODRON de COURCEL, who currently sits on the Board as censor. The Board of Directors will therefore count five independent members out of a total of eleven, namely: Jean CHODRON de COURCEL, Jacques DERMAGNES, Jean LÉVY, Christian PAILLOT and Gilbert TORELLI.
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.

Board activities in fiscal 2003

In 2003, the Board of Directors met nine times. The attendance rate was 87%.
The Board of Directors reviewed and closed the provisional and final financial statements for 2002, as well as the provisional and final interim financial statements for 2003 and reviewed management forecasts.
The Board of Directors also approved the reports and resolutions submitted to the Ordinary and Extraordinary Shareholders' Meetings convened on June 4, 2003. Every quarter, the Board took stock of the Group's performance.
The Board issued the following securities: bonds convertible into or exchangeable for new or existing shares (OCEANE) in January 2003, and bonds exchangeable for Casino common shares in April 2003. It also launched an offer to exchange A share warrants ("BSA A") against C share warrants ("BSA C") which were issued for the purpose of the offer.
The Board also approved several transactions, notably the agreement providing for consulting services and assistance by Groupe Euris, and the grant of sureties and guarantees for the subsidiaries. The Board also reviewed credit lines taken out by the Company and its subsidiaries. Lastly, the Board authorized early dividend payments.
The Board of Directors set both the Deputy Managing Director's base salary and bonus, and renewed the Chairman and CEO's compensation. The Board allocated stock options to Group executives and employees.
The Board of Directors reviewed the situation with respect to corporate governance principles within the Company and the Board, i.e., Directors' independence, organization and information of the Board, missions and membership of the Board committees, directors' fees (amount and distribution) and the situation of the Statutory Auditors. These issues were discussed in particular at the meeting on December 11, 2003.

Board Committees

The Board of Directors is assisted by two committees created in 2000: the Audit Committee and the Appointments and Compensation Committee.
The Board of Directors appointed the members of the Committees and defined the Committees' powers and rules of operation.

Audit Committee

Membership and missions

The Audit Committee has three members: André CRESTEY (Chairman), Jean LÉVY and Christian PAILLOT, who have been appointed for the duration of their terms as Directors.

In compliance with the recommendations of the Bouton report, the Chairman of the Board, who is also the CEO, gave up his seat on the Audit Committee. Two of the three members of the Audit Committee are now independent Directors.

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.

If necessary, the Chairman and CEO and the Deputy Managing Director of Rallye are invited to attend the Audit Committee meetings.

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 2003

The Audit Committee met twice in 2003. All members were present at both meetings.

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 also met once in January 2004 to take stock of the progress in implementing the new International Financial Reporting Standards, which will become applicable as of 2005.

The Committee took note of how the provisions of the Financial Security law voted on August 1, 2003 were being implemented, and notably of progress on the report on internal control procedures implemented by the Company that the Chairman of the Board must now submit to the Annual General Meeting of Shareholders.

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

The Appointments and Compensation Committee

Membership and missions

The Appointments and Compensation Committee has three members: Jacques DERMAGNE (Chairman), Gilbert TORELLI and Jacques DUMAS, who have been appointed for the duration of their terms as Directors.

In compliance with the recommendations of the Bouton report, the Chairman and CEO also gave up his seat on the Appointments and Compensation Committee. Two of the three members of the Appointments and Compensation Committee are now independent Directors.

However, 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 allocations.

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

The Appointments and Compensation Committee has drafted a charter confirming its powers and missions, notably as regards verifying that the code of ethics, notably in the Board of Directors' rules of procedure, is applied, and that an assessment of the work of the Board of Directors is organized and implemented.

Activities in 2003

The Appointments and Compensation Committee met twice in 2003, with all members present at both meetings, to review the methods for determining the Managing Director's bonus based on 2002 results and his base salary for 2004, and to discuss the allocation of stock subscription options.

The Chairman of the Committee reported back to the Board on the activities of the Appointments and Compensation Committee.

Information given to the Directors

In compliance with article L. 225-35 of the Code of Commerce, the Chairman and CEO must send to the Directors all the documents and information they need to carry out their mission. According to the rules of procedure, the Board of Directors is informed at least 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.

Assessment of the conditions in which the Board of Directors operates

The rules of procedure provide for the organization at regular intervals of a debate and of a formal assessment of the Board of Directors' operations. The procedure is carried out by the Appointments and Compensation Committee, with the help of an external consultant if the committee so wishes.
In 2004, the Board of Directors plans to organize a debate on the conditions in which it operates and to carry out an initial assessment.

INTERNAL CONTROL PROCEDURES SET UP BY RALLYE

The description of the Company's internal control procedures takes into account opinions published by various organizations, including the opinion published by AFEP/MEDEF (French association of private enterprises/French business confederation) on December 17, 2003; the opinion published by the Legal Committee of ANSA (the National association of limited liability companies) on December 5, 2003, and the opinion of IFACI (the French Institute of Audit and Internal Control) issued on January 26, 2004. It also takes into account the recommendations of the AMF, the French Securities Regulator *(Autorité des marchés financiers)* issued on January 23, 2004.

Objectives of internal control procedures

Internal control procedures include all rules, directives and procedures within the Company designed to provide a reasonable assurance that the behavior of Company employees complies with legal and regulatory provisions in force and with the relevant internal standards.

These procedures are derived from the values, guidelines and objectives defined by the executive bodies and their representatives, notably as regards risk management. They are designed to ensure that internal and external communications honestly reflect the Company's situation and activities.
Rallye's objective in carrying out internal controls is to prevent and manage organizational risk, i.e., the risk of error or fraud, and to verify the efficiency of the Company's organization and the quality of its accounting and financial reporting systems.
In this context, the main risks identified by the Company concern information from subsidiaries, consolidation processes, information systems, off-balance-sheet commitments, and asset and cash positions.
The Company's auditing environment has been rigorously designed and applied to manage all of these risks. Like all control systems, however, this system can provide only a reasonable assurance that the risks are under control, not an absolute guarantee that the risks have been completely eliminated.

General organization of internal control procedures

Several internal control systems have been implemented to provide a reasonable assurance that verifications are carried out within Rallye and within its operating subsidiaries whose financial statements are consolidated by the Rallye group. Note that the subsidiaries have their own internal audit services designed to manage their own internal control.

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 has two Statutory Auditors. Their mission is to verify that the annual financial statements are true and fair, in accordance with accounting rules and principles, and give an accurate picture of the Company's performance and of its assets at the end of the previous fiscal year.
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.

Rallye also makes sure that everyone in the organization applies certain references in their job. These references include the manual of accounting and consolidation procedures, the French accounting standards, the code of ethics of the Board of Directors' rules of procedure, the Audit Committee charter and the Appointments and Compensation Committee charter.

Description of internal control procedures

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 the Company's own risks are under control.

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

Information is also verified when Rallye's central controlling department monitors the subsidiaries' information systems. It is also verified at the monthly variance analysis 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.
Four 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

Production of the parent company and consolidated financial statements
Rallye uses the standard accounting software "Agresso" for the parent company accounts and "Équilibre" for the consolidated financial statements. The books are prepared by four employees, in compliance with accounting procedure manuals. One of the four employees supervises the other three and ensures that the methods are consistent, reliable and homogenous and that the timetable for closing the accounts, in accordance with the deadlines set by the Board of Directors and the specialized committees, is 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 is handled centrally by the consolidation team. For each consolidation exercise, the team prepares a file listing all restatements and eliminations and documents the verifications that have been carried out. Decisions are validated with senior management, and the Statutory Auditors to ensure compliance with accounting and tax rules.

Rallye has begun to shift to International Accounting Standards; the Company has anticipated the main impacts on consolidation and prepared a timetable for adopting the new standards.

Legal risk management makes it possible to determine whether provisions are necessary.

Off-balance-sheet commitments are listed in the notes to the consolidated financial statements. The Group produces a report every six months on these commitments, which are linked to on-going activities and to exceptional transactions. It can then decide whether provisions need to be set aside to cover risks related to these commitments.
The holding Company's assets are monitored weekly. Assets are analyzed in terms of their market value, and compared with debt.

Controlling
The controlling department is in charge of budget projections (e.g., drafting forecasts and variance analysis) and management tools (e.g., management indicators and monthly reports) for the administration and finance department and senior management.

Cash 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.
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, depending on their level of complexity (e.g., bilateral lines, bond issues, structured financing), must be approved by the Board of Directors. Independent consultants validate the legal, technical and accounting aspects as necessary.
The Company's expenditures, whether they relate to overhead costs or financial investments, are the object of a formal authorization procedure. Invoices must be authorized at the appropriate management level before the payment can be made.

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 Compensation 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
Access to all IT systems (e.g., the accounting system, cash management and payroll) is limited by a personal authentication and control system. This contributes to the efficiency of the internal control system and helps ensure the safety and integrity of the data and data processing.
All data is saved automatically on a daily basis.

Financial communication

Financial communication takes place through the following channels:
– mandatory publications in the BALO government bulletin of quarterly sales and of interim and annual parent company and consolidated financial statements, along with the notes and the Board of Directors' report,
– annual presentations of Group results organized by SFAF (French Financial Analysts' Society),
– press releases published along with interim or annual accounts or whenever an event or a transaction occurs, which is considered significant and likely to have an impact on the stock price.

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, through to its publication and physical distribution in paper format, and online on the AMF website and the Company's website.

Statutory Auditors' report

prepared in accordance with article L. 225-235 of the Code of Commerce *(Code de Commerce)*, on the report prepared by the Chairman of the Board of Rallye, on the internal control procedures relating to the preparation and processing of financial and accounting information.

Year ended December 31, 2003

(Translated from French into English)

To the shareholders,

In our capacity as Statutory Auditors of Rallye, and in accordance with article L. 225-235 of the French Company Law *(Code de Commerce)*, we report to you on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Company Law *(Code de Commerce)* for the year ended December 31, 2003.

Under the responsibility of the Board, it is for management to determine and implement appropriate and effective internal control procedures. 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 performed our procedures in accordance with 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 objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report,
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given 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 29, 2004

The Statutory Auditors

KPMG Audit
Département de KPMG SA
Gérard Rivière

BARBIER FRINAULT & Autres

Michel Léger