



# Rallye

2005 Financial and legal information



# Consolidated financial statements

## Consolidated balance sheet

ASSETS			
(in € millions)	Notes	2005	2004
Goodwill	2	6,816	5,477
Intangible assets	3	327	277
Property, plant and equipment	4	5,661	4,727
Investment property	5	792	591
Interests in associated companies	6	551	1,275
Non-current financial assets	8	752	959
Non-current hedging financial assets		100	131
Deferred tax assets	9	164	141
Other non-current assets		19	15
<b>Total non-current assets</b>		<b>15,182</b>	<b>13,593</b>
Inventories	10	2,244	1,897
Trade receivables	11	1,227	1,014
Other receivables	11	1,050	816
Current tax credit		22	49
Other financial assets	12	259	183
Cash and cash equivalents	13	2,887	2,837
Assets held in view of sale	19	119	3
<b>Total current assets</b>		<b>7,808</b>	<b>6,799</b>
<b>TOTAL ASSETS</b>		<b>22,990</b>	<b>20,392</b>

LIABILITIES AND SHAREHOLDERS' EQUITY			
(in € millions)	Notes	2005	2004
Share capital		116	112
Reserves and net income, group's share		1,246	1,007
Shareholders' equity, group's share		1,362	1,119
Minority interests		3,477	2,065
<b>Total shareholders' equity</b>	<b>14</b>	<b>4,839</b>	<b>3,184</b>
Long-term provisions	15	264	115
Non-current financial liabilities	16	8,284	9,017
Other non-current liabilities	17	56	13
Deferred tax liabilities	9	271	474
<b>Total non-current liabilities</b>		<b>8,875</b>	<b>9,619</b>
Short-term provisions	15	183	189
Trade payables	18	3,925	3,312
Current financial liabilities	16	2,796	2,089
Current taxes due		66	13
Other current liabilities	18	2,248	1,986
Liabilities held in view of sale	19	58	
<b>Total current liabilities</b>		<b>9,276</b>	<b>7,589</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>22,990</b>	<b>20,392</b>



# Consolidated financial statements

## Consolidated income statement

(in € millions)	Notes	2005	2004
<b>Net sales</b>	<b>20</b>	<b>23,535</b>	<b>21,841</b>
Other income		281	243
<b>Total revenue</b>		<b>23,816</b>	<b>22,084</b>
Cost of goods sold	21	(17,733)	(16,277)
<b>Gross margin</b>		<b>6,083</b>	<b>5,807</b>
Payroll expenses	22	(2,269)	(2,153)
External expenses	23	(2,161)	(1,962)
Depreciation, amortization and provisions		(630)	(557)
<b>Current operating income</b>	<b>20</b>	<b>1,023</b>	<b>1,135</b>
Other income and expenses from operations	24	(274)	38
<b>Operating income</b>		<b>749</b>	<b>1,173</b>
Cost of net financial debt	25	(370)	(323)
Other financial income and expenses	26	27	(71)
<b>Income before tax</b>		<b>406</b>	<b>779</b>
Income tax expense	27	(135)	(361)
Income from companies accounted for by the equity method	28	16	32
<b>Net income</b>		<b>287</b>	<b>450</b>
<b>Group's share</b>		<b>4</b>	<b>85</b>
Minority interests		283	365
In € per share	Notes	2005	2004
Net income group's share before dilution	29	0.10	2.40
Net income group's share after dilution	29	0.10	2.39
Weighted-average number of shares outstanding after dilution	29	36,192,596	35,393,710



# Consolidated financial statements

## Consolidated statement of cash flows

(in € millions)	Notes	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income – group's share		4	85
Minority interests		283	365
<b>Total consolidated net income</b>		<b>287</b>	<b>450</b>
Depreciation and amortization		551	496
Provisions/Reversals		73	30
Unrealized gains and losses from changes in fair value <sup>(1)</sup>		292	(5)
Calculated income and expenses relative to stock options and assimilated instruments		14	13
Other calculated income and expenses		78	50
Depreciation, amortization, provisions and other non-cash items		1,008	584
Income from asset divestments		(130)	(24)
Income from companies accounted for by the equity method		(16)	(32)
Dividends from companies accounted for by the equity method		21	15
<b>Cash flow</b>		<b>1,170</b>	<b>993</b>
Cost of net financial debt (changes in fair value and depreciation excluded)		309	396
Income tax expense (including deferred tax)		135	361
<b>Cash flow before cost of net financial debt and income tax</b>		<b>1,614</b>	<b>1,750</b>
Tax paid		(243)	(386)
Change in the operating working capital requirement <sup>(2)</sup>		68	(5)
<b>Net cash provided by operating activities (A)</b>		<b>1,439</b>	<b>1,359</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, equipment and intangible assets		(889)	(728)
Sale of property, equipment and intangible assets		179	104
Purchase of financial investments		(133)	(156)
Sale of financial investments		82	20
Changes in loans and advances granted		(48)	34
Changes in scope of consolidation <sup>(3)</sup>		(720)	(442)
<b>Net cash used in investing activities (B)</b>		<b>(1,529)</b>	<b>(1,168)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid to shareholders of the parent company		(12)	(68)
Dividends paid to minority shareholders of consolidated companies		(65)	(102)
Cash decrease/increase in capital		237	17
Purchase and sale of treasury stock		176	128
Issuance of TSSDI-perpetual super subordinated securities		590	
Debt issuance		681	1,959
Debt redemption		(1,171)	(1,000)
Net financial interest paid		(359)	(384)
<b>Net cash provided by financing activities (C)</b>		<b>77</b>	<b>550</b>
Impact of currency fluctuations (D)		11	(8)
<b>Change in cash and cash equivalents (A+B+C+D)</b>		<b>(2)</b>	<b>733</b>
Opening balance (E)	13	2,446	1,713
Closing balance (F)	13	2,444	2,446
<b>Change in cash and cash equivalents (F – E)</b>		<b>(2)</b>	<b>733</b>
(1) In 2005, this item includes the impact of the unwinding of the Cora equity swap for €302 million – see note 8.			
(2) Change in the operating working capital requirement			
		68	(5)
	Inventories	(98)	(127)
	Accounts payable	281	(40)
	Accounts receivable	9	28
	Other	(124)	134
(3) Changes in scope of consolidation			
		(720)	(442)
<b>Purchase price of securities</b>		<b>(921)</b>	<b>(442)</b>
	Of which CBD	(528)	
	Of which Vindémia	(198)	
	Of which Geimex	(60)	
	Of which BC distribution	(67)	
	Of which Franprix/Leader Price		(263)
	Of which Laurus		(110)
	Of which SFEHS		(21)
<b>Sale of securities</b>		<b>95</b>	
<b>Cash balance of acquired subsidiaries</b>		<b>106</b>	



# Consolidated financial statements

## Statement of changes in consolidated shareholders' equity

(in € millions)	Share capital	Premiums	Treasury shares	Net income recognized directly in equity	Reserves and consolidated net income	Shareholders' equity group's share	Minority interests	Total shareholders' equity
<b>MAIN CHANGES</b>								
<b>As at January 1, 2004</b>	<b>112</b>	<b>1,131</b>	<b>(181)</b>		<b>(5)</b>	<b>1,057</b>	<b>1,704</b>	<b>2,761</b>
Transactions on capital								
Transactions on treasury shares			1	(1)				
Dividends paid					(67)	(67)	(102)	(169)
Translation adjustments				43		43	16	59
Change in fair value of available-for-sale assets				12		12	1	13
Change in shareholdings							147	147
Miscellaneous changes		1			(12)	(11)	(66) <sup>(3)</sup>	(77)
Consolidated net income for 2004					85	85	365	450
<b>As at December 31, 2004</b>	<b>112</b>	<b>1,132</b>	<b>(180)</b>	<b>54</b>	<b>1</b>	<b>1,119</b>	<b>2,065</b>	<b>3,184</b>
Transactions on capital	4	45				49	68	117
Transactions on treasury shares			68	(16)		52		52
Dividends paid					(61)	(61)	(119)	(180)
Translation adjustments				197		197	237	434
Change in fair value of available-for-sale assets				11		11	(7)	4
Issuance of TSSDI <sup>(1)</sup>							590	590
Changes in scope							465 <sup>(2)</sup>	465
Miscellaneous changes		1			(9)	(8)	(106) <sup>(3)</sup>	(114)
Consolidated net income for 2005					4	4	283	287
<b>As at December 31, 2005</b>	<b>116</b>	<b>1,178</b>	<b>(112)</b>	<b>246</b>	<b>(65)</b>	<b>1,362</b>	<b>3,477</b>	<b>4,839</b>

(1) At the beginning of the year, the Casino group issued perpetual super-subordinated securities of €600 million, or €590 million excluding issuance costs.

The securities are redeemable solely at the Group's discretion, and interest payments are due only if the Group pays a dividend on its common stock in the preceding twelve months.

- (2) – New minority interests:
- Mercialys: €212 million;
  - CBD sub-group: €21 million;
  - Vindémia sub-group: €5 million.
- Change in scope:
- Asinco: €7 million;
  - Casino: €220 million.

- (3) Of which:
- restatement of minority interests in other debt to recognize the put options granted to minority shareholders controlled by the Group in 2004 and 2005;
  - dividend payments to perpetual super-subordinated security holders: €30 million in 2005.



# Consolidated financial statements

## Notes to the consolidated financial statements

### ACCOUNTING PRINCIPLES AND METHODS

#### ■ General principles

In accordance with European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Rallye group for the fiscal years ended December 31, 2005 and December 31, 2004 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union on December 31, 2005.

The quantified impact of IFRS on the Group's financial statements as at December 31, 2004 is described in the note "Transition to IFRS". Detailed preliminary information on the transition was published on May 24, 2005 in the registration document. Since then, a number of modifications related to changes in the standards or their interpretation, reclassifications and adjustments have been made to the 2004 financial statements. A reconciliation note on the final income statement for 2004 is included in the note "Transition to IFRS".

The basis of preparation of the financial information for 2005 and 2004 described in the following notes results from the:

- mandatory application of IFRS and interpretations as at December 31, 2005;
- mandatory application of IAS 32 and IAS 39 as from January 1, 2005, which the Group decided to adopt early, as from January 1, 2004;
- IFRS 2 on share-based payments, which the Group decided to apply for plans granted since November 7, 2002.

The Group did not opt for the early application of the IFRS and amendments listed below, which were published in 2004 or 2005 and will become mandatory at a future date:

- IFRS 7 "Financial Instruments : Disclosures";
- IFRS 4 "Insurance Contracts";
- amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures".

For its opening IFRS balance sheet, the Group applied IFRS 1, "First-time Adoption of IFRS" which includes exceptions to the principles of retrospective application of IFRS.

The general principle governing first-time adoption is the retrospective application in the opening balance of the accounting standards effective on the closing date of the first IFRS financial statements. Consequently, the opening IFRS balance sheet at January 1, 2004 incorporates the following differences compared with the balance sheet presented in accordance with CRC Regulation 99-02:

- assets and liabilities accounted for under previous accounting principles but which do not meet IFRS recognition criteria have been excluded;

- all assets and liabilities which meet IFRS recognition criteria have been accounted for, including those not recognized under previous accounting principles;

- some items have been reclassified in the balance sheet in accordance with IFRS.

The effect of these adjustments has been accounted for directly in opening equity.

According to this principle, to prepare its opening IFRS balance sheet, the Group has reclassified from intangible assets to goodwill, without recognizing the minority interests, commercial premises and market shares reported on the Group's balance sheet under French GAAP, as they do not qualify as intangible assets under IFRS.

In addition, the Group has opted for the following retroactive restatement of assets and liabilities under IFRS:

- business combinations that occurred before January 1, 2004 have not been restated retroactively;
- accumulated actuarial gains and losses relating to retirement commitments as at January 1, 2004 have been offset against shareholders' equity;
- cumulative translation adjustments at January 1, 2004 were reset to zero, offsetting consolidated reserves with no impact on opening equity. Consequently, translation differences prior to the IFRS transition date will not be taken into account in determining future gains or losses on the disposal of subsidiaries or associates;
- the historical cost method was retained for all assets, excluding land from companies within Casino's "centralized" perimeter (historical, core companies in France), Monoprix, and the Asinco warehouses (Franprix and Leader Price), for which the fair value as at January 1, 2004 was used as the presumed cost. The resulting revaluation was booked to shareholders' equity. In addition, certain asset revaluations, carried out by the Laurus group, were retained in the Group financial statements.
- "Daily" assignments of receivables which are not de-recognized under IFRS were consolidated as at January 1, 2004.

Accounts denominated in € were prepared at historical cost, with the exception of derivatives, available-for-sale financial assets, which were measured at their fair value, and held-for-sale assets or groups of assets, which were valued at the lower of their carrying amount and fair value less costs to sell. Financial instruments subject to interest rate hedging were also measured at fair value.

### ■ Accounting policies applied by the Group in the absence of specific policies included in the IFRS

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

- the acquisition of minority interests;
- firm or conditional commitments to purchase minority interests.

### ■ Methods of consolidation

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

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

With the exception of certain minor subsidiaries and C'Discount, whose fiscal year ends henceforth on March 31, the fiscal year of all companies included in the consolidation scope ends on December 31.

### ■ Business combinations

When a company enters the scope of consolidation, its assets, liabilities and contingent liabilities that meet IFRS accounting criteria are booked at their fair value as at the date of acquisition, except for assets held for sale, which are booked at their fair value less costs to sell. Only identifiable liabilities satisfying the recognition criteria in the acquired company's financial statements are accounted for upon the combination. Thus, a restructuring program is not booked as a liability for the acquired company if the said company does not have an obligation, on

the date of acquisition, to implement the said program. Adjustments in the value of assets and liabilities for acquisitions that are accounted for on a provisional basis (because expert assessments are being carried out, or additional information is expected) are booked as retroactive adjustments of goodwill, provided that they are made within twelve months of the acquisition date. Beyond this date, the impact of adjustments is posted to the income statement unless they represent corrections of errors. And finally, minority interests are booked at the fair value of the net assets acquired.

The acquisition of minority interests is not currently covered by IFRS, and IASB recommendations on the treatment of such transactions will be included in the amendments expected on IFRS 3 "Business combinations". Therefore, in the absence of specific rules, the Group uses the pre-existing French rules. In the event that the Group acquires an additional interest in a subsidiary, the difference between the purchase price and the book value of the newly acquired minority interests, as recorded in the Group's consolidated financial statements, is recorded as goodwill.

### ■ Consolidated companies pertaining to a different business segment

The individual accounts of Banque du Groupe Casino and Store Consumer Finance have been prepared in accordance with standards applicable to financial institutions. In the consolidated financial statements, they are classified according to the general IFRS standards.

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

### ■ Translation of the financial statements of foreign subsidiaries

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

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

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



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

### ■ Goodwill and intangible assets

Recognition criteria for intangible assets include:

- identifiability and separability;
- the existence of future economic benefits;
- control over those benefits;
- cost can be reliably measured.

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

#### ■ Goodwill

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

Goodwill is not amortized; it is impairment-tested at each year-end, or whenever there is an indication that it might be impaired. Impairment losses on goodwill may not be reversed. The method used by the Group to test goodwill for impairment is described in the section entitled "Impairment of assets".

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

In addition, gains or losses on the exchange of bonds exchangeable for Casino common or preferred shares issued in 1998 when Casino was taken over, and which matured on January 1, 2005, i.e., the difference between the par value of the exchangeable bonds and the book value of the shares contributed to the exchange in the consolidated financial statements, is recorded as a change in goodwill.

#### ■ Intangible assets

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

Intangible assets are amortized on a straight-line basis over different periods, depending on each asset category's expected use:

Type of asset	Amortization period
Development costs	3 years
Software	3 to 8 years
Acquired trademarks	Not amortized
Lease Premiums	Not amortized

Intangible assets with indefinite useful lives are not amortized; they are tested annually for impairment or when an indication of impairment exists. As lease premiums and trademarks can be renewed indefinitely, their useful lives cannot be determined and they are therefore not amortized.

### ■ Property, plant and equipment

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

Subsequent costs are capitalized if they meet IAS 16 recognition criteria. The criteria are assessed before the acquisition of an asset is incurred.

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

Type of asset	Depreciation period
Land	Not depreciated
Buildings (building structure and brickwork)	40 years
Roof waterproofing and shell fire protection systems	15 years
Land improvements	10 to 20 years
Building improvements	5 to 10 years
Technical installations, machinery and equipment	5 to 10 years
Furniture, office and computer equipment	3 to 5 years

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

### ■ Finance leases

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

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

Rental payments are eliminated, and replaced by:

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

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

### ■ Investment property

Investment property is real estate property held by the owner to earn rental income and/or for capital appreciation.

Investment property is accounted for and valued in accordance with the provisions of IAS 40.

Shopping malls owned by the Group are recognized as investment property.

After initial recognition, investment property is measured at cost less accumulated depreciation and any impairment losses.

The fair value is stated in the notes. The depreciation methods and periods applied to investment property are identical to those used for property, plant and equipment.

### ■ Cost of fixed assets

Fixed assets acquisition expenses before tax are included in the acquisition cost of these assets. For tangible and intangible assets, these costs increase the value of assets, and are treated similarly.

In accordance with the recommendations set out in IAS 23, borrowing costs directly attributable to the acquisition of property, plant and equipment are booked as an expense for the period in which they were incurred.

### ■ Impairment of assets

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

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

Various impairment indicators are used by the Group, depending on the type of asset:

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

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

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

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

It is determined using estimated future cash flows based on budgets or forecasts for a maximum five-year period, extrapolated by applying a constant or declining growth rate. The result of that calculation is discounted using long-term pre-tax market rates that reflect the market's assessments of the time value of money and the risks specific to the assets.

The recoverable amount of each asset is determined separately. When this is not possible, the recoverable amount of the cash generating unit (CGU) to which the asset belongs is estimated. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Rallye group has defined its main subsidiaries as cash generating units.

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

Impairment losses recognized for an asset in a prior period are reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. However, the increased

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

## ■ Financial assets

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

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

With the exception of financial assets at fair value through profit or loss, all financial assets are initially recognized at their fair value plus directly attributable transaction costs. All normalized purchases and sales of financial assets are recorded on their settlement dates.

### ■ Held-to-maturity investments

They are fixed income securities that the Group intends to hold to maturity. They are valued at amortized cost using the effective interest method. Amortized cost is calculated for the period from the acquisition of an investment to its maturity date, taking into account any premium or discount at the acquisition. Gains and losses are recognized in profit or loss when the assets are de-recognized or impaired and also through the amortization process. The Group currently has no financial assets that are classified as held-to-maturity investments.

### ■ Financial assets at fair value through profit or loss

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

### ■ Loans and receivables

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

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

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

### ■ Available-for-sale financial assets

They are financial assets that do not meet the criteria for classification in any of the other categories, and consist mainly of interests in non-consolidated companies and securities in the investment portfolio. They are stated at fair value. Changes in fair value are recognized in equity until the asset is disposed of, collected, or de-recognized in any other way, or until there is evidence that there has been a sustained and significant loss in the value of the asset. In such an event, the profit or loss that had been recognized directly in equity is removed from equity and recognized in profit or loss. Available-for-sale financial assets are impairment-tested at each closure of accounts. If the asset available for sale is an equity instrument, impairment cannot be reversed. Subsequent increases in fair value are recognized directly in equity. If the available-for-sale financial asset is a debt instrument, any subsequent increases in fair value are recognized in the income statement, up to a maximum in the amount of the impairment previously recognized.

### ■ De-recognition

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

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

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

- if control of the asset is not retained, it is de-recognized completely;
- if control over the transferred asset is retained, a portion of the transferred asset is recognized in the balance sheet to reflect

the continuing involvement, along with the associated liability. Non-current financial assets also include purchase options. These options are measured at their fair value (see paragraph on “Derivative instruments and hedge accounting”).

### ■ Inventories

Inventories are stated at the lower of cost and net realizable value, determined in the Group by the first-in first-out (FIFO) method.

Inventories comprise purchase costs, costs of conversion and other costs that have been incurred in bringing the inventories to their current location and condition. Accordingly, logistics costs and supplier discounts recognized in cost of goods sold are included in the valuation of consolidated inventories.

### ■ Cash and cash equivalents

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

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

### ■ Assets and liabilities held for sale

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

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

### ■ Shareholders' equity

#### ■ Equity instruments and hybrid instruments

The accounting classification of equity instruments and hybrid instruments issued by the Group depends on an analysis of their specific characteristics. An instrument which is redeemable at the Group's discretion, and in which remuneration is contingent on the payment of a dividend, is classified as an equity instrument.

### ■ Treasury stock

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

### ■ Share-based payments

Group executive officers and certain employees are granted stock options and bonus shares. In accordance with IFRS 2 “Share-based payments”, the fair value of the options at the grant date is recognized as an expense in the income statement over the option vesting period. The Group uses the Black & Scholes and trinomial option pricing models to determine the fair value of options, based on the characteristics of the plan, market data at the grant date, and assumptions concerning the probability that grant recipients remain with the Group until the options vest. The Group has carried out the valuation of all the options granted after November 7, 2002 that have not yet been vested. Since the options are settled in shares, they are recognized in equity.

### ■ Provisions

#### ■ Pension and other post-employment benefit obligations

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

In France, the Group has various retirement benefit schemes for its employees. The corresponding provision recorded in the consolidated balance sheet has been determined primarily by the projected unit credit method, and includes related payroll taxes. The payroll tax rate applied varies depending on the company and on the expected modes of retirement.

In accordance with local regulations, the North American subsidiary has set up a fund to manage its retirement obligations.

None of the Group's other subsidiaries outside France have any significant or comparable commitments.

Actuarial differences arise due to discrepancies between the previous actuarial assumptions used and actual results, or due

to the effects of changes in assumptions used in the calculation of commitments and related plan assets:

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

Changes in actuarial differences on post-retirement benefits are recognized in the income statement using the corridor method. Accordingly, actuarial gains and losses that exceed 10% of the greater of the amount of the obligation or the fair value of plan assets are spread over the average expected remaining years of service of plan participants. In accordance with the option applicable to first-time adoption under IFRS 1, actuarial gains and losses at the IFRS transition date have been reset to zero and recorded against equity.

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

#### ■ Other provisions

A provision is recorded when the Group has a present obligation (legal or implicit) as a result of a past event, the amount of the obligation can be reliably estimated, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are discounted when the related adjustment is material.

In accordance with the above principle, a provision is recorded to cover the cost of providing after-sales service for household appliances, televisions, hi-fi and video equipment sold under warranty. The provision represents the expected cost of repairs to be performed during the warranty period, estimated on the basis of actual costs incurred in prior years. Each year, the provision is reversed to offset the actual repair costs recognized in expenses.

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

Other provisions correspond to specifically identified contingencies and expenses.

Contingent liabilities correspond to possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the entity's control, or present obligations whose settlement is not expected to require an

outflow of resources. Except for those arising from a business combination, contingent liabilities are not recognized in the balance sheet, but are disclosed in the notes to the financial statements.

#### ■ Financial liabilities

Borrowings are recognized at amortized cost using the effective interest method. In the case of hedge accounting (see paragraph "Derivative financial instruments and hedge accounting"), the borrowing is measured at its fair value.

When a financial instrument comprises different components, the issuer classifies the components separately, depending on whether they have the characteristics of debt or equity. Thus, options that enable the bearer to convert debt into equity are classified as equity in the consolidated balance sheet. Options that allow the bearer to convert debt into the shares of a subsidiary that is fully consolidated by the issuer are also accounted for in the same manner.

The portions relating to the equity component and liability component are allocated on the issue date. The value of the equity component is equal to the difference between the par value and the liability component. The liability component corresponds to the market value of a debt instrument with similar characteristics, but which does not carry the option to be converted or exchanged.

#### ■ Net financial debt

Net financial debt comprises borrowings and loans net of cash and cash equivalents and the net impact of derivative instruments used for debt fair value hedge accounting.

#### ■ Derivative financial instruments and hedge accounting

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

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

- fair value hedges (e.g. swaps to convert fixed rate to floating rate debt). In this case, the debt is measured at fair value, up to the amount of the risk covered, with gains and losses arising from subsequent measurement at fair value recognized in profit or loss on a symmetrical basis with the loss or gain on the derivative. If the hedge is entirely effective, the loss or gain on the hedged debt is offset by the gain or loss on the derivative;



– cash flow hedges (e.g., swaps to convert floating rate to fixed rate debt). For these hedges, the effective portion of the change in the fair value of the derivative is recognized in equity and reclassified in profit or loss on a symmetrical basis with the hedged cash flows, and the ineffective portion is recognized immediately in profit or loss.

### ■ Put options granted to minority shareholders

The Group has granted put options on shares held by minority shareholders of some of its fully-consolidated subsidiaries. In accordance with IAS 32, these options are recognized as financial liabilities at their discounted present value if their price is fixed, and at their fair value if their price is variable. Fair value is defined as either the present value of the expected amount due, or the net present value of the total of the variable components. The standard does not clearly specify where the offsetting entry should be recorded, except for the portion corresponding to the de-recognition of the minority interests. Pending a decision by IFRIC, and after ascertaining the accounting practice adopted by other companies that have granted similar options, the Group has decided to recognize in goodwill the difference between the discounted present value of the option exercise price and the amount of minority interests de-recognized from equity. This amount recognized in goodwill will be adjusted each year for changes in the option exercise price and in minority interests. This accounting treatment, which would be applied if the options were exercised today, best reflects the substance of the transaction. However, it may be changed if an interpretation or new standard is issued requiring the application of a different approach.

### ■ Definition of fair value

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

### ■ Classification of assets and liabilities as current or non-current

Assets that are to be liquidated, consumed or disposed of within a normal operating cycle or within twelve months following the balance sheet date, as well as assets held for sale, or cash and cash equivalents, are classified as "current assets". All other assets are classified as "non-current assets". Liabilities to be paid within

a normal operating cycle or within the expenses of the twelve months following the balance sheet date are classified as "current liabilities". The Group's normal operating cycle is 12 months long. Deferred taxes are always recognized as non-current assets or liabilities.

### ■ Revenue

Revenue includes sales by the Group's stores, self-service restaurants and warehouses, as well as financial services revenues, rental income and service revenues. Other income consists of incidental revenues and revenues from secondary activities, including commissions for the sale of travel packages and franchise payments.

### ■ Gross margin

The cost of goods sold comprises the cost of purchases, net of discounts and trade cooperation payments, changes in inventory and logistics costs. Logistics costs are costs relating to the Group's logistics (storage, handling and transportation costs incurred upon the delivery of goods to one of the Group's sites, stores or warehouses). These costs, which were initially recognized as expenses: payroll costs, other expenses, depreciation allowances and accrued liabilities, have been reclassified under cost of goods sold. Trade cooperation payments are measured based on suppliers' contracts. They are billed in installments over the year. At each closure of accounts, the services rendered during the period are evaluated and compared with the installments billed, to determine the amount of invoices or credit notes to be issued. Changes in inventory, which may be positive or negative, include impairment losses in their calculation.

### ■ Pre-opening and post-closure costs

Costs incurred prior to the opening or after closure are recognized in operating expense when they arise.

### ■ Other income and expenses from operations

The Group applies Recommendation 2004-R02 of the French Accounting Regulations Committee according to which non-recurrent income and expenses are presented separately, to distinguish them clearly from the results of the Group's ordinary operating activities.

### ■ Cost of net financial debt

The cost of net financial debt consists in all income and expense generated by the components of net financial debt for the period, including gains and losses from the sale of cash equivalents, and income or loss from related interest rate and foreign exchange rate hedges.

### ■ Other financial income and expenses

This item corresponds to financial income and expense that is not a component of net financial debt, and does not qualify as operating income or expense. It consists mainly in dividends from non-consolidated companies, gains and losses arising from changes in the fair value of financial assets other than cash and cash equivalents, and of derivatives not qualifying for hedge accounting, gains and losses on the sale of financial assets other than cash and cash equivalents, discounting adjustments (including provisions for pensions), and foreign exchange translation gains and losses on items other than the components of net financial debt.

Cash discounts are recognized in financial income for the portion corresponding to the normal market interest rate and as a deduction from cost of goods sold for the remaining balance.

### ■ Income tax

Income tax expense corresponds to the sum of the current tax due by the various Group's companies, as adjusted for deferred tax.

Consolidated French subsidiaries that qualify for the common tax treatment of parent companies and their subsidiaries are generally included at various tax consolidation levels.

The sum of current tax payable corresponds to the tax due by the parent companies of the tax groups and tax due by companies that are not members of the tax group.

Deferred tax assets correspond to tax calculated and deemed recoverable on temporary differences, tax loss carryforwards and certain consolidation adjustments.

Deferred tax liabilities are recognized for:

- taxable temporary differences, except where the deferred tax liability results from the recognition of a non-deductible impairment loss on goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit, nor taxable profit, nor tax loss;
- taxable temporary differences on investments in subsidiaries, associates and joint ventures, except where the Group controls the timing of the reversal of the difference and where it is

probable that the temporary difference will not be reversed in the foreseeable future.

Deferred taxes are recognized for temporary differences between the book value of assets and liabilities and their tax base. In accordance with IAS 12, they are not discounted.

A deferred tax liability also arises from gains resulting from the issue of shares in certain subsidiaries to outside investors. In view of the specific tax rules applicable to these transactions, this latent tax liability is not expected to become due at any time in the future. The amount of tax calculated above may be affected by changes in the value of the tax asset or liability which may arise from subsequent changes in the corporate income tax rate (variable carry-forward method), from one year to another.

### ■ Earnings per share

Earnings per share is calculated on the basis of the average number of common shares outstanding, weighted according to the issue date during the period, less shares issued as dividends and treasury stock. Diluted earnings per share is calculated using the treasury stock method, by which:

- the numerator is adjusted to deduct interest on convertible bonds;
- the denominator of the EPS ratio is adjusted to account for the dilution impact of options and warrants. The method assumes that the proceeds from the exercise of the options and warrants are used by the firm to repurchase common shares on the open market, at the average market price for the period. Share equivalents are only included in the above calculation if they have a dilution effect on earnings per share.

### ■ Segment reporting

In compliance with IAS 14, the Group has determined that its primary segment reporting format is its business segments with secondary information reported geographically. This presentation is based on the Group's internal reporting systems and management structure.

Business segments correspond to the three main businesses operated by the Group: food and general retailing, sports good retailing and other activities.

### ■ Subsequent events

The main events that occurred after the close of accounts that could affect the Group's financial statements were as follows:

- on January 3, 2006, Casino exercised a call option on 9% of the shares of Banque du Groupe Casino. The terms of the

shareholders' agreement remained unchanged, and stipulate that the company is to be managed jointly with the Cofinoga group. Banque du Groupe Casino will continue to be proportionally consolidated in 2006;

– on January 20, 2006, the Group acquired an additional 3% of Exito (in Colombia), thereby raising its interest in the company to 38.6%;

– on March 14, 2006, Casino sold a block of 15% of Mercialys for €21.75 per share. The capital gain from the transaction, which will be accounted for in 2006, totaled €82 million after tax. Subsequent to the transaction, the Group now has a 60.3% stake in Mercialys;

– on March 16, 2006, the Casino and Louis Delhaize groups signed an agreement, stipulating that Louis Delhaize would buy 42.39% of its subsidiary GMB for €850 million. Casino will sell

these shares after exercising its call option on Deutsche Bank. The agreement puts an end to the legal action between the parties – Louis Delhaize on the one hand and Casino, Deutsche Bank and Carrefour on the other hand. Note 8 provides details of the accounting consequences of the agreement, recognized as at December 31, 2005;

– in line with global strategic planning, which included a comprehensive review of the Casino group's asset portfolio in order to refocus its activities on its most profitable and value-creating markets, on March 16, 2006, the Group announced a €2 billion asset disposal program, ending in 2007, to dispose of non-strategic assets.

The first phase of the disposal program is under way, as reflected by recent transactions, such as the unwinding of Cora equity swap and the sale of 15% of Mercialys.

## COMMENTS ON THE CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Figures in the tables below are denominated in € and rounded to the nearest million. Calculations based on rounded figures may differ slightly from reported aggregates and sub-totals.

The financial statements, as at December 31, 2004, include minor changes to the published 2004 financial statements (see Reconciliation of French GAAP and IFRS financial statements).

### Note 1. Scope of consolidation

During 2005, the following changes in the scope of consolidation took place:

Company name	Activity	Country	Operation	Date	Consolidation method
<b>ENTRY</b>					
AM Finances	Holding	France	Acquisition	12/29/2005	Full
Parinvest	Holding	France	Creation	09/30/2005	Full
Matignon Rousseau	Holding	France	Acquisition	07/06/2005	Full
SMNA	Food retail	France	Creation	01/01/2005	Full
SCI du Plateau des Glières	Property	France	Acquisition	01/01/2005	Full
C'ASIA	Food retail	France	Creation	01/01/2005	Proportional
SODEMAD	Food retail	France	Creation	05/23/2005	Full
SAS Capédis	Food retail	France	Acquisition	06/01/2005	Full
Masmanidis <sup>(1)</sup>	Holding	Brazil	Acquisition	07/01/2005	Full
Vieri <sup>(1)</sup>	Holding	Brazil	Acquisition	07/01/2005	Proportional
Fructidor	Food retail	France	Acquisition	01/01/2005	Full
Exim	Holding	France	Acquisition	10/01/2005	Proportional
Geimex <sup>(2)</sup>	Food retail	France	Acquisition	10/01/2005	Proportional
Spice Investments Mercosur SA	Holding	Uruguay	Creation	12/23/2005	Full
Sub-group Mercialys <sup>(4)</sup>	Property	France	Creation	10/14/2005	Full



Company name	Activity	Country	Operation	Date	Consolidation method
<b>EXIT</b>					
Geant Kredyt	Banking	Poland	Disposal	01/31/2005	
Junichar	Food retail	France	Merger	01/01/2005	
Kamili	Food retail	France	Merger	01/01/2005	
Parande Brooklyn Corp.	Holding	United States	Disposal	11/30/2005	
Parande Brooklyn Ventures LLC	Holding	United States	Disposal	11/30/2005	
<b>CHANGE IN CONSOLIDATION METHOD</b>					
La Bruyère SA	Holding	France	Increase in stake percentage	01/06/2005	Equity method → Full
CBD <sup>(1)</sup>	Food retail	Brazil	Increase in stake percentage	07/01/2005	Equity method → Proportional
Vindémia <sup>(3)</sup>	Food retail	Indian Ocean	Increase in stake percentage	10/01/2005	Proportional → Full

Since these changes in the scope of consolidation were not material, pro forma financial statements were not required.

(1) The Group and the Abilio Diniz family signed a partnership agreement entrusting the Group, previously a minority shareholder, with joint control of CBD, alongside the Abilio Diniz family.

Under the terms of the agreement signed on July 8, 2005, the Group has 50% of the voting rights and a 68.8% stake in the holding company controlling CBD (Vieri). The latter owns 28.8% of CBD's share capital and has 65.6% of its voting rights.

Decision-making takes place on two levels:

- decision-making powers are delegated to the CDB Board of Directors,
- other decisions are made by the Board of Directors of the holding company.

Joint control of CBD is shared between the parties, by way of a shareholders' agreement stipulating the rights of the parties with regard to Vieri and, as a result, in CBD.

The Board of Directors of the holding company comprises 4 members designated by the two parties.

The two parties have equal rights regarding major strategic decisions, such as acquisitions or asset disposals, leveraging, distribution of dividends, and external growth operations.

A shareholders' agreement has also been drawn up, requiring the Group and Abilio Diniz to vote in the same way as the Vieri holding on CBD matters.

(2) Geimex, which owns the Leader Price brand worldwide, has been controlled jointly by Casino and the Baud family since late September 2005.

(3) The Group acquired a 36.66% stake in Vindémia from the Bourbon group for €198 million, after the Bourbon group exercised its put option. The Group now owns 70% of Vindémia's share capital.

(4) In order to enhance the value of its assets, the Group transferred part of its property in France to a new real estate investment company, which was created so that it could obtain status as a publicly-traded real estate investment trust (*SIIC-Sociétés d'investissements immobiliers cotées*), allowing it to obtain a corporate income tax exemption under certain conditions. This company, called Mercialys, has received all the buildings of the specialized stores and shopping malls located on the Casino group hypermarket and supermarket sites, and the buildings of self-service restaurants, as well as several franchised supermarkets or superettes leased to third parties. In addition, the SCI Vendôme Commerces, a subsidiary of AXA, contributed the property of a shopping mall to Mercialys. Mercialys was floated and listed in the A compartment of Eurolist on the Paris Stock Exchange on October 14, 2005. As at December 31 2005, the Group owned a 75.3% stake in Mercialys.

A list of the consolidated companies is attached.

## Note 2. Goodwill

(in € millions)	2003	Increase	Decrease	Consolidation scope, foreign exchange, transfers	2004
Goodwill	5,216	172	(45)	135	5,478
Amortization	(1)				(1)
<b>Net value</b>	<b>5,215</b>	<b>172</b>	<b>(45)</b>	<b>135</b>	<b>5,477</b>

(in € millions)	2004	Increase	Decrease	Consolidation scope, foreign exchange, transfers	2005
Goodwill	5,478	718	(60)	685	6,821
Amortization	(1)			(4)	(5)
<b>Net value</b>	<b>5,477</b>	<b>718</b>	<b>(60)</b>	<b>681</b>	<b>6,816</b>

The €718 million increase in goodwill as at December 31, 2005 was mainly attributable to the acquisition of joint control of CBD, and control of Vindémia and Gemeix. In addition, €685 million of the change as at December 31, 2005 was attributable to the reclassification of CBD goodwill, previously classified under “Interest in associated companies”.

## Note 3. Intangible assets

### ■ Breakdown

(in € millions)	2005			2004		
	Gross	Depreciations and impairment losses <sup>(1)</sup>	Net	Gross	Depreciations and impairment losses <sup>(1)</sup>	Net
Concessions, trademarks, patents, banners	29	(20)	9	32	(19)	13
Lease premiums	95	(3)	92	71	(2)	69
Software	196	(77)	119	147	(53)	94
Other intangible assets	139	(32)	107	132	(31)	101
<b>Intangible assets</b>	<b>459</b>	<b>(132)</b>	<b>327</b>	<b>382</b>	<b>(105)</b>	<b>277</b>

(1) Impairment of €7 million was recognized as at December 31, 2005 and €2 million as at December 31, 2004.

## ■ Changes

(in € millions)	Concessions, trademarks, patents, banners	Lease premiums	Software	Other intangible assets	Total
<b>As at January 1, 2004, net accumulated value</b>	<b>14</b>	<b>52</b>	<b>52</b>	<b>134</b>	<b>252</b>
Acquisitions by way of business combination					
Other acquisitions	6	18	63	15	102
Internally generated assets			5		5
Intangible assets de-recognized in the year	(1)	(1)	(2)	(37)	(41)
Amortization provisions during the year	(4)		(22)	(15)	(41)
Impairment losses (net)				(2)	(2)
Impact of foreign exchange gains and losses			(1)	10	9
Reclassifications and other entries	(2)		(1)	(4)	(7)
<b>As at December 31, 2004, net accumulated value</b>	<b>13</b>	<b>69</b>	<b>94</b>	<b>101</b>	<b>277</b>
Acquisitions by way of business combination		1		1	2
Other acquisitions	4	21	17	44	86
Internally generated assets			3		3
Intangible assets de-recognized in the year	(3)			(1)	(4)
Amortization provisions during the year			(26)	(8)	(34)
Impairment losses (net)	(1)			(2)	(3)
Impact of foreign exchange gains and losses			3	5	8
Reclassifications and other entries	(4)	1	28	(33)	(8)
<b>As at December 31, 2005, net accumulated value</b>	<b>9</b>	<b>92</b>	<b>119</b>	<b>107</b>	<b>327</b>

## Note 4. Property, plant and equipment

### ■ Breakdown

(in € millions)	2005			2004		
	Gross	Depreciations and impairment losses <sup>(1)</sup>	Net	Gross	Depreciations and impairment losses <sup>(1)</sup>	Net
Land	1,297	(42)	1,255	1,150	(52)	1,098
Buildings	3,424	(992)	2,432	2,836	(867)	1,969
Other property, plant and equipment	4,463	(2,489)	1,974	3,576	(1,916)	1,660
<b>Property, plant and equipment</b>	<b>9,184</b>	<b>(3,523)</b>	<b>5,661</b>	<b>7,562</b>	<b>(2,835)</b>	<b>4,727</b>

(1) Impairment of €56 million was recognized as at December 31, 2005 and €38 million as at December 31, 2004.

## ■ Changes

(in € millions)	Land	Buildings	Other property and equipment	Total
<b>As at January 1, 2004, net accumulated value</b>	<b>1,039</b>	<b>1,864</b>	<b>1,576</b>	<b>4,479</b>
Acquisitions by way of business combination	5	18	3	26
Other acquisitions	72	170	490	732
Intangible assets de-recognized in the year	(18)	(31)	(39)	(88)
Amortization provisions during the year	(5)	(109)	(334)	(448)
Impairment losses (net)			(5)	(5)
Impact of foreign exchange gains and losses	(2)	33		31
Reclassifications and other entries	7	24	(31)	0
<b>As at December 31, 2004, net accumulated value</b>	<b>1,098</b>	<b>1,969</b>	<b>1,660</b>	<b>4,727</b>
Acquisitions by way of business combination	162	271	127	560
Other acquisitions	47	189	632	868
Intangible assets de-recognized in the year	(64)	(25)	(40)	(129)
Amortization provisions during the year	(6)	(117)	(348)	(471)
Impairment losses (net)		(3)	(15)	(18)
Impact of foreign exchange gains and losses	24	63	34	121
Reclassifications and other entries	(6)	85	(76)	3
<b>As at December 31, 2005, net accumulated value</b>	<b>1,255</b>	<b>2,432</b>	<b>1,974</b>	<b>5,661</b>

## ■ Information on lease financing

(in € millions)	2005			2004		
	Gross	Depreciation	Net	Gross	Depreciation	Net
Land	89	(2)	87	80	(2)	78
Buildings	415	(131)	284	379	(134)	245
Other property and equipment	633	(480)	153	580	(428)	152
<b>Lease-financed fixed assets</b>	<b>1,137</b>	<b>(613)</b>	<b>524</b>	<b>1,039</b>	<b>(564)</b>	<b>475</b>

## Note 5. Investment property

### ■ Changes

(in € millions)	Gross	Depreciation	Impairment losses	Net
<b>As at January 1, 2005</b>	<b>653</b>	<b>(62)</b>		<b>591</b>
Acquisitions by way of business combination	97	(7)		90
Other acquisitions	39	(7)		32
Intangible assets de-recognized in the year	(1)	1		0
Impairment losses (net)				
Impact of foreign exchange gains and losses	10	(1)		9
Reclassifications and other entries	139	(69)		70
<b>Net value</b>	<b>937</b>	<b>(145)</b>		<b>792</b>

Investment property is measured at cost less accumulated depreciation and impairment losses, if any.

As at December 31, 2005, the fair value of investment property recognized was €1,157 million.

Fair value was determined for most investment property by a registered independent appraiser, on the basis of recent market transactions for similar properties, in accordance with international valuation standards.

In France, the appraisal of Mercialys' property was undertaken in Spring 2005, in part by AtisReal Expertise, and, in part, by Galtier. It was performed in compliance with the real estate assessors' code of ethics set forth by the Royal Institution of Chartered Surveyors (RISC). Accordingly, each asset was appraised separately based on its market value, using the valuation methods recommended in the 1998 property valuation charter and in the 2000 COB/CNC report on the valuation of the property assets of publicly-traded companies, issued by the French securities and exchange commission (COB) and the French national accounting board (CNC).

All of the assets held by Mercialys were appraised on the basis of urban planning, market studies, competition and the outcome of on-site visits. In compliance with the 2000 COB/CNC report, two approaches were implemented to determine the market value of each asset. The first, the income capitalization approach, consisted of estimating the total real estate value based on the rate of return from rental income, by comparing the property's rental price with market prices for similarly rated property. The second approach, referred to as the discounted cash flow approach, was used to discount prospective future income, taking into consideration, year after year, expected rent increases, vacancy rates, and other projected factors, such as time to market and investments borne by the lessor. Future appraisals of investment property will be performed by the same independent appraisers, and the property of Mercialys will be valued on a yearly basis. One-third of the investment property portfolio will be completely appraised, with on-site visits, and approximately two-thirds of the property will be valued by estimating present value, on the basis of previously reported valuations.

Mercialys was not valued by independent appraisers as at December 31, 2005. The company performed an internal appraisal to determine the present market value of its property, based on:

- the most recently recognized lease income (fourth quarter 2005);
- the capitalization rates effective at the end of 2005, which were 0.30% lower than those used by appraisers at the beginning of 2005.

## ■ Net rental income

(in € millions)	2005	2004
Rental income from investment property	126	115
Direct operating expenses for investment property which did not generate rental income during the period	(6)	(5)
<b>Net rental income</b>	<b>120</b>	<b>110</b>
Direct operating expenses on investment property which did generate rental income during the period	(32)	(30)

With the exception of the property transferred to Mercialys that the company has agreed to hold for five years, and which is subject to the special tax regime governing listed real estate investment trusts, no specific tax provisions applied to other property.

## Note 6. Interests in associated companies

Exito (Colombia), Feu Vert, Smart & Final del Noroeste (Mexico), Euristates (USA), Laurus (the Netherlands), and the companies belonging to the sub-group RLP Investissement are consolidated under the equity method, since the Group owns less than a 50% stake, but exercises significant influence over them.

Laurus, which is 44.99% owned, is a special case. De facto and de jure, the company is not controlled by Casino as evidenced by the following:

- the governance status of Laurus NV as a “structure company” under Dutch corporate law. As such, the company is largely controlled by the supervisory board and the shareholders. Casino, with only 44.99% of voting rights, plays a limited role;
- the corporate governance agreement signed by Laurus and the Dutch banks, which is not a shareholders' agreement implementing concerted action. Instead, the agreement states that Casino may have two of the five seats on the supervisory board, as long as it does not hold more than 50% of voting rights. The other seats are held by independent members. Casino cannot appoint the CEO, but can nominate a candidate. The final appointment decision is made by the supervisory board as a whole;
- the Shareholders' Meeting is not authorized to revoke an individual member of the supervisory board, only the board as a whole. In such an event, the Court of Commerce is asked to appoint the new board members, of which only two of the five may be from Casino, as stipulated in the corporate governance agreement;

- the option held by Casino on 6.2% of the share capital and voting rights may only be exercised from July 1, 2007;
- Laurus is not economically dependent on Casino;
- under the terms of a technical assistance contract, Casino provides advisory services on retailing matters such as purchasing and logistics;
- Casino does not provide guarantees on credit given to Laurus NV by its suppliers or banks;
- Laurus NV is fully autonomous in operational terms: only two persons originally from Casino now work in Laurus' teams, and they are not on the Group Management Board.

In addition, for the reasons described in note 10 on the transition to IFRS, the Group's interests in Laurus and its subsidiaries were not fully consolidated for the period from January 1 to March 8, 2005, when the agreements on the option were renegotiated. If the first method had been applied for this period, net income reported for the purposes of the consolidated financial statements would have been no different, but sales would have been about €540 million higher. This amount is not deemed to be material.

Finally, the notes to the consolidated financial statements of Laurus, as at December 31, 2005, state that there is uncertainty as to the going-concern status of the company. To meet its cash

flow requirements, the company needs to successfully complete the sale of the Konmar and Edah businesses announced at the beginning of 2006, and which is currently under way. As the management of Laurus is confident that the sale will go ahead, it has prepared the consolidated financial statements of Laurus for the year ended December 31 on the basis of a valuation of assets and liabilities that is consistent with the going concern assumption.

The value of the Group's interest in Laurus, accounted for by the equity method, has been determined in compliance with IAS 28, and on the basis of an appraisal by an independent bank, using the higher of fair value (defined as share price) and value in use (measured by discounted cash flows). The value obtained using the discounted cash flow method was compared with the carrying amount of the Laurus investment, and an impairment charge of €34 million was recognized in the financial statements under other expenses from operations (see note 24). The value in use was determined on the basis of conservative operating assumptions, given Laurus's situation, and the following financial assumptions: 2% growth rate, 6.5% discount rate and ending value calculated based on the perpetual capitalization of the projected cash flow for the ending year.

## ■ Changes in companies accounted for by the equity method

(in € millions)	Opening January 1, 2005	Impairment losses	Net income for the year	Distribution	Changes in scope and foreign exchange	Closing December 31, 2005
CBD <sup>(1)</sup>	713		10		(723)	0
Exito	154		12	(8)	32	190
Laurus	316	(34)	(25)		1	258
Feu Vert	44		3	(3)		44
Groupe Franprix and Leader Price	43		13	(4)		52
Other companies	5		1		1	7
<b>Total</b>	<b>1,275</b>	<b>(34)</b>	<b>14</b>	<b>(15)</b>	<b>(689)</b>	<b>551</b>

(1) CBD group was proportionately consolidated as of July 1, 2005.

## ■ Summary financial statements of the main equity affiliates for fiscal year 2005

(in € millions, for the share of capital held)	Exito 35.59%	Laurus 44.99%
Net sales	426	1,421
Net income	12	(25)
Non-current assets	252	496
Current assets	90	150
<b>TOTAL ASSETS</b>	<b>342</b>	<b>646</b>
Shareholders' equity	206	258
Non-current liabilities	8	38
Current liabilities	129	350
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>342</b>	<b>646</b>

## ■ Transactions with associates

There were no material transactions with associated companies during the period, other than the €3 million invoiced for services supplied under the technical assistance contract with Laurus.

## Note 7. Interests in joint ventures

The companies Monoprix, SCI Opéra, Distridyn, Far Eastern Géant (Taiwan), Grupo Disco de Uruguay, Régie Média Trade, IRTS, C'Asia, Alexa Group (Germany) and Geimex, in which the Group has a 50% interest, are all proportionately consolidated, since the Group exercises joint control over them.

Banque du Groupe Casino, Store Consumer Finance, Vieri, Club Avantages, Exim and CBD group are proportionately consolidated. Agreements between these associates and the Casino group set forth the terms governing joint control of their activities.

## ■ 2005 condensed financial statements of principal joint ventures restated under IFRS

There are no unrecognized contingent liabilities in joint ventures except for the CBD contingency of €29 million, which is possible but not probable, and therefore has not been provisioned.

(in € millions for the share of capital held)	Total	Of which Monoprix 50.00%	Of which CBD 34.26%
Revenue	4,423	1,883	1,025
Charges	(4,344)	(1,818)	(1,004)
Non-current assets	3,077	962	972
Current assets	1,686	319	714
<b>TOTAL ASSETS</b>	<b>4,763</b>	<b>1,282</b>	<b>1,686</b>
Shareholders' equity	2,334	493	839
Non-current liabilities	533	117	342
Current liabilities	1,896	671	505
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,763</b>	<b>1,282</b>	<b>1,686</b>

## ■ Share price of investments in associates listed on the stock exchange

(in € millions)	2005	2004
Exito	209	105
Laurus	147	211
<b>Total</b>	<b>356</b>	<b>316</b>

In both cases, the discounted cash flows are higher than the share price mentioned above.

Feu Vert SA and the other companies are unlisted private entities. Consequently, a listed share price cannot be used to determine their fair value.

## ■ Share of contingent liabilities

There were no contingent liabilities to be recognized by associates.

## Note 8. Non-current financial assets

### ■ Breakdown

(in € millions)	2005	2004
Shares in non-consolidated companies	118	149
Other available-for-sale assets	232	198
<b>Available-for-sale financial assets (AFS)</b>	<b>350</b>	<b>347</b>
Loans	50	52
Non-current derivative assets <sup>(1)</sup>	24	312
Prepaid rent <sup>(2)</sup>	104	77
Deposits, security pledges and other	16	14
Receivables related to participated companies	212	161
Impairment losses	(4)	(4)
<b>Non-current financial assets</b>	<b>752</b>	<b>959</b>

(1) The decrease in non-current derivatives reflects the unwinding of the Cora Equity Swap.

In October 2001, the Group had signed a firm and reciprocal commitment with a financial institution to buy a block of shares representing 42.39% of the share capital of the Cora Group holding company. The commitment could be exercised at any time until May 21, 2011, after an extension for a period of five years, at a pre-set exercise price of €850 million, provided that Cora approved the planned transaction or that there were no contractual provisions between the Group and Cora that could stand in the way of such a transaction. If, however, the Group has not exercised its right to buy at the term of the agreement, the block of shares will be auctioned off.

In exchange for the option, the Casino group provided a financial guarantee to the financial institution of €850 million, corresponding to the value of the underlying assets, for the duration of the option and at the time of the auction, where appropriate. Should such an auction take place, the Casino group would be required to compensate the financial institution for any losses incurred if the proceeds of the auction fell below the par value of €850 million. Conversely, the Casino group would be entitled to collect any gains on proceeds over and above the €850 million par value.

Note also that the Louis Delhaize group undertook legal action in the Paris Court of Commerce to cancel the sale of shares by Carrefour to Deutsche Bank and the associated Equity Swap.

The equity swap, which is classified as a derivative under IAS 39, is measured at fair value with any gains and losses on fair value recognized in profit and loss.

During the fourth quarter of 2005, the Group decided to enter into negotiations with the Louis Delhaize group so that the latter will buy 42.39% of the share capital of its subsidiary GMB for €850 million. The agreement was finalized at the beginning of 2006, and was made public on March 16, 2006.

Under the terms of this agreement, the shares will be sold on May 2, 2006, to the Louis Delhaize group after exercise by Casino of its purchase option with Deutsche Bank.

The agreement will bring to a close the legal action between the Louis Delhaize group on the one hand and Casino, Deutsche Bank and Carrefour, on the other hand.

The accounting impact of the agreement as at December 31, 2005 was an expense of €302 million, recognized in other expenses from operations (see note 24). The expense net of tax totaled €198 million.

(2) Prepaid rent correspond to the rights to the use of land in certain countries for an average period of 30 years. The cost is spread over the duration of the leases.



## ■ Changes in available-for-sale financial assets (AFS)

(in € millions)	2005	2004
<b>As at January 1</b>	<b>347</b>	<b>361</b>
Acquisitions	124	24
Sales	(119)	(76)
Increase in fair value	34	27
Decrease in fair value	(33)	(6)
Assets exiting the scope	(5)	8
Impact of changes in % of interest	(1)	
Impact of foreign exchange fluctuations	9	8
Other	(6)	1
<b>As at December 31</b>	<b>350</b>	<b>347</b>

## Note 9. Deferred taxes

### ■ Change in deferred tax assets

(in € millions)	2005	2004
<b>Balance as at January 1</b>	<b>141</b>	<b>71</b>
Income (expense) for the year <sup>(1)</sup>	(17)	74
Impact of changes in foreign exchange, scope and reclassifications	12	(9)
Changes recognized directly in equity	27	6
<b>Total</b>	<b>164</b>	<b>141</b>

(1) Deferred tax assets booked at opening, then cancelled, since it is no longer probable that there will be sufficient taxable earnings to enable part or all of the deferred tax assets to be used. They amounted to €8 million, as of December 31, 2005.

### ■ Change in the provision for deferred tax liabilities

(in € millions)	2005	2004
<b>Balance as at January 1</b>	<b>474</b>	<b>407</b>
Income (expense) of the year	(214)	68
Impact of changes in foreign exchange, scope and reclassifications	11	(1)
Changes recognized directly in equity		
<b>Total</b>	<b>271</b>	<b>474</b>

## ■ Origin of deferred tax assets and liabilities

(in € millions)	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
Intangible assets	22	10	(22)	(2)		8
Property, plant and equipment	272	338	(691)	(858)	(419)	(520)
of which financial lease contract			(136)	(104)	(136)	(104)
Inventories	76	84	(20)	(18)	56	66
Financial instruments	86	7	(12)	(39)	74	(32)
Other assets	9	7	(31)	(56)	(22)	(49)
Provisions	77	50	3	(2)	80	48
Regulated provisions			(81)	(49)	(81)	(49)
Other liabilities	146	170	(13)	(11)	133	159
of which loan taken on lease financing	77	67			77	67
Tax loss carryforwards	71	37			71	37
<b>Deferred tax assets (liabilities)</b>	<b>759</b>	<b>703</b>	<b>(866)</b>	<b>(1,036)</b>	<b>(107)</b>	<b>(333)</b>
Deferred tax assets					164	141
Deferred tax liabilities					(271)	(474)
<b>Net balance</b>					<b>(107)</b>	<b>(333)</b>

As at December 31, the Group had tax loss carryforwards with the following maturities:

(in € millions)	2005	2004
2005		4
2006	4	5
2007	5	6
2008	6	3
2009	6	1
2010 and more	45	14
Unlimited	5	4
<b>Total</b>	<b>71</b>	<b>37</b>

Tax loss carryforwards were mainly generated by the following companies:

- Géant Polska;
- C'Discount;
- Asinco subsidiaries;
- French and Polish subsidiaries of Groupe Go Sport.

A deferred tax asset has been booked for these tax loss carryforwards because the companies expect to make a profit in future years or because tax options have been implemented. The deferred tax on consolidation restatements was essentially due to the restatement of property, plant and equipment at historical cost.

A schedule has been established for the recovery of the deferred tax receivable. The tax rates applied are those currently effective in each country, or the rate enacted for future years if there has been a change. Unrecognized deferred tax assets correspond to tax loss carryforwards and long term losses, in compliance with the precautionary principle.

Unrecognized deferred tax assets for tax loss carryforwards amounted to €89 million as at December 31, 2005, and €98 million as at December 31, 2004.

In addition, the Group reported long-term capital losses of €485 million as at December 31, 2005, which may be used until December 31, 2006. These losses amounted to €332 million as at December 31, 2004.

## Note 10. Inventories

Inventories mainly comprise goods for sale.

(in € millions)	2005			2004		
	Gross	Depreciations	Net	Gross	Depreciations	Net
Food and general retailing	2,084	(38)	2,046	1,748	(27)	1,721
Sports good retailing	203	(7)	196	178	(5)	173
Other activities	2		2	3		3
<b>TOTAL</b>	<b>2,289</b>	<b>(45)</b>	<b>2,244</b>	<b>1,929</b>	<b>(32)</b>	<b>1,897</b>

## Note 11. Trade and other accounts receivable

(in € millions)	2005	2004
Trade and related accounts receivable	962	783
Receivables from lending activities	371	328
Depreciation from accounts receivable and similar accounts	(73)	(65)
Depreciation from lending activities	(33)	(32)
<b>Sub-total trade and related accounts receivable</b>	<b>1,227</b>	<b>1,014</b>
Other receivables	884	649
Related companies	48	47
Depreciation of other receivables	(36)	(35)
Unhedged derivative assets	15	22
Prepaid expenses	139	133
<b>Sub-total other receivable</b>	<b>1,050</b>	<b>816</b>
<b>Trade and other accounts receivable</b>	<b>2,277</b>	<b>1,830</b>

## Note 12. Other current financial assets

(in € millions)	2005	2004
Short-term financial receivables	9	
Portfolio investments	71	20
Asset derivatives on fair value hedging	179	163
<b>Other current financial assets</b>	<b>259</b>	<b>183</b>

## Note 13. Net cash and cash equivalents

(in € millions)	2004	Increase- decrease	Change in fair value and other changes	2005
Cash equivalents	2,320	(163)	119	2,276
Cash	517	44	50	610
<b>Gross cash and cash equivalents</b>	<b>2,837</b>	<b>(119)</b>	<b>169</b>	<b>2,887</b>
Spot and confirmed credit lines	(77)	(15)	(6)	(98)
Short-term bank borrowings	(314)	(44)	14	(344)
<b>Net cash and cash equivalents</b>	<b>2,446</b>	<b>(178)</b>	<b>177</b>	<b>2,444</b>

Cash and cash equivalents include €120 million of cash received on the discounting of receivables that meet IAS 39 financial asset de-recognition criteria, as stated in the note on the accounting principles applicable to trade receivables. The Group also transfers down payment invoices in the framework of the assignment of receivables. As they do not meet the definition of financial assets, a liability is recognized as an offsetting entry for the cash received from the bank on the transfer date. The liability amounted to €30 million as at December 31, 2005.

As at December 31, 2005, cash equivalents comprised euro-denominated money market mutual funds and other marketable securities. To determine whether an investment qualifies as a cash equivalent, the Group complies with the notice of March 9, 2006 issued by the French Financial Markets Authority (AMF), which states that mutual funds are classified as cash equivalents under IAS 7 "Cash flow statement". In accordance with this notice, the Group has analyzed its investments based on the approach recommended by the AFG (the French Association of Investment Management Firms) and AFTE (the French association of Corporate Treasurers). This approach distinguishes between two categories:

- mutual funds classified by AMF in the category "euro-denominated money market funds", which are assumed, in practical terms, to fulfill the four criteria set out in the accounting principles;
- mutual funds other than those "euro-denominated money market funds", which meet all of the following legal, qualitative and quantitative criteria:

1) Short-term investments: money market indexed (EONIA, 3 months EURIBOR), with a recommended investment period less or equal to 12 months.

2) Highly liquid investments: net asset value can be determined daily or weekly, enabling shares to be subscribed or repurchased on a daily or weekly basis, without giving notice or incurring penalties for selling them, thus enabling them to be repurchased during the recommended investment period.

3) Investments that are readily convertible into specific amounts of cash: given their historically low volatility, and their liquidity and money market indexation, the market value of mutual funds can easily be estimated, to a few basis points.

4) Investments with no significant risk of a change in value: the price sensitivity of mutual funds fluctuated less than 0.5 during the previous twelve months or since the reference date of the fund objectives. They offer historical statistics of steadily rising performance, which follows the performance of the money market.

Following the retrospective examination of its investments based on these criteria, the Group concluded that its marketable securities investments qualified as cash equivalents as at December 31, 2005.

## Note 14. Shareholders' equity and minority interests

### ■ Share capital and capital reserves

Share capital comprises 38,807,587 common shares with a par value of €116 million. The issue premium, contribution premium and other additional paid-in capital amounted to €774 million, €363 million and €156 million, respectively.

### ■ Changes in share capital

Common shares issued and fully paid (par value of €3 per share)

	2005	2004
<b>Number of shares as at January 1</b>	<b>37,407,849</b>	<b>37,407,844</b>
Exercise of B share warrants	2,424	5
Dividend payment in shares (balance for 2004)	438,907	
2005 interim dividend payment (in shares)	958,407	
<b>Number of shares as at December 31</b>	<b>38,807,587</b>	<b>37,407,849</b>

### ■ Translation differences

(in € millions)	Group's share			Minority interests			Total foreign exchange unrealized gains and losses
Pays	Opening as at 01/01/2005	Change as at 12/31/2005	Total	Opening as at 01/01/2005	Change as at 12/31/2005	Total	
Brazil	4	115	118	3	124	128	246
Argentina	(5)	6	1	(4)	6	2	3
Colombia	6	17	23	5	19	24	47
Uruguay	2	12	13	1	12	14	27
Venezuela	(8)		(9)	(12)	(1)	(12)	(21)
United States	(2)	11	9	(12)	25	13	22
Taiwan		3	3		4	4	7
Thailand	(6)	10	4	(15)	23	8	12
Poland	53	22	76	51	24	74	150
Other	(1)	1	0	(1)	1	0	0
<b>Total</b>	<b>43</b>	<b>197</b>	<b>239</b>	<b>16</b>	<b>237</b>	<b>254</b>	<b>493</b>

### ■ Treasury stock

Rallye and its subsidiaries own 2,204,814 treasury shares representing €112,646,986.

In addition, Rallye holds €7 million worth of call options on 1,538,734 Rallye shares, which it uses to cover its obligation to remit shares upon the exercise of stock options and OCEANE convertible bonds. The treasury stock and the options are cancelled in shareholders' equity.

## ■ Share-based payments

The table below provides details of the plans granted since November 7, 2002 and currently in force:

Date of grant	06/04/2003	06/09/2004	06/08/2005
Date of maturity	12/04/2008	12/09/2009	12/08/2010
Number of initial beneficiaries	49	46	58
Number of options initially granted	380,980	314,550	224,084
Number of options relinquished by beneficiaries	53,050	12,500	2,500
Number of options remaining in force at end of period	327,930	302,050	221,584
Strike in €	29.51	41.38	40.16
<b>Option valuation:</b>			
Fair value at the time of grant in €	5.50	8.51	8.64
Valuation model used	Trinomial	Trinomial	Trinomial
Volatility	29.51%	31.60%	31.60%
Option duration	5 years 1/2	5 years 1/2	5 years 1/2
Interest rate	2.98%	3.76%	2.60%

In June 2005, Rallye also set up a bonus share plan. The vesting of shares by the beneficiaries is subject to the realization by the company of a performance indicator, measured on a yearly basis, which determines the percentage of shares vested for the corresponding year. The total number of bonus shares vested equals the average of annual grants. The performance indicator used is the cover of net debt by assets.

Date of grant	06/08/2005
Date of maturity	06/08/2008
Number of initial beneficiaries	58
Number of options initially granted	37,151
Number of options relinquished by beneficiaries	625
Number of options remaining in force at end of period	36,526
Strike in €	n.a.
<b>Option valuation:</b>	
Fair value at the time of grant in €	35.26
Option duration	3 years
Interest rate	2.21%

The cumulative impact for share-based payments granted by Rallye on the income statement amounted to €1.0 million in 2004 and €1.7 million in 2005.

The cumulative impact of share-based payments granted by the Group's companies on the income statement amounted to €13 million in 2004 and €14 million in 2005.

Changes in the number of options granted in connection with these plans are shown below, along with the average strike for the period:

	2005		2004	
	Weighted average strike in €	Number of options	Weighted average strike in €	Number of options
Outstanding at beginning of period	35.21	649,830	29.51	380,980
Granted over the period	40.16	224,084	41.38	314,550
Relinquished over the period	36.01	22,350	30.16	45,700
Expired over the period				
Outstanding at end of period	36.49	851,564	35.21	649,830
Exercisable at end of period				

## ■ Dividends

During 2005, Rallye paid:

- the balance of the 2004 dividend at €0.48 per share;
- an interim dividend of €1.20 per share.

Shareholders were given the option of receiving their payment in shares. This enabled the Company to create 438,907 shares to pay the balance of the 2004 dividend, and 958,407 shares to cover the interim dividend payment.

The Board of Directors proposed that the dividend be set at €1.68 per share for 2005. The outstanding amount due is €0.48 per share, since an interim dividend of €1.20 per share was paid in November 2005.

## Note 15. Provisions

### ■ Breakdown and changes

(in € millions)	As at 01/01/2005	Charges for 2005	Write-backs for 2005 <sup>(1)</sup>	Change in scope and transfers	Change in currency rate	As at 12/31/2005
After-sales service	30	28	30			28
Employee work medal awards	19	1				20
Retirement benefits	43	15	9	(4)		45
Current service	14					14
Casino USA benefits	30	6		(1)	4	39
Miscellaneous disputes <sup>(2)</sup>	28	13	15	2	1	29
Miscellaneous contingencies and charges <sup>(2)</sup>	108	91	106	126	3	222
Restructuring	9	3	6			6
US commercial dispute	1	12	1		1	13
Tax risks	4					4
Fidelity program	18	24	18	3		27
<b>Total</b>	<b>304</b>	<b>193</b>	<b>185</b>	<b>126</b>	<b>9</b>	<b>447</b>
Of which non-current	115	34	12	121	6	264
Of which current	189	159	173	5	3	183

(1) Includes the reversal of provisions that are no longer necessary: €8 million.

(2) Provisions for miscellaneous disputes and contingencies and charges include a multitude of amounts related to disputes with employees (e.g., conciliation board), real estate (e.g., disputes on building work, contested rental payments, evictions), and tax and economic matters (e.g., infringements of trademarks and patents).

## ■ Pension commitments and other benefits

The Group's fixed-term benefit commitments are twofold:

- in France, end-of-career benefits, as well as complementary retirement pensions, relate to employees who are all now retired;
- in the United States, the US sub-group has pension and health insurance commitments to current and former employees.

(in € millions)	France		International		Total	
	2005	2004	2005	2004	2005	2004
<b>PROVISION IN THE BALANCE SHEET</b>						
Present value of covered obligations	111	113	88	64	199	176
Fair value of plan assets	(80)	(81)	(62)	(48)	(142)	(129)
Sub-total	31	32	26	16	57	48
Present value of uncovered obligations	12	9	30	23	42	32
Unrecorded actuarial gains/(losses)	4	1	(19)	(8)	(15)	(7)
Unrecorded cost of past service						
<b>Provision recorded in the balance sheet</b>	<b>47</b>	<b>41</b>	<b>37</b>	<b>31</b>	<b>84</b>	<b>73</b>
<b>FAIR VALUE OF PLAN ASSETS</b>						
Fair value at the beginning of the year	81	82	48	37	129	119
Effective return on assets	3	3	3	4	7	7
Contributions			6	12	6	12
Benefits paid	(4)	(4)	(3)	(2)	(7)	(6)
Changes in scope of consolidation						
Changes in foreign exchange			7	(4)	7	(4)
<b>Fair value at year-end</b>	<b>80</b>	<b>81</b>	<b>62</b>	<b>48</b>	<b>142</b>	<b>129</b>
<b>CHANGES IN PROVISIONS</b>						
Provisions at the beginning of the year	42	39	31	44	73	82
Charge for the year	9	9	7	6	15	15
Disbursements	(4)	(4)	(6)	(12)	(10)	(16)
Changes in scope of consolidation		(2)	1	(4)	1	(6)
Changes in foreign exchange			5	(3)	5	(3)
<b>Provision at year-end</b>	<b>47</b>	<b>41</b>	<b>37</b>	<b>31</b>	<b>84</b>	<b>73</b>
<b>TOTAL CHARGE RECORDED IN INCOME</b>						
<b>In financial result:</b>						
Financial cost	4	4	6	5	10	9
Expected return on assets	(1)	(1)	(5)	(4)	(6)	(5)
	2	2	2	1	4	4
<b>In payroll expenses:</b>						
Current service cost	6	6	5	5	11	11
Recorded actuarial difference						
Recorded cost of past service						
Impact of reductions/payments						
	6	6	5	5	11	11
<b>Charge for the year</b>	<b>9</b>	<b>9</b>	<b>7</b>	<b>6</b>	<b>15</b>	<b>15</b>
<b>MAIN ACTUARIAL ASSUMPTIONS</b>						
– Discount rate	3.5% – 4.5%	4.5% – 5%	6.0%	6.0%		
– Rate of wage increases	2.5% – 2.75%	2.5% – 2.75%	4.0%	4% – 4.5%		
– Retirement age	62 – 64 years	62 – 64 years	62 – 65 years	62 – 65 years		
– Expected yield on assets	3.5% – 5%	3.5% – 5%	9.0%	9.0%		
– Rate of change on medical costs	–	–	10.0%	10.0%		

Turnover rates are those effectively observed for each age class.

Defined contribution pension plans are mainly composed with retirement advantages, their costs reach €230 million.



## Note 16. Financial liabilities

### ■ Breakdown of financial debt

(in € millions)	2005	2004
Bond issues	6,048	7,361
Other borrowings	1,236	658
Lease finance contracts	241	188
<b>Borrowings and loans (fraction maturing in over 1 year)</b>	<b>7,525</b>	<b>8,207</b>
Non-current financial debt <sup>(1)</sup>	759	810
<b>Non-current financial liabilities</b>	<b>8,284</b>	<b>9,017</b>
Bond issues	1,320	880
Other borrowings and loans	562	109
Lease finance contracts	62	54
<b>Borrowings and loans (fraction maturing in 1 year or less)</b>	<b>1,944</b>	<b>1,043</b>
Current financial debt <sup>(2)</sup>	395	652
Derivative liabilities related to financing	15	3
Spot credit lines	98	77
Short-term bank borrowings	344	314
<b>Current financial liabilities</b>	<b>2,796</b>	<b>2,089</b>
Non-current hedging financial assets	(100)	(131)
Other financial assets	(259)	(183)
<b>Financial debt</b>	<b>10,721</b>	<b>10,792</b>
Cash equivalents	(2,276)	(2,320)
Cash	(610)	(517)
<b>Net financial debt</b>	<b>7,835</b>	<b>7,955</b>

### Schedule of financial debt as at December 31

(in € millions)	2005	2004
Less than 1 year	2,721	1,883
1-5 years	5,694	6,156
Over 5 years	2,306	2,753
<b>Financial Debt</b>	<b>10,721</b>	<b>10,792</b>

(1) As indicated in the accounting policies, non-current financial debt corresponds to the put options granted to minority shareholders, which may be exercised after one year. They mainly concern subsidiaries of the Franprix/Leader Price group (for 2004 and 2005) and Vindémia (for 2005 only).

(2) As indicated in the accounting principles and methods, current financial debt corresponds to the put options granted to minority shareholders, which may be exercised in less than one year. They mainly concern subsidiaries of the Franprix/Leader Price group. As of December 31, 2004, this item also includes liabilities relating to assigned receivables not to be de-recognized under IFRS, which amounted to €307 million.

## ■ Financial debt detail

	Currency	Interest rate	Effective interest rate	Amount in € millions	Maturity	Due date
<b>BOND BORROWINGS</b>						
Rallye 1999 2006 bond	EUR	fixed 4.625%	4.75%	270	7 years	march 2006
Rallye 2001 <sup>(1)</sup> 2006 exchangeable bond	EUR	fixed 3.250%	8.18%	460	5 years 6 months	june 2006
Rallye 2003 <sup>(2)</sup> OCEANE 2008	EUR	fixed 3.750%	7.87%	264	5 years	jan. 2008
Rallye 2003 <sup>(3)</sup> 2013 exchangeable bond	EUR	fixed 3.250%	6.91%	300	10 years 3 months	july 2013
Rallye 2004 2009 bond	EUR	fixed 5.375%	5.58%	500	5 years	jan. 2009
Rallye 2004 2011 bond	EUR	fixed 5.625%	5.82%	500	7 years	oct. 2011
HMB 2000 <sup>(4)</sup> 2008 Zéro coupon bond	EUR	variable E3M +0.40%		183	8 years	june 2008
Casino 1999 2006 bond	EUR	fixed 4.750%	4.89%	454	7 years	july 2006
Casino 2003 2006 Italian private placement	EUR	fixed 0.100%	0.10%	30	3 years	nov. 2006
Casino 2004 <sup>(5)</sup> 2007 linked bond	EUR	variable E3M +0.45%	2.82%	81	2 years 3 months	march 2007
Casino 2004 <sup>(5)</sup> 2008 linked bond	EUR	variable E3M +0.60%	2.93%	78	3 years 3 months	march 2008
Casino 2004 <sup>(5)</sup> 2009 linked bond	EUR	variable E3M +0.725%	3.04%	76	4 years 3 months	march 2009
Casino 2002 2007 bond	EUR	fixed 5.875%	5.96%	500	4 years 11 months	nov. 2007
Casino 2001 2008 bond	EUR	fixed 6.000%	6.13%	1,100	7 years	march 2008
Casino 2002 2009 private placement	USD	fixed 5.920%	5.92%	10	7 years	nov. 2009
Casino 2002 <sup>(6)</sup> 2009 bond	EUR	fixed 5.452%	5.46%	475	7 years	june 2009
Casino 2003 2010 bond	EUR	fixed 5.250%	5.36%	500	7 years	april 2010
Casino 2002 2011 private placement	USD	fixed 6.460%	6.56%	255	9 years	nov. 2011
Casino 2004 2011 bond	EUR	fixed 4.750%	4.81%	400	7 years	july 2011
Casino 2002 2012 bond	EUR	fixed 6.000%	6.13%	700	10 years	feb. 2012
Casino 2002 2007 bond	USD	variable		50	5 years	2007
<b>Total bond borrowings</b>				<b>7,186</b>		

	Currency	Rate	Amount in € millions	Maturity	Due date
<b>BANK BORROWINGS</b>					
Alpétrol Structured loan	EUR	fixed	100	4 years	nov. 2006
HMB Structured loan	EUR	variable	112	5 years 3 months	july 2007
Rallye Structured loan	EUR	variable	240	5 years	july 2010
Cobivia Structured loan	EUR	variable	200	5 years	july 2010
Casino Syndicated loan	EUR	variable	34	8 years	feb. 2007
Casino Syndicated loan	EUR	variable	14	8 years	feb. 2007
Casino Bank loan	EUR	variable	100	6 years	sept. 2007
Casino Structured loan	EUR	fixed	162	5 years	dec. 2006
Casino Miscellaneous Bank borrowings <sup>(7)</sup>	EUR		563		
<b>Total bank borrowings</b>			<b>1,525</b>		
Fair value adjustment, to be amortized			105		
Accrued interest on loans			204		
Change in the fair value of debt			29		
Derivative instruments – Fair value of debt			90		
Derivative assets			(359)		
Commitments made to minority interests (Puts)			1,079		
Loans taken on lease finance			303		
Other borrowings and loans			118		
Short-term bank borrowings and spot credit lines			442		
<b>TOTAL FINANCIAL DEBT</b>			<b>10,722</b>		

(1) Bond exchangeable for Casino common shares issued by Rallye for an amount of €460 million. Bonds may be redeemed in cash on June 30, 2006 and carry an exchange option, which may be exercised at any time at the choice of the bearer from January 31, 2003 up until June 30, 2006 against 1.0196 Casino common shares on hand. The number of bonds outstanding as at December 31, 2005 was 3,382,353.

(2) Bonds convertible or exchangeable into Rallye shares at the rate of 1.02 shares for 1 bond, redeemable at the latest on January 1, 2008 at 109.7% of par value. The par value of the issue totals €264 million. The number of bonds outstanding as at December 31, 2004 was 6,011,362.

(3) Bonds exchangeable for Casino common shares issued by Rallye for an amount of €300 million. Bonds may be redeemed in cash at the latest on July 1, 2013, at 119.07% of par value and carry an exchange option, which may be exercised at any time at the choice of the bearer up until July 1, 2013 against 1 Casino common share. Rallye has an early redemption option that can be exercised as of July 1, 2006. Bondholders have an early redemption option that can be exercised on July 1, 2008 and July 1, 2011.

(4) Bond issue consisting of €150 million in par value and €33 million in capitalized interests.

(5) On December 23, 2004, Casino, Guichard-Perrachon issued three series of bonds indexed on the market price for Casino shares, for a total amount of €236 million. The three series amount to: €81 million, €78 million, and €76 million, with maturity dates set, respectively, at March 30, 2007, March 30, 2008 and March 30, 2009. The redemption price for these bonds is indexed on the stock market price for Casino common shares: with a minimum amount of €60 million, and a maximum of €280 million. The debt is recorded on the balance sheet for the discounted present value of the maximum redemption amount. The indexation on the stock market price for Casino common shares is recorded as a derivative asset instrument at its fair value. Any change in fair value is recorded in income.

(6) In June 2002, Casino, Guichard-Perrachon issued bonds for an amount of €559 million, maturing in seven years. This bond issue was fully subscribed by Finovadis SNC, a partnership which is 99% owned by a bank, and 1% owned by Casino, Guichard-Perrachon. In accordance with the principles described in the section entitled 'Scope of consolidation', the share of the issue which was financed by outside investors constitutes an external debt for the Group, and appears in the financial statements as a loan in the amount of €475 million (i.e., par value €400 million +capitalized interest).

(7) Miscellaneous bank borrowings consisting of a large number of loans with maturities mostly at less than one year.

### ■ Other information on the risk of financial debt likely to become payable

Bonds issued by the Group include commitment and default clauses typically found in this type of contract, such as borrowing clauses granting to the bondholder the same guarantees that could be given in later issues (*pari passu*), ceilings on guarantees granted to other lenders (negative pledge) and cross defaults.

Public bond issues on the euro market contain no commitments relating to financial ratios.

Rallye: in the context of certain bank borrowings and confirmed credit lines, Rallye has committed itself to respecting certain financial ratios (consolidated EBITDA/consolidated net financial

expenses and minimum company equity) at each accounts closing date, until the term of the contracts.

Casino: confirmed medium-term bank credit lines and the private placement carried out in 2002 in the United States include an early redemption clause in the event that targets for any of the following financial ratios are not achieved when the financial statements are closed: consolidated net financial debt/consolidated EBITDA and consolidated net financial debt/consolidated shareholders' equity.

Confirmed short-term bank credit lines contain no commitments relative to financial ratios.

As at December 31, 2005, the Group achieved its targets and fulfilled its legal commitments.

### ■ Interest rate risk

(in € millions)	< 1 year	1 to 5 years	> 5 years	Total
Bond borrowings	1,499	3,499	2,155	7,153
Bank loans	1,326	314	3	1,643
Leasing	140	107	56	303
Other debts	442			442
Assignment of receivables	29			29
<b>TOTAL LIABILITIES</b>	<b>3,436</b>	<b>3,920</b>	<b>2,214</b>	<b>9,570</b>
Cash equivalents	2,311			2,311
Cash	576			576
<b>TOTAL ASSETS</b>	<b>2,887</b>			<b>2,887</b>
<b>NET POSITION BEFORE RISK MANAGEMENT</b>	<b>549</b>	<b>3,920</b>	<b>2,214</b>	<b>6,683</b>
Interest rate swaps – paying fixed rate	4,399	(3,044)	(1,355)	
Interest rate swaps – receiving fixed rate	(1,300)	1,200	100	
Options				
<b>Off-balance-sheet</b>	<b>3,099</b>	<b>(1,844)</b>	<b>(1,255)</b>	<b>0</b>
<b>NET POSITION AFTER RISK MANAGEMENT</b>	<b>3,648</b>	<b>2,076</b>	<b>959</b>	<b>6,683</b>
Cash elements not exposed to rate risk				1,152
Net debt				7,835
Net position to roll-over in less than one year		3,648		
1% change		36		
Average residual maturity until the end of the year		0.87		
Change in financial expenses		32		
Net financial charges		370		
Impact of change in financial expenses/financial charges		8.58%		

### ■ Hedge accounting

The Group uses fair value hedge accounting to recognize the derivative financial instruments it uses to hedge its exposure to interest rate risk on borrowings and loans issued at a fixed rate. The purpose of these instruments is to hedge part of the risk of changes in the fair value of the underlying asset due to interest

rate risk on fixed-rate borrowings.

The Group does not use hedge accounting for its currency forward purchases.

The fair value of the derivative financial instruments used for hedge accounting amounted to €166 million, as at December 31, 2005.

### ■ Fair value of financial instruments

The table below provides a comparison of the carrying amount of financial assets and liabilities recognized in the balance sheet with their fair value.

The fair value of listed financial instruments is based on their quoted stock market price at the balance sheet date. The fair value of unlisted financial instruments is determined on the

basis of the stock market price of listed instruments which are similar in nature, and are adjusted as appropriate. For other unlisted instruments, fair value is determined using valuation techniques such as those used for options or using the discounted cash flow method. The models use assumptions which are supported by market data.

(in € millions)	Carrying amount		Fair value	
	2005	2004	2005	2004
<b>ASSETS</b>				
Investment in associates	551	1,275	807	1,546
Financial assets	752	959	752	959
Trade receivables	1,227	1,014	1,227	1,014
Derivative asset instruments	359	314	359	314
Other receivables	1,051	816	1,051	816
Cash and cash equivalents (assets)	2,887	2,837	2,887	2,837
<b>LIABILITIES</b>				
Borrowings and loans	9,537	9,316	9,901	9,798
Derivative liability instruments	90	93	90	93
Other financial debt	1,079	1,372	1,079	1,372
Trade payables	3,925	3,312	3,925	3,312
Cash and cash equivalents (liabilities)	374	325	374	325
Other debt	459	458	459	458

### Note 17. Other non-current debt

Other non-current debt corresponds to debt which matures in more than twelve months. It amounted to €40 million and included a derivative instrument of €16 million relating to a commitment to purchase shares.

### Note 18. Other current debt

(in € millions)	2005	2004
Debt on fixed assets	171	127
Current accounts of non-consolidated companies	74	134
Tax and social security liabilities	1,045	1,067
Miscellaneous debt	521	315
Financing of the credit business	394	278
Unearned revenue	28	19
Unhedged derivative liabilities	15	46
<b>Other current debt</b>	<b>2,248</b>	<b>1,986</b>

## Note 19. Assets and liabilities held for sale

On October 17, 2005 the Casino group announced the sale of thirteen warehouses located throughout France, representing a total of 418,000 square meters, to Mines de la Lucette (a Morgan Stanley Real Estate Fund).

Twelve of the thirteen warehouses are being leased back under commercial leases by Easydis, the Casino group's wholly-owned logistics subsidiary. The majority of the leases have an initial fixed term of nine years. Under the terms of IAS 17, these

contracts qualify as operating leases.

The sale was finalized on April 3, 2006.

The transaction resulted in the following accounting treatment in the second half of 2005:

- reclassification of assets held for sale in the amount of €115 million;
- reclassification of liabilities associated with the assets held for sale, amounting to €58 million.

## Note 20. Segment reporting

### ■ Primary segment: business

The business segment “Food and general retailing” corresponds to the Casino sub-group, the segment “Sporting goods retailing” concerns the Groupe Go Sport sub-group and the segment “Other activities” corresponds to the holding business and financial investment portfolio.

(in € millions)	Food and general retailing	Sporting goods retailing	Other activities	Total 2005
<b>Segment net sales</b>	<b>22,806</b>	<b>723</b>	<b>6</b>	<b>23,535</b>
Operating income before depreciation, amortization, provisions and interest	1,567	13	3	1,583
Asset depreciation and amortization	(521)	(20)		(541)
Provisions, including goodwill impairment	(16)	(1)	(4)	(21)
<b>Segment income or loss</b>	<b>1,031</b>	<b>(8)</b>	<b>(1)</b>	<b>1,022</b>
Net income from companies accounted for by the equity method	14		2	16
Net carrying amount of segment assets	20,614	400	1,425	22,439
Shares of companies accounted for by the equity method	550		1	551
<b>Total consolidated assets</b>	<b>21,163</b>	<b>400</b>	<b>1,426</b>	<b>22,990</b>
<b>Total consolidated liabilities</b>	<b>14,527</b>	<b>297</b>	<b>3,327</b>	<b>18,151</b>
Cost of investments	2,266	21		2,287
Average workforce	141,586	5,849	85	147,520

Segment income or loss includes goodwill impairment, but excludes other income and expenses from operations, which amounted to an expense of €274 million, including a €290 million expense for “Food and general retailing” and income of €16 million for “Other activities”.

(in € millions)	Food and general retailing	Sporting goods retailing	Other activities	Total 2004
<b>Segment net sales</b>	<b>21,186</b>	<b>648</b>	<b>7</b>	<b>21,841</b>
Operating income before depreciation, amortization, provisions and interest	1,645	11	6	1,662
Asset depreciation and amortization	(474)	(21)		(495)
Provisions, including goodwill impairment	(30)		(2)	(32)
<b>Segment income or loss</b>	<b>1,141</b>	<b>(10)</b>	<b>4</b>	<b>1,135</b>
Net income from companies accounted for by the equity method	32			32
Net carrying amount of segment assets	17,813	372	932	19,117
Shares of companies accounted for by the equity method	1,274		1	1,275
<b>Total consolidated assets</b>	<b>19,087</b>	<b>372</b>	<b>933</b>	<b>20,392</b>
<b>Total consolidated liabilities</b>	<b>14,059</b>	<b>263</b>	<b>2,886</b>	<b>17,208</b>
Cost of investments	1,113	15		1,128
Average workforce	118,479	5,655	90	124,224

Segment income or loss includes goodwill impairment, but excludes other income and expenses from operations, which amounted to an income of €38 million, corresponding to income of €27 million for “Food and general retailing” and of €11 million for “Other activities”.

#### ■ Secondary segment: geographic area

(in € millions)	France	Other European countries	North America	South America	Asia	Indian ocean	Eliminations and items not allocated	Total 2005
Net sales	17,739	866	1,609	1,621	1,282	424	(5)	23,535
Net carrying amount of assets	13,322	1,344	673	2,623	657	645	3,725	22,990
Cost of investments	692	118	39	1,073	66	298		2,287

(in € millions)	France	Other European countries	North America	South America	Asia	Indian ocean	Eliminations and items not allocated	Total 2004
Net sales	17,432	776	1,573	635	1,164	268	(7)	21,841
Net carrying amount of assets	12,616	1,309	536	1,232	588	155	3,956	20,392
Cost of investments	932	49	54	28	59	7		1,128

#### Note 21. Cost of goods sold

(in € millions)	2005	2004
Purchases and changes in inventory	(16,800)	(15,475)
Logistics costs	(933)	(802)
Cost of goods sold	(17,733)	(16,277)

## Note 22. Payroll expenses

(in € millions)	2005	2004
Salaries and wages	1,857	1,711
Employer's contribution	563	520
Profit-based employee incentive	18	40
Employee profit-sharing	36	43
Expenses related to share-based payments	15	13
Other payroll costs	29	41
<b>Payroll costs</b>	<b>2,518</b>	<b>2,368</b>
<b>Payroll costs related to the logistics activity</b>	<b>(249)</b>	<b>(215)</b>
<b>Total payroll expenses</b>	<b>2,269</b>	<b>2,153</b>

## Note 23. Other external expenses

(in € millions)	2005	2004
Advertising costs	363	334
Real estate rental	318	278
Movable goods rental	48	55
Rental service charges	118	102
Maintenance, energy and miscellaneous supplies	488	387
Taxes and levies	311	291
Other miscellaneous expense	1,173	1,082
<b>Other external expense</b>	<b>2,819</b>	<b>2,529</b>
<b>Other expense related to its logistics activity</b>	<b>(658)</b>	<b>(567)</b>
<b>Total other expenses</b>	<b>2,161</b>	<b>1,962</b>

## Note 24. Other income and expenses from operations

(in € millions)	2005	2004
Income from asset disposal	24	10
Tax relief on meat purchases		34
Change in assessment of the fair value of debt	22	
Dilution profit <sup>(1)</sup>	107	34
Miscellaneous	16	23
<b>Other income from operations</b>	<b>169</b>	<b>101</b>
Unwinding of the Cora Equity Swap <sup>(2)</sup>	(302)	
Impairment losses on assets <sup>(3)</sup>	(58)	(13)
Litigation provision and cost (USA)	(13)	
Expenses on Mercialys	(15)	
Loss on CBD	(16)	
Miscellaneous	(39)	(50)
<b>Other expenses from operations</b>	<b>(443)</b>	<b>(63)</b>
<b>Total other income and expenses from operations</b>	<b>(274)</b>	<b>38</b>

(1) This item mainly concerned Mercialys in 2005, and Itau and Sendas in 2004. Under the terms of the contribution agreement signed on August 23, 2005, the Casino group transferred, without retrospective effect, all the buildings of the specialized superstores and shopping malls located on the Casino group's hypermarket and supermarket sites to Mercialys, in the form of a partial contribution of assets. At the same date and under the same conditions, SCI Vendôme Commerces, a real estate subsidiary of AXA, transferred ownership of a shopping center located in Angers. In order to raise funds for strategic growth and to benefit from the corporate tax exemption granted to listed real estate investment trusts, the company decided to float its shares, which raised share capital and issue premiums of €230 million.

The transactions resulted in the Casino group owning a 75.3% stake in Mercialys. The Group recognized a dilution profit of €93 million in its financial statements. This reflected the share subscribed by minority interests of the difference between the contribution value of the property and its historical carrying amount in the consolidated financial statements.

(2) The unwinding of the Cora Equity Swap is described in note 8.

(3) Asset impairment in 2005 mainly concerned a €34 million loss for Laurus (see note 6), and land not used for operating purposes in Poland in the amount of €14 million.



## Note 25. Cost of net financial debt

(in € millions)	2005	2004
Gain from the sale of cash equivalents	33	29
Revenue from cash and cash equivalents	28	13
<b>Income from cash and cash equivalents</b>	<b>61</b>	<b>42</b>
Interest expense on financing activities after hedging	(411)	(367)
Foreign exchange gain or loss on financing activities	(5)	13
Interest expense on lease finance contracts	(15)	(11)
<b>Cost of gross financial debt</b>	<b>(431)</b>	<b>(365)</b>
<b>Cost of net financial debt</b>	<b>(370)</b>	<b>(323)</b>

## Note 26. Other financial income and expenses

(in € millions)	2005	2004
Financial income from investments	4	7
Foreign exchange gains (excluding financing activities)	9	45
Income on discounting calculations	1	1
Income from financial discounting	27	27
Positive change in the fair value of unhedged derivatives	51	25
Other financial income	34	56
<b>Financial income</b>	<b>126</b>	<b>161</b>
Foreign exchange losses (excluding financing activities)	(12)	(50)
Expense on discounting calculations	(16)	(7)
Negative change in the fair value of unhedged derivatives	(13)	(40)
Negative change in the fair value of financial assets assessed at fair value	(3)	(86)
Other financial expenses	(55)	(49)
<b>Financial expenses</b>	<b>(99)</b>	<b>(232)</b>
<b>Total other financial income and expenses</b>	<b>27</b>	<b>(71)</b>

## Note 27. Income tax expense

### ■ Breakdown

(in € millions)	2005	2004
Tax payable	(332)	(290)
Deferred tax	197	(71)
<b>Total income tax</b>	<b>(135)</b>	<b>(361)</b>

### ■ Reconciliation of income tax expense and income before tax

(in € millions)	2005	2004
Net income	287	450
Net income from companies accounted for by the equity method	16	32
Income tax expense	(135)	(361)
<b>Income before tax</b>	<b>406</b>	<b>779</b>
Theoretical income tax expense	(142)	(276)
Theoretical tax rate	34.93%	35.43%
Impact from different tax rates	5	(1)
Net impact of non-deductible, non-taxable income and expenses	(43)	(117)
Effect of tax losses not recognized as assets	(52)	(49)
Effect of the de-recognition of tax losses		(77)
Effect of long-term capital losses not recognized as assets		(1)
Goodwill impairment losses	(12)	
Tax-free income (dilution profits)	39	7
Other non-deductible, non-taxable income and expenses	(18)	3
Miscellaneous tax	45	33
Tax income from the loss of 50% of CBD warrants		30
Exit Tax	5	(2)
Tax income on acquisition costs of CBD shares	6	
Tax income on capital loss on sale of CBD shares at Segisor	21	
Miscellaneous	12	5
<b>Actual tax expense</b>	<b>(135)</b>	<b>(361)</b>

## Note 28. Income from companies accounted for by the equity method

(in € millions)	2005	2004
CBD	10	27
Laurus	(25)	(22)
Exito	12	8
Feu Vert	3	3
Associated companies from Franprix/Leader Price group	13	14
Other	3	2
<b>Income from companies accounted for by the equity method</b>	<b>16</b>	<b>32</b>

For year-on-year comparability, the impairment loss of €34 million booked for Laurus has been classified under “Other expenses from operations”.

## Note 29. Earnings per share

### ■ Weighted average number of shares

	2005	2004
<b>Weighted average number of shares outstanding over the period</b>		
– total number of shares (including 1,397,314 shares issued for dividend payments) <sup>(1)</sup>	38,805,636	38,805,159
– treasury shares (including 33,809 shares received by Soparin and HMB as payment of dividend in shares) <sup>(1)</sup>	(2,624,903)	(3,512,814)
<b>Weighted average number of shares before dilution</b>	<b>36,180,733</b>	<b>35,292,345</b>
Share equivalents from:		
– B share warrants		2,337,660
– C share warrants	1,693,772	1,693,772
– Stock option plan	125,058	512,562
– Theoretical number of shares repurchased at market price <sup>(2)</sup>	(1,818,830)	(4,442,629)
<b>Dilution effect of stock option plans</b>		<b>101,365</b>
– Bonus shares allocation plan	11,863	
<b>Effect of all potentially dilutive shares</b>	<b>11,863</b>	<b>101,365</b>
<b>Weighted average number of shares after dilution</b>	<b>36,192,596</b>	<b>35,393,710</b>

(1) The shares issued in July and November 2005 as payment for the dividend in shares have been accounted for as if the issue had occurred on the first day of the first period presented (January 1, 2004).

(2) In accordance with the treasury stock method, proceeds from the exercise of warrants and options are assumed to be allocated primarily to the repurchase of shares at market value. The theoretical number of shares to be repurchased is deducted from the total number of shares resulting from the exercise of warrants and options. The theoretical number is capped at the number of shares resulting from the exercise of the warrants and options.

### ■ Net income, group's share before dilution

	2005	2004
Net income, group's share (in € millions)	4	85
Weighted-average number of shares outstanding	36,180,733	35,292,345
<b>Per share (in €)</b>	<b>0.10</b>	<b>2.40</b>

Earnings per share of €2.40 reported in 2004 differs from the €2.02 displayed in the semi-annual accounts for 2005. The decrease was due to two factors:

- adjustments to 2004 net income, as described in the note "Transition to IFRS" (increase of €0.47 per share);
- inclusion of new shares issued in connection with the dividend in shares (reduction of €0.09 per share).

### ■ Net income, group's share, after dilution

	2005	2004
Net income, group's share (in € millions)	4	85
Number of shares	36,192,596	35,393,710
<b>Per share, diluted (in €)</b>	<b>0.10</b>	<b>2.39</b>

## Note 30. Contingent assets and liabilities and other contractual obligations

Off-balance-sheet commitments are reported by subsidiaries in the consolidation reporting package. The financial, legal and tax departments, which are involved in preparing the Group's contracts, are responsible for ensuring that the list of commitments stated in the reporting package is complete.

### ■ Commitments related to current operations

(in € millions)	2005	2004
Bank guarantees and securities received	57	11
Receivables with guarantees attached	86	68
Unused confirmed credit facilities <sup>(1)</sup>	3,668	3,966
<b>Total commitments received</b>	<b>3,811</b>	<b>4,045</b>
Bank guarantees and securities granted	137	58
Assets pledged as security <sup>(2)</sup>	108	22
Authorized customer credit reserve <sup>(1)</sup>	1,100	777
Other commitments made	110	129
<b>Total commitments made</b>	<b>1,455</b>	<b>986</b>
Other reciprocal commitments	191	140
<b>Total reciprocal commitments</b>	<b>191</b>	<b>140</b>

(1) Financing commitments (authorized credit lines) granted to customers of Banque du Groupe Casino total €1,100 million. These may be drawn upon at any time. In this report, the commitments fall under the definition authorized by the French Banking Commission for the calculation of ratios, i.e. excluding customers who have been inactive for two years. In addition, an unused €69 million credit line is available to finance credit activities.

(2) Assets pledged as security relate to a mortgage on a store in Argentina, given to the government of the province of Cordoba; a mortgage on land in Taiwan; mortgages on several CBD's buildings given to the Brazilian tax administration and mortgages on various assets and investments in the Indian Ocean region, given to lending institutions.

Otherwise, the Group was subject to a tax audit on the 1998 year. The audit concluded that the recovery of certain tax deficits and the deductibility of a provision for the depreciation of assets were unjustified. The Group has contested these conclusions, and is confident as to the favorable outcome of the case. As a result, no provision has been made to this effect.

As at December 31, 2005, 13,598,359 Casino common shares were pledged to financial institutions as security for loans and credit lines.

The company Al pétrol agreed in December 2002 an Equity Swap Transaction, with a par value of €100 million, with the company HSBC Bank Plc. This financial transaction may give rise to the acquisition by HSBC Bank Plc of Casino common or preferred shares, at the request of Al pétrol.

In the framework of this swap agreement, Al pétrol holds a call option written by HSBC Bank Plc on Casino common or preferred shares, at a price calculated on the basis of their official market price at close of business on the trading day preceding that of the exercise of the purchase option. Under the terms of the option, the total number of Casino common shares which may be bought by Al pétrol may not exceed 1,300,000. This call option may be exercised during the entire life of the swap agreement, or, at the latest, on December 16, 2007.

Al pétrol granted HSBC Bank Plc a put option on Casino preferred shares. The price of the Casino preferred shares is determined on the basis of the official trading price at close of business on the trading day immediately preceding the day of exercise of the put option. This put option may, under certain conditions, be exercised during the entire duration of the swap agreement, i.e., at the latest, on December 16, 2007.

The shares to be loaded under the Equity Swap may be purchased by HSBC Bank Plc from either Rallye or one of its subsidiaries, or on the Market.

The total amount of funds raised by Rallye through this facility may thus reach a maximum of €100 million.

As at December 31, 2005, the Equity Swap mechanism is not loaded.

## ■ Commitments resulting from exceptional operations

(in € millions)	2005	2004
Contingent value rights issued as part of the share exchange offer on Monoprix		27
<b>Total commitments made</b>		<b>27</b>
Deutsche Bank/Cora Equity Swap <sup>(1)</sup>	850	850
Commitments to purchase shares <sup>(2)</sup>	1,404	1,666
Monoprix <sup>(2.1)</sup>	865	861
Franprix/Leader Price <sup>(2.2)</sup>	331	273
Vindémia		324
Disco <sup>(2.3)</sup>	71	59
Other companies <sup>(2.4)</sup>	137	149
Other reciprocal commitments <sup>(3)</sup>	130	
<b>Total reciprocal commitments</b>	<b>2,384</b>	<b>2,516</b>

(1) The off-balance-sheet commitment resulting from the share purchase option mechanism on the Cora Group holding company amounted to €850 million. The option will be exercised on May 2, 2006 and the shares sold to the Louis Delhaize group for the same amount (see note 8).

(2) The contractual valuation of commitments to sell or buy shares may be based on multiples of company profitability indicators. In this instance, their valuation is calculated on the basis of the best information available: the latest figures available, if the option may be exercised at any time; or income expected for the coming years, if the option can only be exercised after a certain date. In many cases, the group granted promises to purchase (puts), but is also the recipient of promises to sell (calls). The figure reported is the value of the promises to purchase granted.

In compliance with IAS 32, the purchase commitments given to fully consolidated subsidiaries are not recognized in off-balance-sheet commitments. They are accounted for as "financial liabilities" at their net present value.

(2.1) Monoprix: the Galeries Lafayette group holds an option to sell its holding of 50% of Monoprix shares. The option may be exercised as of January 11, 2006, until the agreements expire, i.e. on March 20, 2028. Until March 31, 2009, the exercise price will be the higher of either an indexed share price (\*), or the sum of 50% of the indexed share price, plus 50% of an expert valuation. Beginning April 1, 2009, the exercise price will be the expert's valuation. Casino holds a purchase option on 10% of Monoprix at the price set by the expert valuation plus a 21% premium, exercisable as of April 1, 2009 until

the agreements expire. For a period of twelve months as from the exercise date of the Casino share purchase option, Galeries Lafayette will hold an option to sell its residual 40% interest in Monoprix, at the expert price, plus a 21% premium.

The €865 million valuation is estimated on the basis of the minimum indexed price. The price actually paid may be higher. Since the fair value of Monoprix as at December 31, 2005 was higher than the minimum amount payable, no derivative was recognized as a financial instrument.

(\*) The indexed price equals €219 per Monoprix share, plus interest at the three-month EURIBOR rate plus 210 basis points accrued from March 20, 2003, and less the sum of the dividends or other amounts distributed on each Monoprix share between March 20, 2003 and the date of the exercise of the put itself with interest calculated at the same rate.

(2.2) Franprix/Leader Price: options on the shares of a wide variety of companies not yet held by Casino. These purchase commitments run up until 2020 and their price is based on the operating performance of the companies in question.

(2.3) Uruguay: the family shareholders received a purchase commitment granted by Casino on 42% of the company Disco. This option may be exercised until June 21, 2021. Its price is based on the company's operating performance, with a minimum price of USD59 million, plus interest, at the rate of 5% per year.

(2.4) Other purchase commitments granted consist mainly in a purchase commitment granted by Monoprix to Galeries Lafayette, in the amount of €37 million, which may be exercised until January 31, 2008; two purchase commitments on the shares of the company Sendas Distribuidora (Brazil) for an amount of €83 million and a purchase commitment on 3% of Exito capital which was exercised at the beginning of 2006.

The reference shareholders of Exito received a purchase commitment from Casino on 40.41% of share capital. This option may, however, only be exercised if Casino has prior control of the company or prior ability to designate more than half of the members of its Board of Directors.

In addition, the Group has received a commitment to sell on 6.24% of the share capital of Laurus. It may be exercised as of July 1, 2007 and until December 31, 2009. It also has received two commitments to sell relating to the shares of the company Banque du Groupe Casino. The first commitment to sell was exercised at the beginning of January 2006 on 9% of the company's share capital. The second concerns 40% of the company's shares, and may be exercised until June 2025 with 18 months' notice.

(3) The other reciprocal commitments comprise the commitment to contribute or sell thirteen warehouses to Mines de la Lucette for a gross amount of €188 million, less €58 million in debt.

## ■ Commitments relating to finance and operating leases

### Lessee of real estate finance leases

The Group has entered into finance leases for real estate and investment property.

The reconciliation of minimum future lease payments for finance leases and the present value of the net minimum lease payments is as follows:

(in € millions)	2005	
	Minimum payments	Present value of payments
Less than 1 year	61	55
1-5 years	153	128
Over 5 years	171	93
Total minimum payments under the lease	386	
Less financing cost amounts	111	
<b>Present value of minimum payments under the lease</b>	<b>275</b>	<b>275</b>

### Lessee of finance leases on movable assets

The Group has entered into finance leases and rent-to-own agreements for various types of equipment. The reconciliation of the minimum future lease payments for finance leases and the present value of the net minimum lease payments is as follows:

(in € millions)	2005	
	Minimum payments	Present value of payments
Less than 1 year	11	10
1-5 years	19	17
Over 5 years		
Total minimum payments under the lease	30	
Less financing cost amounts	3	
<b>Present value of minimum payments under the lease</b>	<b>27</b>	<b>27</b>

#### Lessee of operating leases on real estate assets

The Group either owns the premises in which its businesses operate, or leases them under operating leases.

The minimum future lease payments payable for operating leases are as follows:

(in € millions)	2005 Minimum payments
Less than 1 year	304
1-5 years	605
Over 5 years	574
<b>Total</b>	<b>1,482</b>

#### Lessee of operating leases on movable assets

The Group has taken out operating leases for various types of equipment, in cases where it was not in the Group's interest to purchase the assets.

The minimum future lease payments for operating leases are as follows:

(in € millions)	2005 Minimum payments
Less than 1 year	27
1-5 years	18
Over 5 years	
<b>Total</b>	<b>46</b>

#### Lessor of operating leases

The minimum future lease payments receivable for operating leases which cannot be terminated are as follows:

(in € millions)	2005 Minimum payments
Less than 1 year	107
1-5 years	136
Over 5 years	17
<b>Total</b>	<b>261</b>

### Note 31. Currency exchange rates

	Rate at beginning of year	Average rate over the year	Rate at year-end
Dollar US	0.734	0.803	0.848
Polish zloty	0.245	0.249	0.259
Hungarian forint	0.004	0.004	0.004
Argentine peso	0.246	0.275	0.279
Uruguay peso	0.028	0.033	0.036
Taiwan dollar	0.023	0.025	0.026
Thai baht	0.019	0.020	0.021
Colombian peso (1,000)	0.306	0.345	0.370
Brazilian real	0.276	0.329	0.364
Venezuelan bolivar (1,000)	0.382	0.381	0.394

### Note 32. Exchange rate risk

The Group uses various financial instruments to manage its exposure to exchange rate risk. The main instruments are swaps and currency forward sales and purchases. All of these transactions are strictly used for hedging purposes.

### Note 33. Transactions with related parties

Related parties include:

- parent companies;
- entities which exercise joint control or notable influence over the entity;
- subsidiaries;
- associates;
- joint ventures;
- members of the Board of Directors and Executive Board.

The transactions with related parties summarized below mainly concern the operational transactions with companies that are between 33.34% and 50% owned, and over which the Group exercises notable influence. These companies are consolidated

under the equity method or are proportionately consolidated. The transactions are concluded at market price.

Transactions with related parties who are natural persons (directors, executive officers and members of their family) were not material, nor were transactions with the parent companies.

#### ■ Transactions with the parent company

The financial statements of the Rallye group are integrated in the consolidated financial statements prepared by the company Foncière Euris, whose registered office is located at 83, rue du Faubourg-Saint-Honoré – 75008 Paris.

The fiscal year of Foncière Euris ended on December 31, 2005. There were no transactions made between the Rallye group and Foncière Euris during 2005.

#### ■ Transactions with joint ventures and associates

(in € millions)	2005		2004	
	Transactions amount	Balances amount	Transactions amount	Balances amount
<b>Total transactions with joint ventures</b>				
Loans		3		3
Receivables	11	15	2	4
Debts	8	40	13	32
Charges	38		23	
Products	27		11	
<b>Total transactions with associates</b>				
Loans				
Receivables	59	139	(13)	80
Debts		2	1	2
Charges				
Products	10		8	

#### ■ Gross remuneration of directors and executive officers

(in € millions)	2005	2004
Amount of remuneration granted	3	2
Short-term benefits		
Post-employment benefits		
Other long-term benefits		
Termination benefits for key management personnel		
<b>Total</b>	<b>3</b>	<b>2</b>

(in number of options or shares)	2005	2004
<b>Options or shares granted over the year:</b>		
Share purchase options (held by management bodies)		
Share subscription options	98,513	98,850
Bonus shares	11,346	



# List of major companies consolidated

as at December 31, 2005

Companies	Countries or identification number	% of interest	% of control	Consolidation method
<b>FOOD AND GENERAL RETAILING</b>				
Actimmo SCI		48.05	100.00	Full
Acos SNC	383 302 668	48.05	100.00	Full
Asinco SA (groupe Franprix et Leader Price)	343 045 316	48.05	100.00	Full
Baud SA	414 265 165	45.64	100.00	Full
Balcadis 2 SNC		48.05	100.00	Full
Béguines (Les) SCI	312 730 369	48.05	100.00	Full
Bonuela	Venezuela	48.05	100.00	Full
Bourg en Bresse Kennedy SCI	431 412 113	34.90	96.47	Full
Cash Corses SNC		48.05	100.00	Full
Casiband SAS	411 021 512	4.80	10.00	Full
Casino Carburants SAS	428 267 942	48.05	100.00	Full
Casino Information Technology SAS	444 524 177	48.05	100.00	Full
Casino Services SAS	428 267 249	48.05	100.00	Full
Casino USA Inc.	United States	47.92	99.74	Full
Casino Vacances SNC	414 047 852	48.05	100.00	Full
Casino, Guichard-Perrachon SA	554 501 171	48.05	62.49	Full
Cativen	Venezuela	28.92	50.01	Full
CBD (Companhia Brasileira de Distribuição – société cotée)	Brazil	16.46	50.00	Proportional
Club Avantages SAS	409 864 683	31.71	66.00	Proportional
Codim 2 SA (Groupe Codim)	400 594 412	48.05	100.00	Full
Cogeleader		18.38	51.00	Full
Comacas SNC	428 270 003	48.05	100.00	Full
DBA		18.38	51.00	Full
Devoto	Uruguay	45.67	95.05	Full
Dinetard SCI	315 999 029	48.05	100.00	Full
Distribution Casino France SAS	428 268 023	48.05	100.00	Full
Distribution Leader Price SNC	384 846 432	36.03	100.00	Full
Distridyn SA	325 366 334	24.02	49.99	Proportional
Easydis SAS	383 123 874	48.05	100.00	Full
EMC Distribution SAS	428 269 104	48.05	100.00	Full
Espace Gdansk SARL	Poland	48.05	100.00	Full
Exim		16.34	34.00	Proportional
Far Eastern Géant Company Ltd	Taiwan	24.02	50.00	Proportional
Fidis 2 SNC		48.05	100.00	Full
Finovadis SNC	441 788 569	0.48	1.00	Full
Floréal SA	950 405 928	48.05	100.00	Full
Fox SA	428 638 084	47.90	99.70	Full
Franprix Holding SA	955 200 621	45.64	95.00	Full
Fructidor SNC		48.05	100.00	Full
Géant Argentina	Argentina	48.05	100.00	Full
Géant Inversiones	Uruguay	48.05	100.00	Full
Géant Polska	Poland	48.05	100.00	Full
Geimex SA		24.02	49.99	Proportional
Germinal SNC	352 710 586	47.95	99.80	Full
Groupe Anfilco (Disco)	Uruguay	24.02	50.00	Proportional
Groupe Big C	Thailand	30.34	63.15	Full
Groupe Cogefisd	377 563 648	28.83	60.00	Full
Groupe Exito	Colombia	17.10	35.59	Equity method



Companies	Countries or identification number	% of interest	% of control	Consolidation method
Groupe Feu Vert	327 359 980	18.26	38.00	Equity method
Groupe Figeac	344 316 708	28.83	60.00	Full
Groupe International Fruit France SAS (Casitalia)		48.05	100.00	Full
Groupe Leadis	n.a.	24.50	51.00	Full
Groupe Minimarché	n.a.	45.64	100.00	Full
Groupe Monoprix	552 018 020	24.02	50.00	Proportional
Groupe Retail Leader Price	n.a.	36.03	100.00	Full
Groupe Vindémia SA	Indian Ocean	33.63	70.00	Full
Groupe Sofigep	338 884 976	28.11	58.50	Full
H2A	437 812 316	28.83	60.00	Full
Hodey SA		48.01	99.92	Full
Hyper Rocade 2 SNC		48.05	100.00	Full
Immobilière Groupe Casino Services SAS		48.05	100.00	Full
IRTS SARL	Switzerland	24.02	50.00	Proportional
Kerbernard SCI	777 501 396	35.57	98.31	Full
LCI	418 398 764	28.83	60.00	Full
Lanin	Uruguay	45.67	95.05	Full
Larenco	Uruguay	48.05	100.00	Full
Laurus NV	Netherlands	21.62	44.99	Equity method
Leader Price Argentina SA	Argentina	48.05	100.00	Full
Leader Price Holding SA	419 695 341	36.03	75.00	Full
Leader Price Pologne	Poland	48.05	100.00	Full
Lecogest		18.38	51.00	Full
Libertad SA	Argentina	48.05	100.00	Full
Lion de Toga 2 SNC		48.05	100.00	Full
L'Immobilière Groupe Casino SAS	428 269 856	48.05	100.00	Full
Magasins Jean SAS	303 469 332	100.00	100.00	Full
Marushka Holding BV	Netherlands	48.05	100.00	Full
Masmanidis		48.05	100.00	Full
Mercialys SA		36.18	75.30	Full
Mercialys gestion SAS		36.18	100.00	Full
Messidor SNC	351 601 745	47.95	99.80	Full
Nésitic SAS	428 250 732	47.47	51.29	Full
NRG	Poland	48.05	100.00	Full
Océan (De l') SCI	440 601 995	48.05	100.00	Full
Opéra SCI	433 908 068	24.02	50.00	Proportional
Pacam 2 SNC		48.05	100.00	Full
Plateau des Glières SCI		48.05	100.00	Full
Poretta 2 SNC		48.05	100.00	Full
Prical 2 SNC		48.05	100.00	Full
Pro Distribution		18.26	60.00	Full
Prodis 2 SNC		48.05	100.00	Full
RLP Investissement SA	392 077 954	36.03	100.00	Full
Régie Média Trade SAS	428 251 862	24.02	50.00	Proportional
RMC 2 SNC	400 319 661	48.05	100.00	Full
Saowanee	Thailand	48.05	100.00	Full
Sarjel	389 376 023	28.83	60.00	Full
Sédifrais SA	341 500 858	37.02	100.00	Full
Sémafrac SNC		48.05	100.00	Full

Companies	Countries or identification number	% of interest	% of control	Consolidation method
Serca SAS	325 079 457	48.05	100.00	Full
Smart & Final Inc. (SFI)	United States	27.15	56.64	Full
SMNA SNC		48.05	100.00	Full
Société française d'Exploitation d'Hyper et de Supermarchés SA		48.05	100.00	Full
Socogem		14.41	50.00	Full
Sodemad SAS		48.05	100.00	Full
Soderip SNC	389 737 305	48.05	100.00	Full
Sodico 2 SNC		48.05	100.00	Full
Sodigestion	441 740 917	28.83	60.00	Full
Spice 2000 Investment SA	Brazil	48.05	100.00	Full
Spice Investments Mercosur SA	Uruguay	48.05	100.00	Full
Sudéco SAS	348 877 044	48.05	100.00	Full
Sudis 2 SNC		48.05	100.00	Full
Thor SNC	383 124 104	48.05	100.00	Full
Toulon Bon Rencontre SCI		34.97	96.67	Full
TPLM SARL	326 590 775	48.05	100.00	Full
Uranie SAS	380 236 547	48.05	100.00	Full
Unigros 2 SNC		48.05	100.00	Full
Vieri		33.06	50.00	Full
<b>HOLDING COMPANIES</b>				
Alpétrol SAS	325 337 475	100.00	100.00	Full
Bergsaar BV	Netherlands	48.05	100.00	Full
Bruyère (La) SA	409 961 950	67.00	67.00	Full
Parfonds SAS	437 868 409	100.00	100.00	Full
Casino International SAS	424 064 780	48.05	100.00	Full
Clearfringe LTD	Great Britain	100.00	100.00	Full
Cobivia SAS	318 906 146	100.00	100.00	Full
Coboop BV	Netherlands	48.05	100.00	Full
Cuersup SA	420 233 983	47.99	99.88	Full
Euristates Inc.	United States	23.28	38.80	Equity method
Finaviv SAS	439 207 853	100.00	100.00	Full
Géant Foncière BV	Netherlands	48.05	100.00	Full
Géant Holding BV	Netherlands	48.05	100.00	Full
Géant International BV	Netherlands	48.05	100.00	Full
Gelase SA	Belgium	48.05	100.00	Full
HMB SAS	582 079 679	100.00	100.00	Full
Kerrous SAS	349 920 454	100.00	100.00	Full
Matignon Neuilly SAS	398 352 153	100.00	100.00	Full
Matignon-Tours SAS	409 530 235	60.00	60.00	Full
Mermoz Kléber SAS	433 586 138	100.00	100.00	Full
MFD Inc. (ex Athlete's Foot Group Inc.)	United States	100.00	100.00	Full
Miramont Finance & Distribution SA	328 276 324	100.00	100.00	Full
Montech SAS	432 223 477	100.00	100.00	Full
Montparnet SAS	432 309 227	100.00	100.00	Full
OCP SAS	572 016 681	100.00	100.00	Full
Pachidis SA	420 233 777	48.05	100.00	Full
Paglop SA	428 250 898	48.05	100.00	Full

Companies	Countries or identification number	% of interest	% of control	Consolidation method
Parande Développement SAS	433 586 229	100.00	100.00	Full
Parande SAS	414 838 615	100.00	100.00	Full
Parande Ventures (partnership)	United States	99.00	99.00	Full
Parantech Expansion SAS	433 584 232	100.00	100.00	Full
Parantech SAS	432 147 676	100.00	100.00	Full
Parcade SAS	413 357 864	100.00	100.00	Full
Plesia SA	420 233 850	48.05	100.00	Full
Ségisor SA	423 944 677	48.05	100.00	Full
Smilodon SA	423 944 529	48.05	100.00	Full
Soparin SAS	348 637 869	100.00	100.00	Full
Sybellia SAS	420 504 680	100.00	100.00	Full
Syjiga SAS	425 090 032	100.00	100.00	Full
Tevir SA	428 268 874	48.05	100.00	Full
<b>NEW ACTIVITIES</b>				
Banque du Groupe Casino SA	434 130 423	24.50	51.00	Proportional
Casino Entreprise SAS	422 919 548	48.05	100.00	Full
C'Discount SA	424 059 822	37.23	66.67	Full
Imagica SAS	420 233 843	48.05	100.00	Full
Komogo SA	420 233 751	48.05	100.00	Full
Store Consumer Finance FCC	France	24.50	51.00	Proportional
<b>REAL ESTATE</b>				
Buissières (Les) SAS	067 500 397	75.86	100.00	Full
Genty Immobilier SAS	324 309 699	100.00	100.00	Full
Kergorju SCI	323 354 589	100.00	100.00	Full
Matignon Sablons SAS	392 712 816	100.00	100.00	Full
Matimmob 1 SAS	405 262 817	100.00	100.00	Full
Perrières (Des) SCI	342 781 093	100.00	100.00	Full
Sables (Les) SCI	348 637 869	62.50	62.50	Full
Sivigral SCI	308 697 499	40.00	40.00	Equity method
Alexa Group GmbH	Germany	27.00	50.00	Proportional
Alexanderplatz Voltairestrasse GmbH	Germany	54.00	54.00	Full
<b>RESTAURANTS</b>				
Casino Cafétéria SAS	342 043 528	48.05	100.00	Full
Restauration Collective Casino SAS	440 322 808	48.05	100.00	Full
<b>SPORTS GOODS RETAILING</b>				
Club Sports Diffusion SA	Belgium	75.76	99.87	Full
Courir France SAS	428 559 967	75.86	100.00	Full
Delort Sports SARL	344 720 115	75.86	100.00	Full
Go Sport France SAS	428 560 031	75.86	100.00	Full
Go Sport Hungary KFT	Hungary	75.86	100.00	Full
Go Sport International SAS	428 560 221	75.86	100.00	Full
Go Sport Les Halles SNC	329 021 463	75.86	100.00	Full
Go Sport Polska SP	Poland	75.86	100.00	Full
Gosport.com SAS	431 734 193	75.86	100.00	Full
Grand Large Sport SAS	412 271 421	75.86	100.00	Full
Groupe Go Sport SA	958 808 776	75.86	80.44	Full
Limpart Investments BV	Netherlands	75.86	100.00	Full



## Transition to IFRS

### Impact on the 2004 consolidated balance sheet and income statement

Reconciliations of the French GAAP and IFRS financial statements as at January 1 and December 31, 2004 were presented in the 2004 Annual Report. The following tables reflect minor adjustments to the amounts reported in the 2004 Annual Report, mainly concerning financial income and expense and the reclassification of €1,192 million between non-current financial liabilities and current financial liabilities.

The financial statements for 2004 were also adjusted to account for the purchase commitments given to minority shareholders. In accordance with IAS 32, the put options granted to fully consolidated subsidiaries were recognized as financial liabilities at their discounted present value if the price was pre-set, and at fair value if the price was variable, in accordance with the recent conclusions reported by IFRIC. In compliance with the IFRIC position, the Group adjusted its 2004 financial statements to account for the variable part of its put options, by raising financial liabilities by €61 million and goodwill by €74 million, and by deducting the €13 million present value adjustment from financial expense.

In accordance with IAS 39, the value of derivatives was also adjusted in 2004, leading to a reduction in shareholders' equity of €13 million and an increase in financial income and expense of €11 million.

## ■ IFRS financial statements

### 2004 Income statement – transition from French GAAP to IFRS

(in € millions)	2004 French GAAP presented in IAS/IFRS format	Notes	IAS/IFRS adjustments  Annual report 2004	IAS/IFRS definitive adjustments	IAS/IFRS 2004
Sales	23,835	2	(1,994)	(1,994)	21,841
Other revenue		2	238	243	243
<b>Total revenue</b>	<b>23,835</b>		<b>(1,756)</b>	<b>(1,751)</b>	<b>22,084</b>
Cost of goods sold	(17,345)	1 and 2	1,115	1,068	(16,277)
<b>Gross margin</b>	<b>6,490</b>		<b>(641)</b>	<b>(683)</b>	<b>5,807</b>
Payroll expenses	(2,373)	1 and 3	217	220	(2,153)
External expenses	(2,461)	1	467	499	(1,962)
Depreciation, amortization and provisions	(577)	1	8	20	(557)
<b>Current operating income</b>	<b>1,079</b>		<b>51</b>	<b>56</b>	<b>1,135</b>
Other income and expenses from operations	(154)	1	193	192	38
<b>Operating income</b>	<b>925</b>		<b>244</b>	<b>248</b>	<b>1,173</b>
Cost of net financial debt	(295)	1	(25)	(28)	(323)
Other financial income and expenses	73		(149)	(144)	(71)
Income tax expense	(344)	1 and 4	(22)	(17)	(361)
Income from companies accounted for by the equity method	38		(5)	(6)	32
<b>Net income before income from discontinued operations</b>	<b>397</b>		<b>43</b>	<b>53</b>	<b>450</b>
After-tax income from discontinued operations					
<b>Net income</b>	<b>397</b>		<b>43</b>	<b>53</b>	<b>450</b>
Group's share	55		16	30	85
Minority interests	342		27	23	365

Consolidated balance sheet, as at December 31, 2004 – transition from French GAAP to IFRS

(in € millions)	2004 French GAAP presented in IAS/IFRS format	Notes	IAS/IFRS adjustments  Annual report 2004	IAS/IFRS definitive adjustments	IAS/IFRS 2004
<b>ASSETS</b>					
Goodwill	1,573	5 and 9	3,831	3,904	5,477
Intangible assets	4,054	5 and 9	(3,776)	(3,777)	277
Property, plant and equipment	4,155	6, 7 and 9	577	572	4,727
Investment property		8	590	591	591
Interests in associated companies	1,005	10	260	270	1,275
Non-current financial assets	593	11	361	366	959
Non-current financial hedging assets				131	131
Deferred tax assets	159	4	(10)	(18)	141
Other non-current assets		3	14	15	15
<b>Non-current assets</b>	<b>11,539</b>		<b>1,847</b>	<b>2,054</b>	<b>13,593</b>
Inventories	2,133	2	(237)	(236)	1,897
Trade receivables	952	11	297	62	1,014
Other receivables	846	1	(167)	(30)	816
Current tax credit				49	49
Other financial assets		11	282	183	183
Cash and cash-equivalents	3,077	11	(219)	(240)	2,837
Assets held in view of sale				3	3
<b>Current assets</b>	<b>7,008</b>		<b>(44)</b>	<b>(209)</b>	<b>6,799</b>
<b>TOTAL ASSETS</b>	<b>18,547</b>		<b>1,803</b>	<b>1,845</b>	<b>20,392</b>

(in € millions)	2004 French GAAP presented in IAS/IFRS format	Notes	IAS/IFRS adjustments  Annual report 2004	IAS/IFRS definitive adjustments	IAS/IFRS 2004
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>					
Share capital	112				112
Issuing premium	1,131		1	1	1,132
Consolidated reserves	3,216		(1,772)	(1,781)	1,435
Translation differences	(1,514)		1,569	1,569	55
Consolidated net income	397		43	53	450
<b>Shareholders' equity</b>	<b>3,342</b>	<b>11</b>	<b>(159)</b>	<b>(158)</b>	<b>3,184</b>
<i>Group's share</i>	<i>778</i>		<i>339</i>	<i>341</i>	<i>1,119</i>
<i>Minority interests</i>	<i>2,564</i>	<i>11</i>	<i>(498)</i>	<i>(499)</i>	<i>2,065</i>
Long-term provisions	162	11	(60)	(47)	115
Financial liabilities	9,026	7 and 11	1,119	(9)	9,017
Other non-current liabilities				13	13
Deferred tax liabilities	60	4	426	414	474
<b>Non-current liabilities</b>	<b>9,248</b>		<b>1,485</b>	<b>(1,114)</b>	<b>9,619</b>
Short-term provisions	212		(10)	(23)	189
Trade payables	3,313		1	(1)	3,312
Current financial liabilities	410	11	487	1,679	2,089
Current taxes due				13	13
Other current liabilities	2,022		(1)	(36)	1,986
Liabilities held in view of sale					
<b>Current liabilities</b>	<b>5,957</b>		<b>477</b>	<b>1,155</b>	<b>7,589</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>18,547</b>		<b>1,803</b>	<b>1,845</b>	<b>20,392</b>

## Reconciliation of shareholders' equity, as at January 1 and December 31, 2004

Impacts after deferred tax (in € millions)	01/01/ 2004	Treasury stock	Dividend payouts	Translation difference	Change in minorities	Others transactions	12/31/ 2004	Net income for the year	Total
Shareholders' equity, group's share – French GAAP	785	(6)	(61)	29	(2)	(22)	723	55	778
Minority interests – French GAAP	2,537	(43)	(180)	6	(83)	(15)	2,222	342	2,564
<b>Total shareholders' equity – French GAAP</b>	<b>3,322</b>	<b>(49)</b>	<b>(241)</b>	<b>35</b>	<b>(85)</b>	<b>(37)</b>	<b>2,945</b>	<b>397</b>	<b>3,342</b>
Incorporation of trade cooperation payments into inventories	(114)			(1)			(115)	(17)	(132)
Change in amortization period for buildings	250			5			255	25	280
Land revaluation in France	495						495		495
Reclassification of intangible assets as goodwill without recognition of minority interests	(596)			2			(594)	7	(587)
Cancellation of goodwill amortization								79	79
Asset impairment tests	(17)						(17)	(1)	(18)
Cancellation of treasury stock	(487)	203				(5)	(289)	59	(230)
Valuation of options to acquire companies	102				(23)		79	(52)	27
Put Franprix/Leader Price	(193)		72		143	(77)	(55)	(2)	(57)
Amortized cost of borrowings	94						94	(35)	59
Miscellaneous	(95)	(51)		18	9	55	(64)	(10)	(74)
Shareholders' equity, group's share – IFRS	1,057		(67)	43		1	1,034	85	1,119
Minority interests – IFRS	1,704	103	(102)	16	44	(65)	1,700	365	2,065
<b>Total shareholders' equity – IFRS</b>	<b>2,761</b>	<b>103</b>	<b>(169)</b>	<b>59</b>	<b>44</b>	<b>(64)</b>	<b>2,734</b>	<b>450</b>	<b>3,184</b>



## EXPLICATIVE NOTES

The impacts described below are expressed in € million; each restatement is presented net of the corresponding tax effect.

### Note 1. Impacts of presentation (IAS 1)

IAS 1 on the presentation of financial statements requires that the balance sheet make a distinction between current and non-current assets and liabilities. A current asset or liability is defined as one that is intended to be consumed or sold during the operating cycle and which comes due in less than twelve months. The income statement is presented in accordance with Recommendation 2004-R.02 of the French National Accounting Board (*Conseil national de la comptabilité*). Amounts are presented by nature. Financial income is broken down into two aggregate figures: "Cost of net financial debt" and "Other financial income and expenses". The line "Income tax expense" includes all taxes due. The concept of exceptional income is abolished, and some exceptional items, in particular, asset depreciation and asset disposals, are presented under operating income, while some other, such as restructuring costs and the cost of major litigation, are booked under "Other income and expenses from operations".

### Note 2. Revenue (IAS 18) and Inventories (IAS 2)

The definition of revenue by IAS 18 leads to reclassifications of sales either under other revenue, or as a cost reduction (against cost of good sold, advertising, etc.).

In the Rallye group's financial statements, the application of these rules leads to the reclassification of income as calculated under French GAAP in part to other revenue, and mostly against cost of sales.

In addition, IAS 2 states that inventories must include all costs of purchase, conversion, and other costs incurred in bringing the inventories to the point of sale in their present location and condition. Thus, logistics costs and all of the advantages obtained from suppliers, which are recorded under cost of sales, must be taken into account in valuing consolidated inventories.

- Impact on shareholders' equity, as at January 1, 2004: (€114 million), and as at December 31, 2004: (€132 million);
- Impact on net income for 2004: (€17 million)

### Note 3. Employee benefits and share-based payments (IAS 19)

IAS 19 stipulates that all benefits payable after completion of employment must be accounted for and that the change in

actuarial gains and losses on these post-employment benefits must be recognized as income or expense. These differences arise from changes in assumptions used in their calculation: turnover, discount rate, rate of increase in salaries, and mortality rates.

Upon first implementation, actuarial differences on retirement commitments were recorded against shareholder's equity, for the total amount cumulated of €43 million as at January 1, 2004. Future changes in actuarial differences will be recorded as income or expense in compliance with the corridor method by spreading the changes exceeding 10% of the highest value between the amount of the commitment and the market value of the hedging assets.

According to IFRS 2, all payments in shares or indexed on shares must give rise to an expense which should be booked as the goods or services received in exchange for this payment are consumed. Thus, stock purchase or subscription options issued to employees must be recorded as follows: the fair value of the options is determined at the date of the grant, and will then be spread on the income statements over the vesting period of the rights by the employees.

The fair value of the options is determined in the Group through the use of the Black-Scholes and the trinomial option pricing models, depending on the characteristics of the plan, on market data at the time of the grant, and on the basis of the expected behavior of the recipients.

The Group carried out the valuation of all of the options issued after November 7, 2002 and for which the exercise rights remain to be acquired as at January 1, 2005. Implementation of IFRS 2 does not affect the Group's shareholders' equity. The expense reported for a given year (e.g., €12 million for the year 2004) is cancelled out directly in shareholders' equity.

### Note 4. Income taxes (IAS 12)

Deferred tax assets and liabilities may not be discounted. In the absence of a formal agreement providing for the non-distribution of income, deferred tax must be recorded in the amount generating a tax overlap on the undistributed income of an associated company (accounted for by the equity method). When a change in rate has an impact on amounts previously recorded under shareholders' equity, it must be recognized in equity, and not in income.

Deferred tax liabilities on valuation differences for land, as well as the elimination of the effects of discounting, reduce shareholders' equity.

- Impact on shareholders' equity as at January 1, 2004: (€42 million), and as at December 31, 2004: (€40 million);
- Impact on net income for 2004: (€6 million).

## Note 5. Intangible assets (IAS 38)

According to IAS 38, intangible assets which do not fulfill the requirements as defined by the said standard, that is: identifiability, control, and the existence of future economic benefits, are deemed to be goodwill without recognition of minority interests. This reclassification applies to: store locations, on-going business previously booked as goodwill, and market share.

- Store locations, market share and on-going business reclassified as at January 1, 2004: (€3,694 million) and, as at December 31, 2004: (€3,715 million), offset by an increase in goodwill of €3,098 million as at January 1, 2004, and €3,128 million as at December 31, 2004;
- Impact on shareholders' equity as at January 1, 2004: (€596 million) and as at December 31, 2004: (€587 million).

## Note 6. Property, plant and equipment (IAS 16)

### ■ Valuation of property, plant and equipment

Upon initial implementation of the IFRS standards, IFRS 1 offers the possibility of revaluing all or part of property, plant and equipment. As indicated in the paragraph on "Options upon first-time implementation of IFRS", the Group opted to revalue land owned by companies within Casino's "centralized" France perimeter, land owned by the Monoprix companies, and the warehouses belonging to the Franprix/Leader Price group. All other property and equipment is accounted for at historical cost. The revalued amount was calculated on the basis of valuations performed by independent real estate experts.

- Impact on land: +€766 million;
- Impact on shareholders' equity as at January 1, 2004 and as at December 31, 2004: +€495 million.

For valuations subsequent to the initial recognition, two approaches are allowed. The preferred approach consists in booking the cost less accumulated depreciation and any accumulated impairment losses. Another authorized approach consists in the periodic revaluation of assets. Rallye has opted for the preferred approach.

### ■ Depreciation of property, plant and equipment

The period of depreciation must correspond with the expected useful life of the asset. The amount which may be depreciated is equal to the cost of the asset less, where applicable, a residual value. For buildings, the depreciation period used is henceforth

40 years, compared to 20 years under the French GAAPS. This lengthening of the depreciation period better expresses the reality of the economic lifetime of the goods in question. There is deemed to be no residual value. Implementation of this new rule is retrospective.

- Impact on buildings as at January 1, 2004: +€373 million and as at December 31, 2004: +€383 million;
- Impact on shareholders' equity as at January 1, 2004: +€250 million and, as at December 31, 2004: +€280 million;
- Impact on net income for 2004: +€25 million.

## Note 7. Leases (IAS 17)

IAS 17 distinguishes finance leases, which transfer all the risks and rewards incident to ownership to the lessee, from other leases, which are classified as operating leases.

This distinction means that assets for which a finance lease is made must be booked as assets on the balance sheet, with an offsetting liability booked as financial debt.

- Impact on assets as at January 1, 2004: +€49 million and as at December 31, 2004: +€33 million;
- Impact on shareholders' equity as at January 1, 2004: (€3 million), and as at December 31, 2004: (€2 million);
- Impact on net financial debt as at January 1, 2004: +€54 million, and as at December 31, 2004: +€36 million.

## Note 8. Investment property (IAS 40)

Investment property is real estate property held by the owner to earn rentals and for capital appreciation. Within the Group, shopping malls are recognized as investment property.

- Impact of reclassification as at January 1, 2004: +€593 million, and as at December 31, 2004: +€590 million.

## Note 9. Asset depreciation (IAS 36)

In the consolidated financial statements as prepared according to French standards, goodwill is systematically amortized over an estimated useful life not to exceed forty years. However, under IFRS 3 "Business Combinations", and IAS 36 revised, goodwill may no longer be amortized, beginning January 1, 2004. Instead, impairment tests must be performed once a year, in order to identify any loss in value. Any depreciation which has been recognized may not be reversed.

- Impact on shareholders' equity as at December 31, 2004: +€79 million.
- Impact on net income for 2004: +€79 million.

## Note 10. Consolidated financial statements and recording of ownership of subsidiaries (IAS 27)

The consolidated financial statements are the financial statements of a group of companies that are controlled by a parent company. Control takes the form of the ability to decide the financial and operational policies of a company, in order to obtain advantages from its activities. Share purchase options that may be exercised immediately must be taken into account when determining the nature of control of a company. The standard does not introduce any changes to the Group's current practice, with the exception of taking into account the above-mentioned share purchase options. In particular, all the *ad hoc* entity are already consolidated in French GAAP since January 1, 2004.

As at January 1, 2004, Casino owned Laurus share purchase options exercisable at any time, and representing 12.28% of its capital. Added to the 38.72% it already owns, the exercise of these options would potentially make Casino a majority shareholder. In an agreement entered into in March 2005, the parties agreed to set the beginning of the exercise period at January 1, 2006.

IAS 27 states that in the presence of share purchase options which may be exercised at any time, the options must be included in the determination of the percentage of ownership and, as a consequence, of the applicable consolidation method. The implementation of the texts would have led to fully consolidate Laurus in the opening balance sheet as at January 1, 2004, and then to return to the equity method in 2005, while presenting pro forma income statements for 2004 with Laurus contributed under the equity method. Under these conditions, and in order to preserve the readability of the financial statements and maintain their comparability over time, the Group decided to maintain Laurus under the equity method for the year 2004.

If the interest on the Laurus investment had been fully consolidated in the interim financial statements as of December 31, 2004, consolidated shareholders' equity, financial debt and sales for the fiscal year then ended would have been €131 million, €234 million and €3,504 million higher, respectively.

## Note 11. Financial instruments (IAS 32 and IAS 39)

Rallye has opted to implement IAS 32 and IAS 39 beginning January 1, 2004. This decision was made in order to ensure maximum transparency and to facilitate comparison with statements for the year 2005.

### ■ Financial assets

"Available-for-sale" financial assets are valued at their fair value in accordance with IAS 39, whereas they had previously been booked at historical cost and, where applicable, depreciated, in accordance with French rules. This restatement applies to shares of non-consolidated companies, securities in the investment portfolio, and certain investment securities, which will be recorded at their fair value on the balance sheet dated January 1, 2004. The fair value adjustments, whether positive or negative, are recorded under shareholder's equity under a revaluation differences heading. These assets available for sale are depreciated, the depreciation is recorded in income without possible resumption, when there is an objective indication of events which might generate losses.

- Impact on shareholders' equity as at January 1, 2004: +€26 million and as at December 31, 2004: +€36 million.

### ■ Financial assets and liabilities

Loans, receivables, and long-term debt must be booked at their net present value, if the discount effect is significant. This runs counter to French GAAP, where discounting is not allowed.

- Impact on shareholders' equity as at January 1, 2004: (€17 million), and as at December 31, 2004: (€18 million)

A financial asset or liability may only be taken off the books if the company loses control of the contractual rights to the asset. The conditions of Casino's current receivables discounting program do not allow for the transfer of most of the risks attached to the receivables sold. Therefore, they must remain in the books.

- Impact on financial debt as at January 1, 2004: +€295 million and as at December 31, 2004: +€307 million.

### ■ Treasury stock

Under French GAAP, treasury stock intended to cover employee share ownership programs are classified as investment securities and are valued in conformity with the principle laid out in the "Accounting principles and methods" section, included in the notes to the consolidated financial statements. Other treasury shares reduce shareholders' equity in the amount of their acquisition cost. The income statement records a provision for unrealized losses on treasury stock classified as investment securities, as well as any capital gains or losses which may result from their sale. Changes in these provisions are recorded as financial income or expense.

Under IAS standards, all treasury shares reduce shareholders' equity, and no change in value in relation to the acquisition price may be recorded. When shares held in treasury stock are sold, shareholder's equity is increased in the amount of the sale. The elimination of the shares of consolidated subsidiaries previously

considered as minority interests has led to an increase in the Group's percent ownership.

- Impact on net financial debt as at January 1, 2004: +€489 million and as at December 31, 2004: +€189 million;
- Impact on shareholders' equity as at January 1, 2004: (€487 million) and as at December 31, 2004: (€230 million);
- Impact on net income for 2004: +€59 million.

#### ■ Other equity

Under IFRS rules, and unlike under French GAAP, there is no balance sheet line-item entitled 'Other shareholders' equity', between shareholders' equity and debt. It is therefore necessary to examine the substance of the corresponding transaction in order to determine whether these securities constitute, in part or in whole, financial debt, or whether they represent capital.

The perpetual subordinated bond issued by Nesitic in December 2001, and the Monoprix subordinated loan which expired in 2004 contain no capital component, so they are reclassified under financial debt.

- Impact on financial debt, as at January 1, 2004: +€181 million and as at December 31, 2004: +€162 million.

#### ■ Financial borrowings and loans

Issuing fees and premiums as well as reimbursement premiums are included in the amortized cost of financial borrowings and loans, whereas under French rules they had to be booked as accruals. Thus, issuing fees and premiums and reimbursement premiums are reclassified as a decrease in borrowings at the time of initial application of IFRS standards, and are amortized actuarially.

When a financial instrument contains different components, the issuer must classify the various components separately, depending on whether they have the characteristics of debt or of equity. Thus, the options which enable the bearer to convert debt into equity from the issuer must be classified as equity in the consolidated balance sheet. It should be noted that the options enabling the bearer to convert debt into the shares of a subsidiary which is fully consolidated by the issuer are also covered by this method of accounting.

The allocation of par value between the various components must be made at the time of issue. The value of the equity component is equal to the difference between the par value and the debt component. Debt corresponds to the market value of a debt instrument which has similar characteristics, but which does not carry the option to convert.

- Impact on financial debt as at January 1, 2004: (€109 million) and as at December 31, 2004: (€67 million).
- Impact on shareholders' equity as at January 1, 2004: €94 million and as at December 31, 2004: €59 million;
- Impact on net income for 2004: (€35 million).

Borrowings are booked for their amortized cost, except in the case of hedge accounting.

#### ■ Derivatives and hedge accounting

Under IFRS, all derivatives are included on the balance sheet for their fair value, whereas they were generally listed as off-balance sheet commitments under French GAAP. Any change in the fair value of these derivative instruments is recognized in income.

The standard allows for the possibility of applying hedge accounting:

– in the case of fair value hedging (fixed-rate loans swapped for a variable rate, for instance), debt is accounted for at its fair value, and any change of fair value is recognized in income. The change in the fair value of the derivative is also recognized in income. If the hedge is completely effective, then the two effects offset one another;

– in the case of hedging of cash flows (variable rate loans, for example), the effective portion of the change in the fair value of the derivative is booked to shareholders' equity, with an income entry symmetric to the recognition of the cash flows covered, and the ineffective portion is recognized in income.

The Group applies the principle of hedge accounting for loans covered from the time of issue, in order to reduce income volatility.

- Impact on financial debt as at January 1, 2004: +€108 million and as at December 31, 2004: (€16 million);
- Impact on shareholders' equity as at January 1, 2004: (€9 million) and as at December 31, 2004: €1 million;
- Impact on net income for 2004: +€8 million.

The share purchase options covering the shares of the companies GMB (Cora), Laurus, and Disco Uruguay are recorded on the balance sheet at their fair value. Where applicable, the amounts which have yet to be paid on the acquisition price of these options are posted as an increase in financial debt.

- Impact on financial debt as at January 1, 2004: +€142 million and as at December 31, 2004: +€104 million;
- Impact on shareholders' equity as at January 1, 2004: +€102 million, and as at December 31, 2004: +€27 million;
- Impact on net income for 2004: (€52 million).

### ■ Put options given to minority shareholders

When acquiring certain companies, the Group granted to third parties the option to sell their interest under specified conditions. According to IAS 32 revised, when minority shareholders of fully consolidated subsidiaries hold options to sell their interest, these options must be booked as a liability for the Group.

International financial reporting standards do not clearly specify where the contract entry should be recorded, except for the portion corresponding to the de-recognition of minority interests.

Pending a decision by IFRIC, and after ascertaining the accounting practice adopted by other companies that have granted similar options, the Group has decided to recognize in goodwill the difference between the discounted present value of the option exercise price and the de-recognized minority interests. The amount booked in goodwill will be adjusted each year for changes in the discounted present value of the option exercise price and minority interests. This accounting treatment, which would be applied if the options were exercised today, best reflects the substance of the transaction. However, it may be changed if an interpretation or new standard is issued requiring the application of a different approach.

The amount of commitments given to minority shareholders, principally of Franprix/Leader Price, is booked as a financial liability. In addition, agreements with some minority shareholders were renegotiated during the first half of 2004,

resulting in the discounting to the net present value of the fixed amounts due for the put options, to take into account the fact that the exercise date was postponed.

- Impact on financial debt as at January 1, 2004: +€967 million and as at December 31, 2004: +€979 million;
- Impact on shareholders' equity as at January 1, 2004: (€193 million) and as at December 31, 2004: (€57 million);
- Impact on net income for 2004: (€2 million).

(1) The impact on equity is due to the restatement of minority interests. The change for the period is due to the fact that some of the options were exercised during the first semester of 2004.

### IMPACT OF RESTATEMENTS ON CASH FLOWS AND NET FINANCIAL DEBT

Most restatements made in compliance with IFRS do not impact the cash flow statement. In addition, the differences between the IFRS and French GAAP cash flow statements are not significant. In particular, no new entity will be consolidated under IFRS while being excluded from the scope of consolidation under French GAAP, and no entity will be consolidated under a consolidation method different from that which had been applied to it under French GAAP.

The table below presents a reconciliation between net financial debt as presented under French standards and net financial debt as calculated in accordance with IFRS:

(in € millions)	As at December 31, 2004
<b>Net financial debt according to French GAAP</b>	<b>6,230</b>
Transfer of other shareholders' equity in debt	162
<b>Net financial debt according to IFRS</b>	<b>6,392</b>
Capitalization of lease finance contracts	36
Cancellation of treasury stock	189
Reclassification of securities in assets available for sale	30
Recognition of debt corresponding to puts	979
Fair value of debt and derivatives	(16)
Valuation of purchase options	104
Consolidation of Casino's receivables discounting programme	307
Fees, issue premiums and options	(67)
Miscellaneous	1
<b>Net financial debt according to IFRS</b>	<b>7,955</b>





# Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2005

(Translated from French to English)

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your General Meetings, we have audited the accompanying consolidated financial statements of Rallye for the year ended December 31, 2005.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit. These financial statements have been prepared, for the first time, in conformity with the IFRS standards as adopted by the European Union. For the purpose of comparison, they also contain information concerning the year 2004 restated to the same standard.

## I – OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the consolidated financial statements, in accordance with IFRS standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies.

Without prejudice to the opinion expressed above, we would like to draw your attention to the following points:

- Note 6, entitled “Interests in associated companies”, in the notes section, describes the assumptions used in assessing the recoverable amount of the interest in Laurus (the Netherlands), which had been consolidated under the equity method, as well as the uncertainty surrounding Laurus’ going concern status, which in turn may have an impact on these assumptions.
- Note 8, entitled “Non-current financial assets”, in the notes section, describes the circumstances which led your company to record the option to purchase the company GMB (which had previously been included as a financial asset in the consolidated financial statements) as a loss for the year ended December 31, 2005.
- Note 6, entitled “Interests in associated companies”, and the section on the “Transition to IFRS”, in the notes section, lay down the reasons why your Company did not consolidate Laurus for the year ended December 31, 2004 and for the first two months 2005, under the full consolidation method, in compliance with IAS 27, and describes the impact of this method of accounting on shareholders’ equity, debt, and sales.

## II – JUSTIFICATION OF THE ASSESSMENT

In conformity with the provisions of article L. 823-9 of the French Code of Commerce pertaining to the justification of our conclusions, we would like to draw your attention to the following:

### Accounting principles

Note 6, entitled “Interests in associated companies”, in the notes section, describes the accounting procedures used in the consolidation of the Laurus interest for the years 2004 and 2005. The procedure used for this company for the year 2004 was subject to the comment reported above. As regards the year 2005, we have assessed the de facto and de jure elements which exist between the Group and Laurus, which underpin the appropriateness of the Group’s use of the equity method, beginning March 8, 2005.

We have examined the accounting methods used by your Company in accounting for the acquisition of minority interests and minority interest purchase commitments for which there is no specific reference under the IFRS standards, as adopted in the European Union. We have made sure that the headings, “Business combinations” and “Put options granted to minority shareholders” under “Accounting Principles and Methods” in the notes reflect accurate information in this respect.

On the occasion of the first implementation of the IFRS framework in the preparation of the 2005 consolidated financial statements, the section entitled “Transition to IFRS” in the notes provides detailed information on the adjustments and reclassifications made since the last closure on the IFRS transition balance sheet, dated January 1, 2004, and on the financial statements for the year closed on December 31, 2004 in accordance with the IFRS standards, as presented in the registration document dated May 11, 2005. In the framework of our assessment of the accounting principles used, we have verified that the final adjustments made are appropriate, as described herein.

### Accounting estimates

In establishing its financial statements, the Group was led to carry out estimates and to formulate assumptions concerning, in particular, the impairment of fixed assets and the valuation of trade cooperation payments. As regards assets, the Group has multi-annual financial plans with various components, including, in particular, cash flow and expected earnings, which are used to assess their recoverable amount.

For each of these estimates, we have examined the available documentation, evaluated the reasonable nature of the estimates used, and verified that the notes to the financial statements provide accurate information about the assumptions used by your company, and, in particular, the assumptions used to determine the recoverable amount of the company Laurus, for which a remark has been included in the first part of the report.

The evaluations thus made are part of our overall audit of the consolidated financial statements, taken as a whole, and have therefore contributed to the formation of our opinion, as laid down in the first section of this report.

### III – SPECIFIC VERIFICATIONS

In accordance with professional standards applicable in France, we have also verified the information about the Group given in the management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, May 5, 2006

The Statutory Auditors

KPMG Audit  
Département de KPMG SA  
Catherine CHASSAING

Barbier Frinault & Autres  
Ernst & Young  
Henri-Pierre NAVAS



# Company financial statements Balance sheet

ASSETS						
(in € millions)	Notes	Gross	Amortization and depreciations	2005	2004	2003
<b>FIXED ASSETS</b>						
Intangible assets	1	0.2	0.2			
Property and equipment	1	1.4	0.6	0.8	0.5	0.7
Financial investments	2 – 6	1,576.3	232.6	1,343.8	1,286.2	908.3
<b>Total fixed assets</b>		<b>1,577.9</b>	<b>233.4</b>	<b>1,344.6</b>	<b>1,286.7</b>	<b>909.0</b>
<b>CURRENT ASSETS</b>						
Accounts receivable	3 – 6	2,033.8	4.8	2,029.1	2,063.6	1,860.7
Marketable securities and cash	3 – 6	874.4	3.7	870.7	657.0	450.3
<b>Total current assets</b>		<b>2,908.2</b>	<b>8.5</b>	<b>2,899.8</b>	<b>2,720.6</b>	<b>2,311.0</b>
Prepaid expenses	4	1.1		1.1	2.3	2.0
Bond redemption premiums	4	2.2		2.2	2.7	0.2
Deferred costs	4	16.2		16.2	18.8	11.6
Unrealized losses	4				0.5	2.5
<b>TOTAL ASSETS</b>		<b>4,505.7</b>	<b>241.9</b>	<b>4,263.7</b>	<b>4,031.6</b>	<b>3,236.3</b>



LIABILITIES AND SHAREHOLDERS' EQUITY				
(in € millions)	Notes	2005	2004	2003
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		116.4	112.2	112.2
Share premiums		1,176.0	1,131.4	1,131.4
Reserves		160.8	125.8	108.1
Advance dividend payable		(44.9)	(44.0)	(29.3)
Net income for the year		27.4	96.9	78.1
<b>Total shareholders' equity</b>	<b>5</b>	<b>1,435.7</b>	<b>1,422.3</b>	<b>1,400.5</b>
Provisions	6	81.3	40.1	31.7
<b>DEBTS</b>				
Borrowings and loans	7	2,601.6	2,488.9	1,729.4
Accounts payable		11.3	9.4	6.5
Other debts	8	133.6	70.9	66.1
<b>Total debts</b>		<b>2,746.5</b>	<b>2,569.2</b>	<b>1,802.0</b>
Unrealized gains		0.2		2.1
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,263.7</b>	<b>4,031.6</b>	<b>3,236.3</b>



# Company financial statements

## Rallye income statement

(in € millions)	Notes	2005	2004	2003
<b>NET SALES</b>	9	<b>1.6</b>	<b>1.3</b>	<b>1.5</b>
Other purchases and external expenses		(19.3)	(26.6)	(25.5)
Taxes		(0.8)	(0.8)	(0.7)
Payroll expenses		(7.2)	(6.2)	(5.4)
Net operating depreciation, amortization and provisions expenses	1 – 6	1.0	(1.3)	34.4
Net other operating expenses		(0.3)	(0.2)	(27.3)
<b>OPERATING INCOME (LOSS)</b>	9	<b>(25.1)</b>	<b>(33.8)</b>	<b>(23.0)</b>
Financial income		213.0	157.4	116.9
Financial expenses		(140.2)	(106.2)	(121.6)
<b>NET FINANCIAL INCOME (LOSS)</b>	10	<b>72.8</b>	<b>51.2</b>	<b>(4.7)</b>
<b>INCOME FROM CURRENT OPERATIONS BEFORE INCOME TAX</b>		<b>47.7</b>	<b>17.4</b>	<b>(27.7)</b>
Net exceptional provisions		(19.5)	(0.2)	8.6
Other net exceptional income		(0.6)	77.0	90.7
<b>NET EXCEPTIONAL INCOME</b>	11	<b>(20.1)</b>	<b>76.8</b>	<b>99.3</b>
Income tax	12	(0.2)	2.7	6.5
<b>NET INCOME</b>		<b>27.4</b>	<b>96.9</b>	<b>78.1</b>

# Rallye statement of cash flows

(in € millions)	2005	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net income</b>	<b>27.4</b>	<b>96.9</b>	<b>78.1</b>
<b>Adjustments to eliminate non-cash and non-operating expenses and revenues:</b>			
Depreciation, amortization and provisions <sup>(1)</sup>	3.4	(11.3)	4.8
Capital gains, net of taxes	3.2	(76.7)	(90.5)
<b>Cash flow</b>	<b>34.0</b>	<b>8.9</b>	<b>(7.6)</b>
<b>Changes in operating working capital requirement:</b>			
Net inventories			
Net accounts receivable	(6.8)	(39.8)	(5.2)
Accounts payable	2.2	(1.7)	(3.0)
<b>Net cash provided by operating activities (A)</b>	<b>29.3</b>	<b>(32.6)</b>	<b>(15.8)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and intangible assets	(0.5)	(0.1)	(0.2)
Sale of property, equipment and intangible assets		0.4	
Purchase of financial investments	(44.8)	(110.1)	(122.1)
Sale of financial investments	96.9	187.7	141.0
<b>Net cash provided by investing activities (B)</b>	<b>51.7</b>	<b>77.9</b>	<b>18.7</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividends paid	(62.7)	(73.3)	(73.0)
Cash increase in capital	48.7		8.6
Debt issuance	242.2	1,026.5	629.2
Debt redemption	(129.8)	(266.9)	(600.8)
Current account loans to subsidiaries	108.9	(172.3)	(67.2)
<b>Net cash provided by financing activities (C)</b>	<b>207.3</b>	<b>514.0</b>	<b>(103.2)</b>
<b>Change in cash and cash equivalents (A+B+C)</b>	<b>288.3</b>	<b>559.3</b>	<b>(100.3)</b>
Cash and cash equivalents at beginning of year (D)	571.9	12.6	112.9
Cash and cash equivalents at end of year (E)	860.2	571.9	12.6
<b>Change in cash and cash equivalents (E-D)</b>	<b>288.3</b>	<b>559.3</b>	<b>(100.3)</b>

(1) Excluding provisions on current assets.



# Notes to the Rallye parent company financial statements

## ACCOUNTING PRINCIPLES AND METHODS

The financial statements closed as at December 31, 2005 were made in accordance with French laws and regulations and generally accepted accounting practices.

Beginning on January 1, 2005, Rallye company financial statements have been prepared in conformity with Regulations CRC 2002-10 and 2004-6 of the Accounting Regulatory Committee (*Comité de la réglementation comptable*) with respect to the definition, valuation and depreciation of assets.

The implementation of the abovementioned new rules has had no impact on Rallye company financial statements as at December 31, 2005.

Exceptionally, all income realized on securities in the financial investment portfolio (more or less long-term investments in companies that the Group does not manage), are included under financial income, so that all changes recorded on the said shares (e.g., provisions, divestments, reimbursement of funds that may be considered as divestments and dividends) can be included at the same level in the income statement.

Information which is not mandatory appears only if it is of significant importance. Accounting entries are valued on the basis of the historical cost method.

### ■ Property, equipment and intangible assets

Property, equipment and intangible assets are recorded at historical cost. Fixed asset depreciation is carried out according to the straight-line method, over the periods listed below:

Type of asset	Depreciation period
Software	1 year
Furniture and office equipment	2 to 10 years
Transportation equipment	4 years
Fittings and improvements	10 years

### ■ Financial investments

Financial investments and marketable securities are depreciated whenever their utility value is less than their book value. Utility value is determined on the basis of net equity, trends in profitability, the utility value of the subsidiary, and the market value of the investment. Rallye has assessed the utility value of the investment securities by discounting cash flows net of debt, in accordance with market prices or through external valuation. If the subsidiary's equity is negative, the current account with this subsidiary can be depreciated, or a contingency provision may be made.

### ■ Adjustment accounts

Issue costs are spread out over the life of the issue, in line with scheduled redemption. Translation differences representing unrealized gains and losses record the revaluation at the closing exchange rates of foreign-currency denominated receivables and debt. A provision for contingencies and charges may be set aside if the company stands to make a potential loss in this process.

### ■ Provisions

These provisions are set aside at the end of the fiscal year in order to cover the contingencies and charges related to the company's obligation to a third party which will likely or certainly result in an outflow of funds without an expected consideration. This item includes provisions for tax reassessment, corresponding to the assessment of levels of financial risks based on the current state of on-going proceedings, and a foreign exchange loss provision. Under retirement commitments, a provision is calculated according to the prospective method, taking into account the associated social security charges.

The conditional redemption premium on bond issues may be provisioned if the payment of the premium becomes likely. The provision is spread out over the life of the issue.

The Company has assessed the need to provision redemption premiums, in particular, taking into account the maturity date of the bonds and the difference between the current market price of the underlying shares and the redemption value of the bonds. The amount of the provisions is given in note 6 to the parent company financial statements.

### ■ Income tax

Rallye has opted for consolidated tax treatment and assumes the income tax due for the consolidated group. Rallye and its subsidiaries signed a new tax consolidation agreement, that comes into force beginning on January 1, 2005. This agreement sets out the new methods for sharing out the tax burden among the companies, as follows:

- Rallye personally and finally bears the cost of corporate tax, additional income tax payments, as well as taxes on capital gains made by its subsidiaries included in the tax consolidation group;
- subsidiaries which are included in the tax consolidation group shall pay Rallye the portion of annual flat-rate tax (IFA) due on their behalf, beginning January 1, 2006;
- in the event that a subsidiary leaves the tax consolidation perimeter, Rallye is solely liable for the payment of tax and any other payments which may be due. Rallye may compensate the

exiting subsidiary for additional taxes which might be due as a result of its having belonged to the Group.

## ■ Financial instruments

Income and expenses resulting from interest rate risk hedging transactions are included on an accrual basis in the income statement for the period. The fair value of these financial instruments amounted to €4.5 million as at December 31, 2005.

## ■ Major events

Nil.

## COMMENTS ON SOME ITEMS OF THE PARENT COMPANY FINANCIAL STATEMENTS

### Note 1. Property, equipment and intangible assets

#### ■ Breakdown

(in € millions)	2005	2004	2003
Intangible assets	0.2	0.2	0.2
Amortization	(0.2)	(0.2)	(0.2)
<b>Net value</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Land	0.1	0.1	0.1
Buildings	0.7	0.4	0.4
Other property and equipment	0.6	0.6	0.6
<b>Gross value</b>	<b>1.4</b>	<b>1.1</b>	<b>1.1</b>
Depreciation	(0.6)	(0.6)	(0.4)
<b>Net value</b>	<b>0.8</b>	<b>0.5</b>	<b>0.7</b>
<b>Net fixed assets</b>	<b>0.8</b>	<b>0.5</b>	<b>0.7</b>

## ■ Change

(in € millions)	Gross	Amortization and depreciation	Net
<b>As at January 1, 2003</b>	<b>1.3</b>	<b>(0.6)</b>	<b>0.7</b>
Increase	0.1	(0.2)	(0.1)
Decrease	(0.1)	0.2	0.1
<b>At december 31, 2003</b>	<b>1.3</b>	<b>(0.6)</b>	<b>0.7</b>
Increase	0.6	(0.6)	
Decrease	(0.6)	0.4	(0.2)
<b>As at December 31, 2004</b>	<b>1.3</b>	<b>(0.8)</b>	<b>0.5</b>
Increase	0.4	(0.1)	0.3
Decrease	(0.1)	0.1	
<b>As at December 31, 2005</b>	<b>1.6</b>	<b>(0.8)</b>	<b>0.8</b>

### Note 2. Financial investments

#### ■ Breakdown

(in € millions)	2005	2004	2003
Investment securities	1,566.8	1,545.4	1,194.8
Depreciation	(232.0)	(265.9)	(296.0)
<b>Net value</b>	<b>1,334.8</b>	<b>1,279.5</b>	<b>898.8</b>
Other financial investments	9.6	7.1	9.5
Depreciation	(0.6)	(0.4)	
<b>Net value</b>	<b>9.0</b>	<b>6.7</b>	<b>9.5</b>
<b>Financial investments</b>	<b>1,343.8</b>	<b>1,286.2</b>	<b>908.3</b>

As at December 31, 2005, "Other financial investments" included 193,107 Rallye shares with a net value of €7 million.

## ■ Change

(in € millions)	Gross	Depre- ciation	Net
<b>As at January 1, 2003</b>	<b>1,151.5</b>	<b>(261.5)</b>	<b>890.0</b>
Increase	119.5	(37.2)	82.3
Decrease	(66.7)	2.7	(64.0)
<b>As at December 31, 2003</b>	<b>1,204.3</b>	<b>(296.0)</b>	<b>908.3</b>
Increase	399.2	(2.1)	397.1
Decrease	(51.0)	31.8	(19.2)
<b>As at December 31, 2004</b>	<b>1,552.5</b>	<b>(266.3)</b>	<b>1,286.2</b>
Increase	44.8	(0.6)	44.2
Decrease	(21.0)	34.3	13.3
<b>As at December 31, 2005</b>	<b>1,576.3</b>	<b>(232.6)</b>	<b>1,343.7</b>

The main entries for the year 2005 correspond to the acquisition of Casino common shares, as part of the option offered for the payment of dividends in shares for the 2004 fiscal year, in the amount of €21.4 million; the purchase, within the Group, of Rallye shares in the amount of €14.8 million; and to the sale of Rallye shares in the amount of €14.5 million.

## Note 3. Current assets

### ■ Amount and maturity of receivables

(in € millions)	2005	2004	2003
Receivables booked to fixed assets	0.3	0.2	0.2
Current receivables	2,029.0	2,063.6	1,860.7
<b>Net value</b>	<b>2,029.3</b>	<b>2,063.8</b>	<b>1,860.9</b>

Current receivables represent mainly current account advances made by Rallye to subsidiaries, as part of the Group's centralized cash management. They mature in less than one year.

### ■ Marketable securities

(in € millions)	2005	2004	2003
Casino shares		62.2	410.6
Treasury stock	13.4	30.9	36.3
Miscellaneous	861.0	572.3	13.1
<b>Gross value</b>	<b>874.4</b>	<b>665.4</b>	<b>460.0</b>
Depreciation	(3.7)	(8.4)	(9.7)
<b>Net value</b>	<b>870.7</b>	<b>657.0</b>	<b>450.3</b>

As at December 31, 2005, the 270,378 shares held in treasury stock, and valued at their market value, are intended to serve stock purchase options and bonus shares plans. During the course of the year, 295,430 Rallye shares, corresponding to options whose period of exercise has ended, were sold, thereby generating a loss of €2.9 million.

The heading "Miscellaneous" includes mostly very short-term cash investments. The sale value of these investment securities is approximately identical to their net book value.

### ■ Net cash position

(in € millions)	2005	2004	2003
Miscellaneous marketable securities	861.0	572.3	13.1
Depreciation	(0.2)	(0.1)	(0.1)
<b>Net value</b>	<b>860.8</b>	<b>572.2</b>	<b>13.0</b>
Cash and cash equivalents			
Bank overdrafts	(0.6)	(0.3)	(0.4)
<b>Net cash position</b>	<b>860.2</b>	<b>571.9</b>	<b>12.6</b>

## Note 4. Adjustments and related accounts

(in € millions)	2005	2004	2003
Prepaid expenses	1.1	2.3	2.0
Bond issuance costs	23.9	22.2	13.7
Amortization	(7.7)	(3.4)	(2.1)
<b>Net value</b>	<b>16.2</b>	<b>18.8</b>	<b>11.6</b>
Bond redemption premiums	3.1	3.1	0.3
Amortization	(1.0)	(0.4)	(0.1)
<b>Net value</b>	<b>2.1</b>	<b>2.7</b>	<b>0.2</b>
Unrealized losses		0.5	2.5
<b>Adjustment and related accounts</b>	<b>19.4</b>	<b>24.3</b>	<b>16.3</b>

Issuance costs and redemption premiums are amortized over the life of the bond, in line with the bonds' redemption schedule.

## Note 5. Shareholders' equity

### ■ Breakdown

(in € millions)	2005	2004	2003
Share capital	116.4	112.2	112.2
Paid-in surplus, merger and contribution premiums	1,176.0	1,131.4	1,131.4
Legal reserve	11.2	11.2	11.2
Regulated reserves	1.4	63.6	58.0
Other reserves	60.4		
Retained earnings	87.8	51.0	38.9
Advance dividend payable	(44.9)	(44.0)	(29.3)
Net income for the year	27.4	96.9	78.1
<b>Total</b>	<b>1,435.7</b>	<b>1,422.3</b>	<b>1,400.5</b>

### ■ Changes in the number of shares outstanding

	2005	2004	2003
<b>Shares outstanding as at January 1</b>	<b>37,407,849</b>	<b>37,407,844</b>	<b>37,201,224</b>
Exercise of share warrants	2,424	5	204,110
Payment of the dividend in shares	438,907		
Payment of the interim dividend in shares	958,407		
Conversion of Rallye bonds			2,510
<b>Shares outstanding as at December 31</b>	<b>38,807,587</b>	<b>37,407,849</b>	<b>37,407,844</b>

As at December 31, 2005, share capital stood at €116,422,761, divided among 38,807,587 shares with a par value of €3.

### ■ Share equivalents

#### Share subscription options

As at December 31, 2005, there were 327,930 stock options giving the right to subscribe to the same number of new shares at €29.51 per share before December 2008, 302,050 stock options giving the right to subscribe to the same number of new shares at €41.38 per share before December 2009 and 221,584 stock options giving the right to subscribe to the same number of new shares at €40.16 per share before December 2010.

#### Share subscription warrants

The exercise of 33,936 B warrants gave rise to the creation of 2,424 new shares in 2005. The remaining 33,868,128 non exercised B warrants fell due in November 2005.

The exercise of all remaining 24,652,666 C warrants would give rise to the creation of 1,760,905 new shares. 14 C warrants give

### ■ Changes

Changes in shareholders' equity over the last three years break down as follows:

(in € millions)	2005	2004	2003
<b>As at January 1</b>	<b>1,422.3</b>	<b>1,400.5</b>	<b>1,386.8</b>
Capital increase	4.2		0.6
Paid-in surplus	44.6		8.0
Capital reduction			
Other changes		(1.8)	
Dividend	(62.8)	(73.3)	(73.0)
Net income for the year	27.4	96.9	78.1
<b>As at December 31</b>	<b>1,435.7</b>	<b>1,422.3</b>	<b>1,400.5</b>

the right to subscribe to one Rallye share at €58 until May 31, 2006, then the price will be 90% of the average initial price registered in the last twenty trading days prior to the 25<sup>th</sup> of the month preceding the exercise of the warrant. The exercise price may not exceed €58 or be less than €48, until November 30, 2006.

### OCEANE

In January 2003, Rallye issued 6,011,362 bonds convertible into new shares and/or exchangeable for existing shares (OCEANE) for €264.5 million. These bonds, with a par value of €44 and maturing on January 1, 2008, can be converted or exchanged for new or existing Rallye shares at any time on the basis of 1.02 Rallye shares for 1 OCEANE bond. The maximum number of Rallye shares that can be created through the conversion of OCEANE bonds is therefore 6,131,589.

## Note 6. Provisions

(in € millions)	Provisions for contingencies and charges				Provisions for depreciation		
	Tax litigation	Redemption premiums	Miscellaneous risks	Total	Financial investments	Current assets	Total
<b>As at January 1, 2003</b>	<b>4.0</b>	<b>17.2</b>	<b>7.5</b>	<b>28.7</b>	<b>261.5</b>	<b>41.9</b>	<b>303.4</b>
Increase	0.1	9.0	1.3	10.4	37.2	0.4	37.6
Decrease			(7.4)	(7.4)	(2.7)	(32.5)	(35.2)
<b>As at December 31, 2003</b>	<b>4.1</b>	<b>26.2</b>	<b>1.4</b>	<b>31.7</b>	<b>296.0</b>	<b>9.8</b>	<b>305.8</b>
Increase	0.2	9.0		9.2	2.1	10.6	12.7
Decrease			(0.8)	(0.8)	(31.8)	(3.5)	(35.3)
<b>As at December 31, 2004</b>	<b>4.3</b>	<b>35.2</b>	<b>0.6</b>	<b>40.1</b>	<b>266.3</b>	<b>16.9</b>	<b>283.2</b>
Increase		39.3	2.4	41.7	0.6	0.2	0.8
Decrease			(0.5)	(0.5)	(34.3)	(8.6)	(42.9)
<b>As at December 31, 2005</b>	<b>4.3</b>	<b>74.5</b>	<b>2.5</b>	<b>81.3</b>	<b>232.6</b>	<b>8.5</b>	<b>241.1</b>

During the year 2005, Rallye recorded a contingency provision to cover bond redemption premiums spread out over the life of the respective issues, as follows:

- €9.0 million for the January 2001 bond issue of €460 million;
- €15.0 million for the April 2003 bond issue of €300 million;
- €15.2 million for the January 2003 issue of €264.5 million in bonds convertible into new shares or exchangeable for existing shares (OCEANE).

During this year, the depreciation provision on the current account with its subsidiary, Miramont Finance et Distribution, was partially reversed, in the amount of €3.8 million. The reversals on provisions for depreciation of financial investments correspond mainly to Parande, in the amount of €32.8 million.

## Note 7. Financial debt

### ■ Breakdown and maturity of financial debt

(in € millions)	2005	2004	2003
Bank borrowings	242.1		174.5
OCEANE/Convertible bonds	274.4	274.4	274.0
Bonds exchangeable for Casino common shares	772.5	821.2	870.7
Bonds exchangeable for Casino preferred shares		19.8	37.3
Other bond issues	1,312.0	1,373.2	372.5
Other financial debt	0.6	0.3	0.4
<b>Total</b>	<b>2,601.6</b>	<b>2,488.9</b>	<b>1,729.4</b>
– of which fixed rate	2,358.9	1,901.9	1,493.2
– of which variable rate	242.7	587.0	236.2
Due within 1 year	797.1	194.2	190.1
1-5 years maturity	1,004.5	1,494.7	1,239.3
Over 5 years maturity	800.0	800.0	300.0



As at December 31, 2005, Rallye had €1,325 million in unused credit lines. Borrowings of less than one year from credit institutions include loans maturing in 2006, as well as interest charges incurred as at December 31, 2005 on financial debt.

## ■ Bond features

### Bonds convertible into new shares and/or exchangeable for existing shares OCEANE

Total par value (in € millions)	264.5
Issue date	January 2003
Annual interest rate	3.75%
Bond par value	€44
Maturity	01/01/2008
Redemption value	€48.25
Conversion	1.02 share for 1 bond
Listing	yes
COB authorization	03.003 du 01/07/2003
Volume outstanding:	
– at the time of the issue	6,011,362
– As at December 31, 2005	6,011,362

The bonds may be converted into or exchanged for new or existing Rallye shares at any time.

Rallye has an early redemption option beginning on January 1, 2006.

### Other bond issues

	March 1999	January 2004	October 2004
Total par value (in € millions)	300	500	500
Annual interest rate	4.625%	5.375%	5.625%
Bond par value	€10,000	€1,000	€1,000
Maturity	03/13/2006	01/20/2009	10/13/2011
Redemption value	€10,000	€1,000	€1,000
Listing	yes	yes	yes
COB authorization	99.207 du 03/10/1999	n.a.	n.a.
Volume outstanding:			
– at the time of the issue	30,000	500,000	500,000
– as at December 31, 2005	27,018	500,000	500,000

### Bonds exchangeable for Casino common or preferred shares

	OEAO	OEAO
Total par value (in € millions)	460	300
Issue date	January 2001	April 2003
Annual interest rate	3.25%	3.25%
Bond par value	€136	€80
Maturity	06/30/2006	07/01/2013
Redemption value	€150.40	€95.256
Exchange	1.0196 share for 1 bond <sup>(1)</sup>	1 share for 1 bond <sup>(2)</sup>
Listing	yes	yes
COB authorization	n.a.	n.a.
Volume outstanding:		
– at the time of the issue	3,382,353	3,750,000
– as at December 31, 2005	3,382,353	3,750,000

(1) Exchange option which may be exercised until June 23, 2006.

(2) Exchange option which may be exercised until June 20, 2013, Rallye has an early redemption option beginning July 1st, 2006, the shareholders have an early redemption option on July 1st, 2008 and July 1st, 2011.

The bonds exchangeable for Casino common or preferred shares issued in 1998 matured in January 2005, resulting in the exchange of 864,422 Casino common shares and 440,019 Casino preferred shares.

## Note 8. Other debt

Other debt consists essentially in current account advances by subsidiaries under the Group's centralized cash management system. They are due in less than one year.

## Note 9. Operating income

### ■ Net sales

Net sales are entirely generated in France and consist essentially of services provided to subsidiaries.

### ■ Other purchases and external expenses

This item includes in particular bank fees and commissions.

### ■ Personnel

Workforce as at December 31	2005	2004	2003
Executive staff	23	24	24
Other staff	12	12	12
<b>Total</b>	<b>35</b>	<b>36</b>	<b>36</b>
Compensation paid to senior management (in € millions)	0.7	0.6	0.8

### ■ Other operating expense and income

This heading essentially comprises directors' fees issued to members of the Board of Directors.

## Note 10. Net financial income (loss)

(in € millions)	2005	2004	2003
Dividends	69.7	29.7	33.0
Reversal of financial depreciation allowances	39.8	36.5	10.1
Other interest and similar income	89.0	84.6	68.3
Miscellaneous	14.5	6.6	5.5
<b>Financial income</b>	<b>213.0</b>	<b>157.4</b>	<b>116.9</b>
Other interest and similar expenses	111.8	87.6	66.1
Financial depreciation allowances	23.6	14.2	47.2
Other financial expenses	4.8	4.4	8.3
<b>Financial expenses</b>	<b>140.2</b>	<b>106.2</b>	<b>121.6</b>
<b>Net financial income (loss)</b>	<b>72.8</b>	<b>51.2</b>	<b>(4.7)</b>

Dividend payments for 2005 came mainly from Casino, in the amount of €21.4 million, Cobivia, in the amount of €40 million, Mermoz Kléber, in the amount of €7.3 million and Matignon Sablons, in the amount of €1 million.

Interest income was generated by current accounts with subsidiaries. Financial provision reversals include the provision reversal on Parande shares, in the amount of €32.8 million. Financial provision allowances mainly concern bond redemption premiums, amounting to €20 million.

## Note 11. Net exceptional income

(in € millions)	2005	2004	2003
Sale of investment securities	(0.6)	76.9	90.7
Provision reversals (allowances)	(19.5)	(0.2)	8.6
Other exceptional income (expense)		0.1	
<b>Total</b>	<b>(20.1)</b>	<b>76.8</b>	<b>99.3</b>

Rallye recorded a provision of €19.5 million concerning the redemption premium for bond issues relating to years prior to 2005.

## Note 12. Corporate income tax

### ■ Breakdown

(in € millions)	2005	2004	2003
Income from current operations before income tax	47.7	17.4	(27.7)
Net exceptional income	(20.1)	76.8	99.3
<b>Net income before tax</b>	<b>27.6</b>	<b>94.2</b>	<b>71.6</b>
Tax on income from current operations			(0.4)
Tax on net exceptional income		(0.2)	(0.3)
Impact of tax consolidation	(0.2)	2.9	7.2
<b>Income tax</b>	<b>(0.2)</b>	<b>2.7</b>	<b>6.5</b>
<b>Net income</b>	<b>27.4</b>	<b>96.9</b>	<b>78.1</b>

Beginning with the year ended December 31, 2005, Rallye personally and finally bears the cost of corporate tax, additional income tax payments, as well as taxes on capital gains made by its subsidiaries included in the tax consolidation Group.

### ■ Reduction or increase in future corporate tax

(in € millions)	2005	2004	2003
<b>Asset (Liability)</b>			
Capital gains deferred for tax purposes	(7.5)	(14.4)	(25.7)
Net income from partnerships			
Deferred depreciation and loss carry-forwards	45.1	77.8	92.4

Deferred tax at year-end is calculated on the basis of the tax rate applicable in 2006 to long-term capital gains. Deferred depreciation and tax loss carry-forwards, totaling €546.2 as at December 31, 2005, are recorded within the tax consolidation Group and may be carried forward indefinitely.

### Note 13. Information on off-balance sheet transactions

#### ■ Commitments related to current operations

(in € millions)	2005	2004	2003
Interest rate hedging instruments	500.0	561.0	130.7
Other reciprocal commitments			
<b>Total reciprocal commitments</b>	<b>500.0</b>	<b>561.0</b>	<b>130.7</b>
Securities and bank guarantees pledged	416.1	214.2	214.2
Bond redemption premiums	56.9	96.4	105.3
Other commitments made	3.0	9.3	22.0
<b>Total commitments made</b>	<b>476.0</b>	<b>319.9</b>	<b>341.5</b>
Unused confirmed credit lines	1,325.0	1,698.0	1,162.3
<b>Total commitments received</b>	<b>1,325.0</b>	<b>1,698.0</b>	<b>1,162.3</b>

As at December 31, 2005, 2,015,585 Casino common shares were pledged to financial institutions as collateral for various loans and credit lines.

### ■ Commitments related to exceptional items

(in € millions)	2005	2004	2003
Commitments to purchase shares			14.0
<b>Total reciprocal commitments</b>			<b>14.0</b>
Recovery provision		27.0	27.0
<b>Total commitments received</b>		<b>27.0</b>	<b>27.0</b>

### Note 14. Affiliated companies

Information on affiliated companies and equity interests	Aggregate figures of affiliated companies	Aggregate figures of companies in which Rallye holds an equity interest
(in € millions)		
Net financial investments	1,335.8	0.7
Trade account receivables	81.5	
Net other receivables	1,919.0	
Liabilities	136.9	0.5
Investment income	69.7	
Other financial income	116.8	
Financial expense	4.4	

### Note 15. Consolidation

Rallye prepares consolidated financial statements. The company's accounts in turn are integrated in the consolidated financial statements of parent company Foncière Euris.



## Subsidiaries and equity interests

(in € millions)	Share capital	Reserves and retained earnings before net income appropriation	Share of capital held (in %)
<b>A – Subsidiaries <sup>(1)</sup></b>			
(at least 50% of capital held by Rallye)			
Cobivia SAS	31.8	7.3	100.00%
Kerrous SAS	184.5	(26.0)	100.00%
Magasins Jean SAS	0.3	(0.1)	100.00%
Matignon Sablons SAS	10.8	0.9	100.00%
MFD SA	35.2	(75.0)	99.99%
OCP SAS	2.4	116.4	99.99%
Parande SAS	73.0	29.9	100.00%
Parcade SAS	27.8	(0.5)	100.00%
<b>B – Equity interests <sup>(1)</sup></b>			
(10% to 50% of capital held by Rallye)			
Casino, Guichard-Perrachon SA	171.2	6,189.1	9.56%
Groupe Go Sport SA	14.9	105.9	45.37%
Sivigral SCI	0.4	1.2	40.00%
<b>C – Other subsidiaries and equity interests</b>			
Subsidiaries not included in A above			

(1) With book value in excess of 1% of Rallye's share capital.





## Financial performance of Rallye over the last five years

(in €)	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005
<b>1 – Financial situation at year-end</b>					
Share capital	116,805,696	111,603,672	112,223,532	112,223,547	116,422,761
Common shares in existence	38,935,232	37,201,224	37,407,844	37,407,849	38,807,587
Maximum number of shares to be created:					
– through bond redemption <sup>(1)</sup>	5,700,216	2,637,756	6,131,589	6,131,589	6,131,589
– through exercise of subscription option			380,980	649,830	221,584
– through exercise of warrants	4,843,222	4,843,222	4,182,486	4,182,481	1,760,905
<b>2 – Operations and net income</b>					
Net sales	1,774,248	1,618,017	1,502,321	1,319,809	1,597,155
Income before taxes, employee profit sharing, amortization, depreciation and provisions	117,233,605	100,683,447	75,628,825	84,017,215	31,682,011
Income tax	(15,881,723)	(1,109,607)	(6,415,836)	(2,700,664)	187,039
Income after taxes, employee profit sharing, amortization, depreciation and provisions	6,816,411	32,108,188	78,087,324	96,873,341	27,411,674
Distributed earnings	31,148,186	44,641,469	59,852,550	62,845,186	64,046,658
<b>3 – Earnings per share</b>					
Income after taxes and employee profit sharing, before amortization, depreciation and provisions	3.42	2.74	2.19	2.32	0.81
Income after taxes, employee profit sharing, amortization, depreciation and provisions	0.18	0.86	2.09	2.59	0.71
Dividend per share	0.80	1.20	1.60	1.68	1.68
<b>4 – Workforce</b>					
Average workforce on payroll	33	36	36	34	35
Salaries and wages	3,665,762	3,605,094	3,600,353	4,233,050	4,836,773
Social security and benefits	1,528,318	1,707,120	1,757,541	1,922,007	2,352,491

(1) The figure corresponds to the maximum number of shares to be created for the conversion of OCEANE bonds in 2003, 2004 and 2005.



# Resolutions presented to the Ordinary Annual General Meeting of Shareholders on June 7, 2006

## First résolution

### Adoption of the company financial statements

The Shareholders, after having heard the reports of the Board of Directors and the Statutory Auditors, receive and adopt the financial statements for the year ended December 31, 2005, as presented, showing earnings of €27,411,674.43.

The Shareholders also approve operations translated by these financial statements or summarized in these reports.

## Second resolution

### Net income appropriation

As suggested by the Board of Directors, the Shareholders decide to assign the net income for the fiscal year ended on December 31, 2005 in the following manner:

Net income for the fiscal year		€27,411,674.43
Legal reserve limited to 10% of share capital	(-)	€419,921.40
Previous retained earnings balance	(+)	€87,772,304.46
Earnings available for distribution	(=)	€114,764,057.49
Dividends	(-)	€64,046,657.76
Retained earnings for the balance	(=)	€50,717,399.73

The proposed dividend distribution corresponds to a dividend payment of €1.68 net per share.

Given that an interim dividend payment for the year 2005 in the amount of €1.20 per share, net, eligible for a 50% tax rebate, in accordance with the rules in force on that date, was decided by the Board of Directors on October 10, 2005 and paid out on October 18, 2005, the overall balance left outstanding, representing a net amount of €0.48 per share, is eligible for a 40% tax deduction for individuals having their tax residence in France, in accordance with article 158-3, 2° of the French General Tax Code (*Code général des impôts*) and which applies to payments made as from January 1, 2006. The dividend will be paid out beginning June 12, 2006.

Dividends on shares held in treasury stock by the company as at the day the dividend payment is made will be booked under "Retained earnings".

Pursuant to article 47 of the law of July 12, 1965, the Shareholders also note that dividends paid out over the three previous years amounted to:

(in €)	2004	2003	2002
Net dividends	1.68	1.60	1.20
Tax credit <sup>(1)</sup>	0.60 <sup>(2)</sup>	0.80	0.60

(1) At the rate of 50%.

(2) Under the interim dividend payment of €1.20, dated October 14, 2004.

## Third resolution

### Interim dividend in shares

The Shareholders decide, in application of article 33 of the by-laws, that the Shareholders will be given the option for the balance of the 2005 dividend to be paid in shares or in cash.

The subscribed shares shall be common shares.

These new shares shall be issued with a value equal to 90% of the average opening share price for the twenty trading sessions prior to this Shareholders' Meeting, less the amount of the allocated dividend and rounded to the next higher cent. The shares shall be issued with entitlement effective January 1, 2006.

If the amount of the dividends to which a shareholder is entitled does not correspond to a whole number of shares, the shareholder may subscribe either to the next higher number of shares and pay the difference in cash or to the next lower number of shares and receive the difference in cash.

If the shareholder chooses to be paid the dividend in shares, the shareholder's request, accompanied if need be by the cash payment necessary to receive the next higher number of shares, shall be accepted from June 12, up to and including June 29, 2006.

The Shareholders grant the Board of Directors full powers, with the option of delegating these powers to the Chief Executive Officer, in order to take any and all necessary measures for the implementation of this decision, recognize the increase in capital resulting from the exercise of the option of dividend payment in shares, amend the by-laws and carry out the publication formalities.

## Fourth resolution

### **Agreements under article L. 225-38 of the French Code of Commerce**

The Shareholders, after having heard the statutory auditors' special report on the agreements covered by article L. 225-38 of the French Code of Commerce, adopt the said report and the agreements therein.

## Fifth resolution

### **Adoption of the consolidated financial statements**

The Shareholders, after having heard the reports of the Board of Directors about the activity of the Group for the year ended December 31, 2005, and the Statutory Auditors report, receive and adopt the consolidated financial statements, as presented, showing consolidated earnings of €287,546,167.

## Sixth resolution

### **Payment of interim dividend in shares**

The Ordinary General Meeting of Shareholders, by virtue of article L. 232-18 of the French Code of Commerce, authorizes the Board of Directors, in the event that one or several interim dividend payments are made for 2006, to offer shareholders, if it so decides, the option to receive payment in cash or in shares, for all or part of the interim dividend.

The Board of Directors is therefore authorized, at its own initiative, to make the interim dividend payment in question:

- either by offering shareholders the option to choose payment either in cash or in shares;
- or to pay out part of the dividend in cash, and part by offering shareholders the choice between cash or shares.

However, the Board of Directors may decide to pay one or several of these interim dividends wholly in cash.

Should the shareholders exercise their option to receive payment in shares, the subscribed shares shall be common shares. They will have the same characteristics as pre-existing shares, except that the date for dividend entitlement will be set at the first day of the period during which the shares were subscribed.

The Board of Directors shall set the dates for the period, beginning when the decision to issue an interim dividend is made, during which the shareholders may demand the payment of this dividend in shares. However, this period may not exceed three months.

The Shareholders decide that the issue price for new shares

shall equal 90% of the average market price for the twenty trading days immediately preceding the day the payment was decided, minus the net amount of the dividend, and rounded up to the next cent.

Share subscriptions must be in whole number amounts. When the amount of the interim dividend does not allow for this, the shareholder shall have the option of requesting either the next lower number of shares in which case the shareholder shall receive the difference in cash or the next higher number of shares by paying the difference in cash at the time of requesting the interim dividend in shares.

Full powers are given to the Board of Directors, with the option of delegating these powers to the Chief Executive Officer, in order that they may take any and all necessary measures for the payment of interim dividends in shares, should they decide to distribute them and offer payment in shares, recognize the increase in capital resulting from the exercise of the option of dividend payment in shares and consequently amend the by-laws.

## Seventh resolution

### **Reappointment of a Board member**

The Shareholders renew the term of office of André CRESTEY as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Eighth resolution

### **Reappointment of a Board member**

The Shareholders renew the term of office of Jean CHODRON de COURCEL as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Ninth resolution

### **Reappointment of a Board member**

The Shareholders renew the term of office of Jacques DERMAGNE as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.



## Tenth resolution

### Reappointment of a Board member

The Shareholders renew the term of office of Jacques DUMAS as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Eleventh resolution

### Reappointment of a Board member

The Shareholders renew the term of office of Pierre FÉRAUD as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Twelfth resolution

### Reappointment of a Board member

The Shareholders renew the term of office of Jean LÉVY as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Thirteenth resolution

### Reappointment of a Board member

The Shareholders renew the term of office of Jean-Charles NAOURI as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Fourteenth resolution

### Reappointment of a Board member

The Shareholders renew the term of office of Christian PAILLOT as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Fifteenth resolution

### Reappointment of a Board member

The Shareholders renew the term of office of Gilbert TORELLI as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Sixteenth resolution

### Reappointment of a Board member

The Shareholders renew the term of office of the company FINATIS as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Seventeenth resolution

### Reappointment of a Board member

The Shareholders renew the term of office of the company FONCIÈRE EURIS as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Eighteenth resolution

### Reappointment of a Board member

The Shareholders renew the term of office of the company GROUPE EURIS as Board member for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Nineteenth resolution

### Reappointment of a Censor

The Shareholders renew the term of office of Julien CHARLIER as censor for a period of one (1) year, expiring at the conclusion of the General Meeting convened to approve the financial statements for the fiscal year ending December 31, 2006.

## Twentieth resolution

### Authorization for the Company to purchase its own shares

The Shareholders, after having taken note of the Board of Directors' report, and in application of the provisions of articles L. 225-207 and seq. of the French Code of Commerce, authorize the Board of Directors to purchase company shares in accordance in order to:

- cover the purchase and/or subscription option plans granted to the employees and corporate officers pursuant to articles L. 225-177 and seq. of the French Code of Commerce, as well as any employee savings plan or any shareholding plan;
- allot shares free of charge to employees and officers of the company within the framework laid down by articles L. 225-197-1 and seq. of the French Code of Commerce;
- provide existing company shares in the event of the exercise of rights attached to securities issued by the company, conferring entitlement to the allotment of the company's existing shares via redemption, conversion, exchange, presentation of a warrant or any other method;
- hold shares and later provide them in exchange or in payment within the framework of possible external growth transactions, in compliance with market practices as allowed by the French Financial Markets Authority (AMF);
- ensure the activity of the market within the framework of a liquidity contract entered into with an investment services provider, in accordance with a code of conduct drawn up by AFEI (French Association of Investment Firms) and recognized by AMF;
- cancel shares, with a maximum of 10% of share capital over a period of 24 months and as part of a capital reduction plan.

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

The Board of Directors may, however, adjust the above-mentioned purchase price in the event of modification of the share's nominal value, capital increase through incorporation of reserves and bonus shares, stock split or reverse split, capital redemption or reduction, distribution of reserves or other assets and any other transactions affecting shareholders' equity, in order to take into account the impact of these transactions on the value of the share.

Exercise of this authorization may not result in bringing the total number of company-held shares above 10% of total share capital, i.e., currently, 3,880,758 valued at a maximum of €291 million.

The shares may be purchased, sold, transferred or exchanged by any means and at any time, through a transaction on or off the market, over the counter, in blocks of shares or through the

use of derivative instruments, in particular through the buying of purchase options. The maximum share of capital that may be transferred in the form of blocks of shares may be as high as the entire amount of the repurchase program.

The shares may also be loaned, in conformity with the provisions of articles L. 432-6 and seq. of the Monetary and Financial Code.

This share purchase authorization is valid for a period expiring at the General Meeting convened to approve the management and the financial statements for the 2006 fiscal year or, at the latest, on December 7, 2007.

The Shareholders decide that the company may continue the implementation of its repurchase program even in the event of takeover bids through the purchase or exchange of shares or securities issued by the company or initiated by the company. In view of guaranteeing the implementation of this resolution, full powers are given to the Board of Directors, with the option to delegate these powers in order to:

- carry out the actual transactions, determine the conditions and the methods;
- complete all declarations and formalities with the the French Financial Markets Authority (AMF);
- execute all trading orders, enter into any agreements with a view, in particular, to keeping registers of the purchase and sale of shares;
- make adjustments in the purchase price of the shares to take into account the effect of the above-mentioned transactions on the value of the share;
- carry out all formalities and, more generally, take all necessary measures.

The Board of Directors shall inform the Shareholders at their General Meeting of the transactions carried out in application of the present authorization.

## Twenty-first resolution

### Powers

The Shareholders grant all powers to the bearer of an original, an excerpt, or a copy of the present minutes in order to carry out all publication, filing, and other formalities that may be necessary.



## Other information

### General information on Rallye

#### General information

**Company name:** Rallye

**Registered office:**

83, rue du Faubourg-Saint-Honoré – 75008 Paris – France

**Company headquarters:**

32, rue de Ponthieu – 75008 Paris – France

**Legal entity:**

Rallye is a “Société Anonyme” (joint stock corporation) under Book II of the French Code of Commerce and Decree N° 67-236 of March 23, 1967.

**Legislation:** French Law

**Existence - duration**

**Date established:** January 20, 1925

**Expiry date:** December 31, 2064

**Duration:** 90 years, beginning December 31, 1974, the date of its first extension.

**Mission statement**

Article 3 of the by-laws states:

“The company’s mission is:

- to take on majority interests in any French or foreign firm, whatever its legal form or mission, and to manage these interests;
- to provide administrative, accounting, legal, financial, IT, commercial or other services to further the interests of any company, as well as any public relations services;
- to acquire and manage all types of buildings;
- to undertake any form of business, commission, or brokerage in its own name, or on behalf of others;
- and, in general, to undertake any commercial, industrial, real estate, securities or financial transactions either directly or indirectly related to, or likely to be of use to the company’s mission or to help in its fulfillment.

It may, in France or abroad, create, acquire, operate or cause to operate any brand of manufacture, trade, or service, any model or design, any patent or manufacturing process related to the above mission.

It may act in any countries, be it directly or indirectly, on its own account or on behalf of others, alone or in association, participation, grouping or company, in conjunction with any other person or company, and it may carry out the transactions necessary to its mission, under any form.”

**Legal register of companies**

Registered in Paris (France) at the Register of Companies (RCS) under number 054.500.574.

#### Consultation of the documents

##### and information relating to the company

Company documents relating to the last three exercises (annual statements, official reports of the Annual General Meetings, board members list, statutory auditors’ reports, by-laws, etc.) can be consulted at the Company headquarters, 32, rue de Ponthieu - 75008 Paris.

#### Accounting year

From January 1 to December 31 - Duration: 1 year.

#### Income appropriation

Article 33 of the by-laws states:

“I – The income statement shows income or loss for the period, after the deduction of amortization and provisions.

From this income, less losses carried forward from previous periods, if any, the following must be paid in priority:

- at least five per cent to constitute the legal reserve fund. This shall cease to be mandatory once the said fund has reached one-tenth of par, but shall resume should, for whatever reason, this requirement cease to be met;
- and any amounts to be appropriated to reserves in compliance with the law.

The balance, together with any income carried over, constitutes the earnings available for distribution. It is at the disposal of the shareholders at the general meeting to be, if proposed by the Board of Directors, either totally or in part, distributed to the shares as a dividend, appropriated to any reserve or capital amortization accounts, or to retained earnings.

The general meeting of shareholders voting on the accounts for the period may grant each shareholder, for all or part of the dividend to be distributed, the option to choose between receiving the dividend in cash or in shares.

II – The shareholders at the general meeting may choose to use the reserves at their disposal to pay a dividend on shares. Should this be decided, the decision shall expressly indicate the headings from which the amounts are taken.”

#### Information about general meetings of shareholders

Articles 25, 27 and 28 of the by-laws states:

General meetings of shareholders shall be convened by the Board of Directors.

Failing that, and in accordance with article L. 225-103 of the French Code of Commerce, they may be convened by the Statutory Auditors or by a court-appointed auditor, at the request of the person concerned in the event of an emergency, i.e., shareholders owning at least 5% of company capital, or a group of shareholders that meet the criteria laid down in article L. 225-120 of the Code of Commerce, or the receivers.

### **Shareholders shall be convened as follows:**

Article 27, paragraph I and II of the by-laws states:

At least thirty days before the scheduled general meeting, the French bulletin of mandatory legal announcements (BALO) will publish an announcement containing the provisions provided for by law.

Shareholders are convened via a notice published in the bulletin of mandatory legal announcements and in a journal of legal announcements in the *département* (administrative district) where the headquarters is located. The first announcements shall be published at least 15 days before the date of the meeting, with a subsequent announcement to follow no less than six days before the meeting. In addition, those who have owned registered shares for at least one month before the date of this announcement shall receive a letter of invitation by mail. Meetings shall take place in the town where company headquarters are located, or in any other town in France, depending on what has been decided by the person convening the meeting, and in the venue indicated.

The agenda for each general meeting is established by the person convening the meeting. If applicable, it contains proposals made by one or several shareholders, under the conditions provided by law.

### **Conditions of admission**

Article 25, paragraph I, II and III of the by-laws states:

- holders of registered shares paid in full and registered with the company five days before the meeting may attend the general meeting or be represented with no preliminary formalities;
- holders of bearer shares producing five days before the meeting a certificate delivered by the financial intermediary may attend the general meeting;
- shareholders may be represented by a proxy, provided that the proxy is also a shareholder;
- legal representatives of shareholders who are legally incompetent and representatives of shareholding companies have access to the meetings whether or not they are themselves shareholders;
- beneficial owners, bare owners, joint owners of shares may attend meetings under the conditions provided by law (article 12 of the by-laws states).

### **Setting-up of the General Meeting of shareholders**

Article 25, paragraph IV of the by-laws states:

In application of article L. 225-107 of the French Code of Commerce, at each General Meeting, the Board of Directors is authorized to allow shareholders to attend, and to vote from afar,

via videoconference, or by any means of telecommunications guaranteeing their identification.

### **Conditions for the exercise of voting rights:**

Article 28, paragraph III of the by-laws states:

- shareholders have as many votes as they own or represent shares, with no limits, except as provided by law;
- votes are cast by a show of hands, or by any electronical system, unless a secret ballot is requested by one or more shareholders who together represent one tenth of the capital represented at the meeting, according to the possibility forecast by article L. 25-IV;
- shareholders may also vote by mail under the conditions provided by law.

### **Conditions for the acquisition of double voting rights**

Article 28, paragraph III of the by-laws states:

Shares paid in full, and which have been recorded for at least two years under the name of the same shareholder, have double voting rights as compared to equivalent shares in company capital (Extraordinary General Meeting of October 25, 1993).

If capital is increased through appropriation of reserves, of earnings, or of issue premiums, double voting rights are granted, upon issue, to the registered shares allocated to each shareholder on the basis of pre-existing shares for which he or she enjoys these rights. Double voting rights are cancelled upon the conversion of shares into bearer shares or identifiable bearer shares, or upon the sale or transfer of shares, except in inheritance or divorce proceedings, or bequests inter vivos to a spouse or a direct heir, which does not interrupt the time period necessary for the acquisition of a double voting right.

### **Share ownership which must be declared to the Company**

Article 10, paragraph II of the by-laws states:

Besides being required to fulfill the legal obligation of informing the company when he or she comes to own more than a certain share of company capital and the attached voting rights, any person or legal entity who, alone or indirectly, under the terms of article L. 233-9 of the French Code of Commerce, or in a concert party with other persons or legal entities under the terms of article L. 233-10 of the French Code of Commerce, comes to hold or ceases to hold, in any way, a share equal to 1% of the voting rights or any multiple thereof, up to 50%, must send a registered letter with return receipt requested to company registered office within five market days from the date the share ownership threshold was attained, informing the Company of the total number of shares and voting rights owned in the same way, and which ultimately provide access to the capital, as well as of the number of voting rights attached.



## Other information

### General information on company capital

Should this obligation to inform not be respected, and upon the request, as recorded in the minutes of the general meeting, of one or several shareholders holding at least 5% of company capital, the voting rights exceeding the fraction which should have been declared may not be exercised at any meeting held, for a period of two years following the date of compliance with the notification requirement.

#### Shareholders identification

Article 10, paragraph III of the by-laws states:

In view of identifying the holders of bearer securities, and in accordance with article L. 228-2 of the French Code of Commerce, the company has the right to, at any time, and at its own expense, obtain certain information from the securities compensation agency. This includes the names (or, in the case of a legal entity, the denomination), nationality, and address of the holders of securities which grant the right to vote, either immediately or subsequently, in its own shareholders meetings, as well as the number of shares held by each holder, and, if necessary, any restrictions which may apply to the shares in question.

The Company may also, under the conditions set out by articles L. 228-2-II and L. 228-3 and seq. of the French Code of Commerce, ask holders of the company's shares whether they hold the shares on their own behalf, or on behalf of a third party. Should the latter be the case, they must provide information serving to identify this third party or parties.

Should the identity of the owners of the shares not be revealed, the vote or proxy authorization issued by the intermediary will be discarded.

In addition, by virtue of article L. 228-3-I of the French Code of Commerce, any legal entity owning shares in excess of 2.5% of the capital or of the voting rights, must, when so requested by the company, reveal the identity of the individuals and/or legal entities which own, either directly or indirectly, more than one third of its own capital or voting rights.

In application of articles L. 228-3-2 and L. 228-3-3 of the French Code of Commerce, failure to provide the information requested, by virtue of articles L. 228-2-II or L. 228-I of the French Code of Commerce, or the provision of incomplete or erroneous information will be punishable by deprivation of voting rights and of the right to receive dividends attached to the shares held by the person who received the request for information, until such date as the correct information is supplied.

#### Amount of capital

- amount of capital as at December 31, 2005: €116,422,761;
- amount of capital as at March 31, 2006: €116,422,761;
- number of shares as at December 31, 2005: 38,807,587;
- number of shares as at March 31, 2006: 38,807,587.

The shares have a par value of €3 each, are paid in full and belong to the same category.

Shares may be either registered, or bearer shares, at the option of the shareholder.

The Company keeps track of its share capital distribution, in compliance with the terms of the law.

The shares are freely negotiable, except as otherwise stipulated by law or regulations.

Double voting rights are granted to shares that have been held as registered shares by the same person for over two years. As at March 31, 2006, double voting rights having been granted to 23,464,728 shares, the total number of voting rights amounted to 60,523,908 for 38,807,587 shares outstanding, considering that there were shares held by the company as treasury stock.

#### Financial authorizations

The authorization of capital increase by capitalization of reserves, premiums or income was granted to the Board of Directors by the General Meeting of June 5, 2002.

Delegations of authority conferred to the Board of Directors by the Shareholders at the General Meeting convened on June 8, 2005 are described in the table below:

Type of issue	EGM	Authorization period	End of authorization	Nominal amount authorized <sup>(1)</sup>
Authorization to increase capital by capitalization of reserves, premiums, income	06/05/2002	5 years	06/05/2007	€800 M
Delegation of authority to issue shares or other securities - preemptive subscription rights upheld <sup>(2)</sup>	06/08/2005	26 months	08/08/2007	€200 M <sup>(3)</sup> €1 BN <sup>(4)</sup>
Delegation of authority to issue shares or other securities - preemptive subscription rights withheld <sup>(2)</sup>	06/08/2005	26 months	08/08/2007	€200 M <sup>(3)</sup> €1 BN <sup>(4)</sup>
Authorization to issue shares or other securities in the event of a public offer at the request of the Company	06/08/2005	26 months	08/08/2007	€200 M <sup>(3)</sup> €1 BN <sup>(4)</sup>
Delegation of authority to issue securities giving right to attribution of debt securities	08/08/2005	26 months	08/08/2007	€200 M <sup>(3)</sup> €1 BN <sup>(4)</sup>
Total nominal amount of capital increases which may be made other than by incorporation of reserves, premiums, income				€200 M <sup>(3)</sup>

(1) When the authorization is not used, the authorized amounts are equal to the residual amounts.

(2) The Board of Directors will be able to increase the number of securities to be issued within the limit of 15% of the initial emissions and at the same price than these last

(3) For issuing shares or other securities giving rights to capital.

(4) For issuing debt.

## Potential capital as at March 31, 2006

Potential capital as at March 31, 2006 breaks downs as follows:

Number of shares as at March 31, 2006	38,807,587
Exercise of C share warrants <sup>(1)</sup>	1,760,904
Exercise of stock options	221,584
Conversion of convertible and/or exchangeable bonds into new or existing shares (OCEANE) <sup>(1) (2)</sup>	5,631,589
Potential number of shares	46,421,664

(1) Share warrants and OCEANE description is detailed on note 5 of the parent company financial statements.

(2) 6,011,362 OCEANE bonds, convertible into new shares, or exchangeable for existing shares, were originally issued, covering 6,131,589 shares. In order to cover the exercise of 490,196 OCEANE bonds, in February 2005, the company acquired 500,000 Rallye share purchase options from commercial banks.

The dilution effect, in the event of the exercise of share warrants or stock options, as well as of the conversion of OCEANE bonds, amounts to 16.4% for a shareholder owning 1% of company share capital as at March 31, 2006.

## Changes in capital over the past ten years

Date	Event	Changes			New capital (in €)	Total number of shares
		Number of shares	Nominal (in €)	Premium (in €)		
<b>1995</b>	Additional payment of 1994 dividend in shares	16,511	50,341.71	402,733.72		
	Additional issue of shares with warrants attached	2,201	6,710.81	36,909.43		
	Exercise of share warrants	1,549,814	4,725,352.42	27,388,868.48		
12/31/1995					43,901,783.20	14,398,841
<b>1996</b>	Issue of new shares	3,601,177	10,979,917.89	79,604,404.71		
	Payment of 1995 dividend in shares	2,173	6,625.43	57,972.55		
	Exercise of share warrants	1,603,291	4,888,402.75	29,381,127.12		
12/31/1996					59,776,729.27	19,605,482
<b>1997</b>	Exercise of share subscription options	38,356	116,946.69	1,160,988.30		
	Exercise of redeemable share warrants	631,334	1,924,924.96	9,246,823.80		
12/31/1997					61,818,600.91	20,275,172
<b>1998</b>	Issue of shares with warrants attached	5,068,793	15,454,650.23	193,183,127.86		
	Redemption of bonds redeemable in shares	1,308,408	3,989,310.27	18,364,465.96		
	Exercise of warrants, options and convertible bonds	74,603	227,463.08	2,660,516.92		
12/31/1998					81,490,024.50	26,726,976
<b>1999</b>	Exercise of warrants, options and convertible bonds	1,157,585	3,529,453.91	44,120,953.36		
	Cancellation of shares	(18,581)	(56,653.10)	(1,020,581.38)		
12/31/1999					84,962,825.31	27,865,980
<b>2000</b>	Exercise of warrants and convertible bonds	1,488,691	4,538,989.60	64,990,279.85		
12/31/2000					89,501,814.91	29,354,671
<b>2001</b>	Conversion of capital in €		(1,437,835.66)			
	Exercise of warrants and convertible bonds	9,580,561	28,741,716.75	392,598,277.71		
12/31/2001					116,805,696.00	38,935,232
<b>2002</b>	Cancellation of shares	(5,000,000)	(15,000,000.00)	(285,000,000.00)		
	Exercise of warrants and convertible bonds	3,265,992	9,797,976.00	134,666,646.93		
12/31/2002					111,603,672.00	37,201,224
<b>2003</b>	Exercise of warrants and convertible bonds	206,620	619,860.00	8,057,485.58		
12/31/2003					112,223,532.00	37,407,844
<b>2004</b>	Exercise of warrants	5	15	275		
12/31/2004					112,223,547.00	37,407,849
<b>2005</b>	Payment of balance of the 2004 dividend in shares	438,907	1,316,721.00	14,361,037.04		
	Exercise of B warrants	2,424	7,272.00	103,020.00		
	Payment of the 2005 interim dividend in shares	958,407	2,875,221.00	30,055,643.52		
12/31/2005					116,422,761.00	38,807,587
<b>2006</b>						
12/31/2006					116,422,761.00	38,807,587





## Other information

### Current capital ownership and voting rights

#### Situation as at march 31, 2006

Total number of voting rights as at March 31, 2006: 60,523,908

Number of shareholders: over 10,000, based on researches of bearers securities identified realized in May 2005.

To the company's knowledge, the main shareholders at that time were as follows:

Shareholders	Shares	% Capital	Voting rights	% Voting rights
Foncière Euris <sup>(*)</sup> (1)	24,410,520	62.91	47,804,255	78.98
Other companies of the Euris group <sup>(*)</sup>	557	–	807	–
Shares held by executives and members of the board	39,385	0.10	77,297	0.13
<b>Sub-total</b>	<b>24,450,462</b>	<b>63.01</b>	<b>47,882,359</b>	<b>79.11</b>
Treasury stock <sup>(*)</sup> (2)	407,078	1.05	–	–
Shares held by subsidiaries <sup>(*)</sup> (3)	1,341,329	3.46	–	–
Other shareholders <sup>(4)</sup>	12,608,718	32.48	12,641,549	20.89
– of which holders of registered shares:	190,097	0.48	222,928	0.37
– of which holders of bearer shares:	12,418,621	32.00	12,418,621	20.52
<b>Total</b>	<b>38,807,587</b>	<b>100.00</b>	<b>60,523,908</b>	<b>100.00</b>

(\*) Holders of registered shares.

(1) Of which 2,571,365 held by Matignon Corbeil, with a 100% interest held.

(2) Of which 130,052 dedicated to employee stock option programs, 36,526 dedicated to the bonus share program and 136,700 to the liquidity contract.

(3) The shares held by subsidiaries are held by Soparin (1,117,394) and HMB (223,935).

(4) To the knowledge of the company, none of the "Other shareholders" owns directly, indirectly or in concert 5% or more of the share capital or the voting rights.

#### Share ownership threshold declaration from January 1, 2005 to March 31, 2006

In compliance with article 10.II of the corporate by-laws, and based on the total number of shares and voting rights recorded by Rallye in the BALO issue dated June 18, 2004 and July 25, 2005, Richelieu Finance declared on January 5, 2005 that it held 3.11% of Rallye capital then, on October 25, 2005, that it held 2.74% of Rallye capital.

#### Change in capital ownership over the last three years

The capital ownership and voting rights evolved as follows, over the last three years:

Shareholders	Situation as at 12/31/2005			Situation as at 12/31/2004			Situation as at 12/31/2003		
	Number of shares	Share capital in %	Voting rights in %	Number of shares	Share capital in %	Voting rights in %	Number of shares	Share capital in %	Voting rights in %
Foncière Euris <sup>(*)</sup>	24,426,332	62.96	79.08	24,274,377	64.89	86.04	24,306,377	64.98	85.31
Shares held by subsidiaries	1,341,329	3.46	–	2,625,565	7.02	–	2,725,565	7.29	–
Treasury stock	463,485	1.19	–	753,440	2.01	–	753,440	2.01	–
Other shareholders	12,576,441	32.39	20.92	9,754,466	26.08	13.96	9,622,462	25.72	14.69
<b>Total</b>	<b>38,807,587</b>	<b>100.00</b>	<b>100.00</b>	<b>37,407,849</b>	<b>100.00</b>	<b>100.00</b>	<b>37,407,844</b>	<b>100.00</b>	<b>100.00</b>

(\*) Directly and indirectly.

The percentages are expressed at December 31.



### Description of the company's share repurchase program

Since the authorization granted by the Shareholders' Meeting on June 8, 2005 remains in force until December 8, 2006, the Shareholders' Meeting convened on June 7, 2006 will be asked to extend the duration of the share repurchase program.

The provisions of the General Rules of Procedure of the French Financial Markets Authority (AMF), in articles 241-1 and seq. relating to the Law of July 26, 2005, eliminated the requirement for the AMF visa on prospectus for share repurchase programs. Instead, they provide a requirement for a descriptive note laying down the main characteristics of the program.

### Share of capital owned by the company an breakdown by objectives of company shares held in treasury stock:

As at May 5, 2006, the company owns 1,197,287 shares directly and indirectly, i.e., 3.09% of its capital, as follows:

- 335,580 shares under the AFEI liquidity contract;
- 130,052 shares set aside to cover stock option plans;
- 36,526 shares set aside to cover a bonus share plan;
- 695,129 shares to be sold in blocks, in accordance with the provisions made by the AMF Instruction n° 2005-07.

### Objectives of the repurchase program

The objectives of the share repurchase program are, in decreasing order of priority, the following:

- to cover the share purchase and/or subscription plans issued to employees and corporate officers, in compliance with articles L. 225-177 and seq. of the French Code of Commerce, as well as company savings plans or any shareholding plans;
- to issue bonus shares to the employees and executives of the company, in conformity with the provisions of articles L. 225-197-1 and seq. of the French Code of Commerce;
- to ensure market activity in the framework of a liquidity agreement entered into with an investment services provider, in conformity with the code of conduct prepared by the AFEI and acknowledged by the AMF;
- to issue shares upon the exercise of rights attached to investment securities issued by the company, that grant the right, through reimbursement, conversion, exchange, presentation of a coupon, or in any other way, to receive existing company shares;
- to keep the shares and contribute them later on for exchange or payment, as part of possible external growth operations, in compliance with market practices accepted by the AMF;
- to cancel shares up to a maximum which may not exceed 10% of the company's share capital per 24-month period, as part of a company share capital reduction plan, which may be

authorized by the Extraordinary Meeting of Shareholders to be convened on June 7, 2006.

### Maximum share ownership, maximum number of shares, characteristics of the shares which the company plans to purchase, and maximum share purchase price

Rallye will be able to acquire 10% of its capital; that is, as at May 5, 2006, 3,880,758 shares with a par value of €3 each. Given that the company already owned 1,197,287 treasury shares as at May 5, 2006, the maximum number of shares which may be purchased under the repurchase program is, therefore, 2,683,471. This corresponds to a theoretical maximum investment of €201,260,303 based on a maximum purchase price of €75, as provided by the seventh resolution voted at the Shareholders' Meeting, dated June 7, 2006.

### Duration of the repurchase program

The share repurchase program has been extended for a period which will end at the Shareholder's Meeting convened to approve the management and the financial statements for the year 2006, or, at the latest, on December 7, 2007.

### Transactions made, through purchase, sale, or transfer, under the previous repurchase program

Total number of shares in the issuer's share capital at the outset of the program:	37,407,849
Treasury shares held either directly or indirectly at the outset of the program	2,732,685
(in number of shares and as a percentage)	7.30%
Cumulative data from the beginning of the program, up until May 5, 2006:	
Number of shares purchased	130,312
Number of shares sold	1,665,710
Number of shares transferred	
Number of shares cancelled	
Repurchased from persons holding more than 10% of share capital, or from corporate officers	
Number of shares cancelled in the past 24 months	
Number of shares held as at May 5, 2006	1,197,287
(in number of shares and as a percentage)*	3.09%
Book value of the portfolio as at May 5, 2006	44.3 M€
Market value of the portfolio as at May 5, 2006	47.6 M€

\*As a percentage of share capital as at May 5, 2006.

## Shares pledged as collateral

In the framework of the credit facilities it has arranged, Foncière Euris has pledged Rallye shares as collateral, on the basis of the amount of borrowing capacity, or of the amounts drawn and outstanding, whichever is the case. Shares pledged as collateral, as at December 31, 2005, break down as follows among beneficiaries:

Beneficiary	Date of pledge	Date of release	Conditions for releasing the shares as collateral	Number of shares pledged by the issuer	% of the issuer's capital pledged <sup>(1)</sup>
Calyon <sup>(2)</sup>	May 05	May 10	(3)	457,994	1.18
Natexis Banques Populaires <sup>(2)</sup>	August 02	December 09	(3)	1,194,577	3.08
Groupe HSBC CCF <sup>(2)</sup>	June 01	December 07	(3)	3,619,449	9.33
Groupe CIC – Crédit Mutuel <sup>(2)</sup>	June 04	October 10	(3)	2,296,144	5.92
Syndication BNPP – SG	December 01	December 06	(3)	2,631,126	6.78
<b>Total</b>				<b>10,199,290</b>	<b>26.28</b>

(1) As at December 31, 2005.

(2) The dates of pledge and release shown are the limit values found on currently existing credit facilities.

(3) Reimbursement or maturity date of the facility.

## Shareholders' agreement and actions in concert

To the company's knowledge, there are no shareholders' agreements, or persons or group of persons who exercise or may exercise control over the company.

## Major contracts

During the course of the last two years, to date, the Group has not entered into any major contracts, other than those which are part of its normal course of business, which might create a significant obligation or commitment for the Group as a whole. Off-balance-sheet commitments are laid down in note 30 of the notes to the consolidated financial statements.

## Transactions with related parties

Rallye entered into an agreement for strategic advice and assistance with the company Groupe Euris.

In this framework, Groupe Euris uses the resources it has at its disposal to provide ongoing advice to Rallye, in the determination of its strategic guidelines and in the management and development of its business. In addition, it provides it with legal and administrative technical assistance.

The current account loan agreement that had previously existed with the company Group Go Sport has not been renewed, as at December 31, 2005.

In order to streamline its financial management, Group Go Sport had entered into a current account loan agreement with its parent company, Rallye, under the terms of which Rallye made current account loans available to Group Go Sport and/or its subsidiaries, in a maximum overall cumulative amount of €100 million, in installments of €10 million.

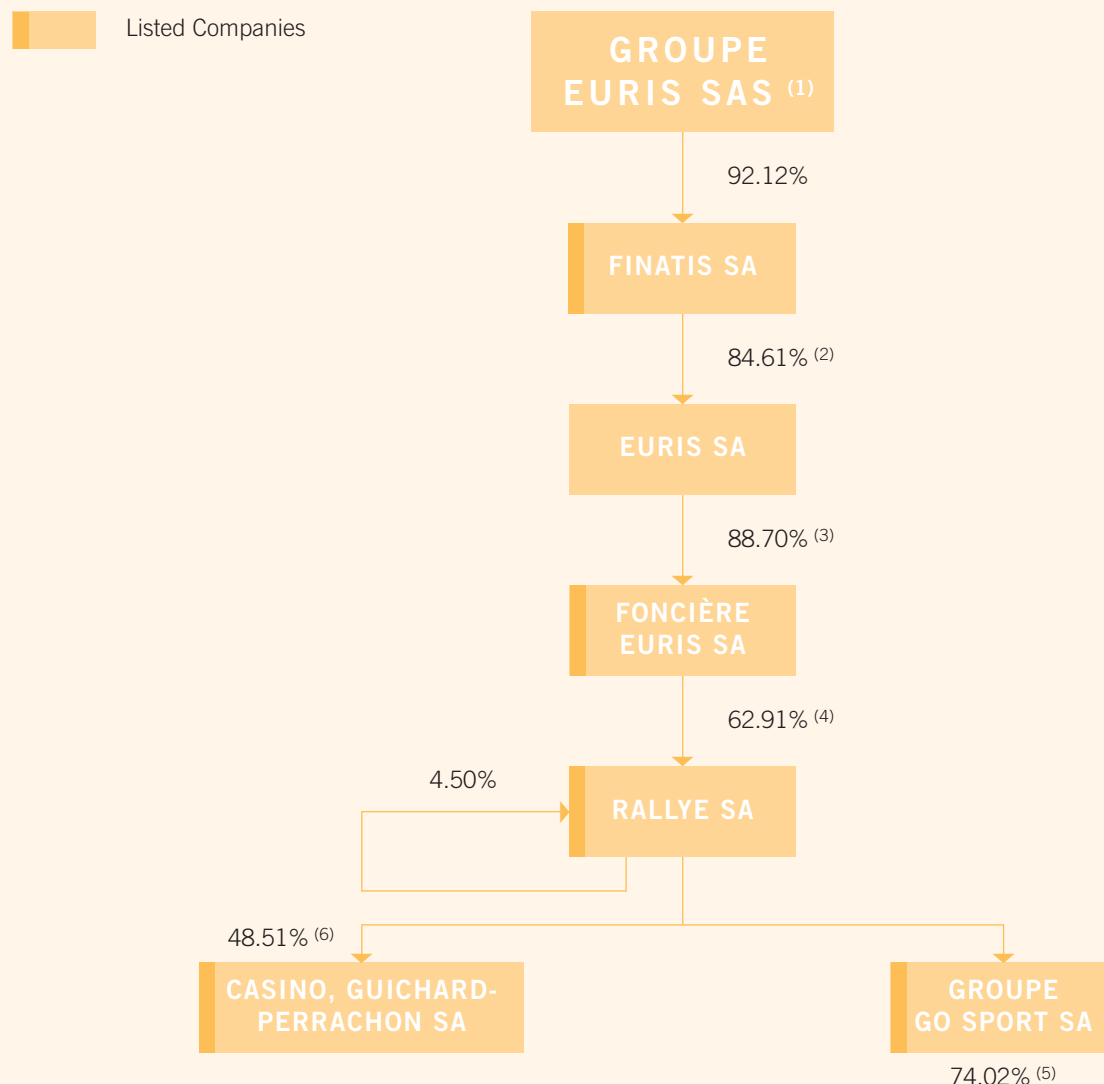
No loans or guarantees have been granted or provided by the company to members of the Board of Directors.

None of the assets that are fundamental to business belong to any corporate officers or their families.



## Other information

### Organization chart of the Group as at March 31, 2006



(1) Groupe Euris is controlled at 99.9% by Mr. Jean-Charles NAOURI.

(2) 99.99% voting rights.

(3) 91.05% voting rights.

(4) 78.98% voting rights.

(5) 80.39% voting rights.

(6) Common shares held directly or indirectly excluding shares held by subsidiaries and treasury stocks representing 61.94% voting rights.

The Rallye group's current structure is the result of the reorganization undertaken in 1992 and 1993, which notably involved the transfer to the Casino group of all hypermarket, supermarket and cafeteria divisions, and the merger and absorption of parent companies Rallye SA and Coficam and of SMPO and Record Carburants. After the mergers, the absorbing company, Genty-Cathiard, changed its name to Rallye. A transfer of property assets by Foncière Euris completed the reorganization.

The latest changes in the structure are the result of the share exchange offer on Casino, launched in September 1997, the merger-absorption of Go Sport by Courir, now known as Groupe Go Sport, on December 27, 2000, and Athlete's Foot management buy-out on December 27, 2003.

Rallye provides no management services to its operating subsidiaries. However, it receives technical and strategic support from Groupe Euris, the group's parent company.



## Other information

### Listing for company securities as at March 31, 2006

#### Listed securities on the Eurolist stock exchange (Euronext Paris SA). (ISIN Codes)

- Rallye shares (FR0000060618) <sup>(1)</sup>;
- Rallye share warrants C issued December 2003 (FR0010027110) <sup>(1)</sup>;
- Rallye 3.75% bonds convertible and/or exchangeable into new or existing Rallye shares issued January 16, 2003 (OCEANE), (FR0000181273) <sup>(1)</sup>.

#### Listed securities on the Luxembourg stock exchange. (ISIN Codes)

- Rallye 3.25% bonds exchangeable for CASINO common shares issued January 31, 2001 (FR0000484982) <sup>(2)</sup>;
- Rallye 3.25% bonds exchangeable for CASINO common shares issued April 30, 2003 (FR0000473985) <sup>(2)</sup>;
- Rallye 5.375% bonds issued January 20, 2004 (FR0010039107) <sup>(3)</sup>;
- Rallye 5.625% bonds issued October 13, 2004 (FR0010117325) <sup>(3)</sup>.

#### Institutions servicing the securities

(1) CACEIS Corporate Trust  
14, rue Rouget-de-Lisle  
92862 Issy-les-Moulineaux Cedex 09 - France

(2) HSBC  
Avenue Robert-Schumann  
BP 2704  
51051 Reims Cedex - France

(3) BNP Paribas Securities Services  
Les Collines de l'Arche  
75450 Paris Cedex – France

## 18-month market statistics for Rallye shares <sup>(1)</sup>

Years/months	Number of shares traded	Historical high (in €)	Historical low (in €)	Trading volume (in 000's of €)
<b>2004</b>				
October	1,004,491	40.00	32.84	35,656
November	770,151	37.88	33.26	27,651
December	1,993,827	38.25	35.55	74,396
<b>2005</b>				
Januray	1,558,661	40.30	38.21	60,549
February	1,036,086	41.99	40.19	42,528
March	781,072	42.88	39.20	32,244
April	514,070	43.12	38.32	21,203
May	478,763	41.60	38.75	19,025
June	1,134,905	40.89	38.43	45,160
July	971,266	38.99	37.63	37,190
August	536,062	39.00	37.88	20,621
September	896,149	40.38	38.55	35,478
October	475,819	40.00	36.00	18,243
November	496,686	37.10	34.50	17,865
December	913,410	37.30	35.26	33,608
<b>2006</b>				
January	1,064,837	37.03	32.90	37,138
February	2,189,821	33.27	27.14	64,389
March	1,857,709	36.42	28.67	61,974

(1) Source: Euronext Paris.

As at March 31, 2006, Rallye's share price stood at €35.22 and the company's market capitalization totaled €1.4 billion.

## Other securities <sup>(1)</sup>

	Share warrants B <sup>(2)</sup>	Share warrants C <sup>(3)</sup>	Bonds conv. and/or exch. into new or existing shares <sup>(4)</sup>
Number of shares traded in 2005	7,841,841	6,358,341	201,257
Trading volumes in 2005 in 000's of €	325	1,019	9,912
Higher in 2005 in €	0.14	0.24	50.25
Lower in 2005 in €	0.01	0.03	47.85
Closing price on 12/31/2005 in €	0.01	0.05	48.75
Number of shares traded from 01/01/2006 to 03/31/2006		2,035,214	53,560
Trading volume from 01/01/2006 to 03/31/2006 in 000's of €		79	2,532
Higher from 01/01/2006 to 03/31/2006 in €		0.06	49.00
Lower 01/01/2006 to 03/31/2006 in €		0.02	44.00
Closing price on 03/31/2006 in €		0.03	48.00

(1) Source: Euronext Paris.

(2) Arrived at due date as at November 30, 2005, B share warrants was issued under the free issue of shares warrants in February 2002 – First listing February 19, 2002.

(3) Issued under the share exchange offer on Rallye A share warrants – First listing November 24, 2003.

(4) First listing January 16, 2003.

## Dividend distribution policy over the past five years – Statute of limitations for dividends

Over the last five years, Rallye distributed dividends as follows:

	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005
Net dividend (in €/share)	0.80	1.20	1.60	1.68	1.68 <sup>(1)</sup>
Tax credit (in €/share)	0.40	0.60	0.80	0.60 <sup>(2)</sup>	
Number of shares	38,935,232	37,201,224	37,407,844	37,407,849	38,807,587
Total dividends (in €)	31,148,186	44,641,469	59,852,550	62,845,186	65,196,746

(1) In 2005, an interim dividend, in the amount of €1.20 per share, was paid out on October 18, 2005. The shareholders were given the option of receiving payment of the remaining €0.48 in shares.

(2) Under the interim dividend payment of €1.20, made on October 14, 2004.

The dividend distribution policy is based on the Group's financial situation, and on its expected financial needs.

No guarantees can be made as to the amount of dividends which can be paid out in the course of a given year.

At the Shareholders' Meeting on June 7, 2006, Shareholders will be asked to approve the distribution of a dividend in the amount of €1.68 per share.

In accordance with articles L. 27 and R 46 of the French Code on Government Property (*Code du domaine de l'état*), dividends which remain unclaimed five years after they became payable must be paid to the Treasury.

## Financial information

Once a year, analysts and journalists are convened to attend a meeting during which they are informed of company performance for the year ended. Financial information, especially half-year information is available on the company's Internet web site ([www.rallye.fr](http://www.rallye.fr)) and on the French Financial Markets Authority (*Autorité des marchés financiers*) web site ([www.amf-france.org](http://www.amf-france.org)).

## Employee profit-sharing agreements

As provided under current regulations, most Rallye subsidiaries have employee profit-sharing contracts. The Rallye parent company does not, because of a smaller number of staff.

## Stock options plans and bonus share plan

After correcting for the impact of financial transactions involving company capital and reserves on stock options, the programs offering employees and executive officers of the company options to purchase or subscribe company shares have the following characteristics:

Date of the General Meeting	EGM on 02/26/1998	EGM on 06/06/2001	EGM on 06/06/2001	EGM on 06/06/2001	EGM on 06/04/2004	EGM on 06/04/2004	EGM on 06/08/2005	Total
Date of the Board of Directors' meeting	04/06/2001	12/19/2001	04/11/2002	06/04/2003	06/09/2004	06/08/2005	06/08/2005	
Type of plan (purchase, subscription or bonus share)	Purchase	Purchase	Purchase	Subscription	Subscription	Subscription	Bonus shares	
Number of initial beneficiaries	42	20	45	49	46	58	58	
<b>Number of options and bonus shares initially issued</b>	<b>157,250</b>	<b>216,040</b>	<b>222,050</b>	<b>380,980</b>	<b>314,550</b>	<b>224,084</b>	<b>37,151</b>	<b>1,552,105</b>
– of which options and bonus shares issued to executive officers of the company	21,400	21,800	15,500	71,800	92,850	83,567	10,446	317,363
– of which options and bonus shares issued to the first ten employees	42,250	30,600	56,650	78,600	95,350	47,733	9,407	360,590
Beginning of exercise period	04/06/2004	12/19/2004	04/11/2005	06/04/2006	06/09/2007	06/08/2008	n.a.	
End of exercise period	10/06/2006	09/19/2006	10/11/2007	12/04/2008	12/09/2009	12/07/2010	06/08/2008	
Subscription price in € <sup>(1)</sup>	55.00	48.91	49.71	29.51	41.38	40.16	n.a.	
<b>Number of options and bonus shares exercised as at March 31, 2006</b>								
– of which exercised in 2005								
<b>Number of shares purchased or subscribed under the exercise of options and bonus shares as at March 31, 2006</b>								
– of which exercised since 01/01/ 2005								
<b>Options and bonus shares cancelled as at March 31, 2006 <sup>(2)</sup></b>	<b>32,200</b>	<b>32,620</b>	<b>32,400</b>	<b>53,050</b>	<b>12,500</b>	<b>2,500</b>	<b>625</b>	<b>165,895</b>
– of which cancelled since 01/01/ 2005	6,750		8,500	9,850	10,000	2,500	625	38,225
<b>Options and bonus shares remaining as at March 31, 2006</b>	<b>125,050</b>	<b>183,420</b>	<b>189,650</b>	<b>327,930</b>	<b>302,050</b>	<b>221,584</b>	<b>36,526</b>	<b>1,386,210</b>
<b>Number of shares remaining which, as at March 31, 2006, may be bought or subscribed <sup>(1)</sup></b>	<b>130,052</b>	<b>190,754</b>	<b>189,650</b>	<b>327,930</b>	<b>302,050</b>	<b>221,584</b>	<b>36,526</b>	<b>1,398,546</b>

(1) After adjustments following transactions on capital and reserves, i.e., an adjustment coefficient of 1.04 for the plan of 04/06/2001 and 12/19/2001.

(2) Further to the departure of beneficiaries.

**Subscription options and bonus shares granted over the fiscal year by the issuer and by any other company of the Group to the ten employees of the issuer of which the number of options granted is the highest**

Name of the company	Date of the Board of Directors' meeting	End of exercise period	Type of plan	Number of options granted	Equivalent number of shares	Subscription price (in €)
Rallye	06/08/2005	12/07/2010	Subscription	47,733	47,733	40.16
Rallye	06/08/2005	06/08/2008	Bonus shares	9,407	9,407	n.a.
Groupe Go Sport	04/20/2005	10/19/2010	Subscription	5,800	5,800	66.10

**Stock options granted by the issuer and by any other company of the Group, exercised over the fiscal year by the ten employees of which the number of options exercised is the highest**

Name of the company	Date of the Board of Directors' meeting	End of exercise period	Number of options exercised	Equivalent number of shares	Subscription price (in €)
Nil					





## Other information

### Recent trends and outlook

#### Recent trends

During the first quarter of 2006, the Rallye Group totaled net sales of €6,118.5 million. This represents an increase of 16.8%, with respect to the first quarter of 2005.

#### Casino

During the first quarter of 2006, Casino realized consolidated net sales of €5,939.7 million, increasing 17.0% over its published figures, and 7.5% pro forma <sup>(1)</sup>. Organic growth was 3.8%, as compared against 2.3% for the full year of 2005. This reflects accelerated growth both in France and internationally. In France, total sales amounted to €4,177.1 million, up by 3.4%, as a result of growth recorded in all networks. Sales growth on a comparable basis was 0.8% for hypermarkets, and 1.8% for supermarkets. This demonstrates the effectiveness of the sales strategy that was implemented at its more traditional store formats; there, it won over even more new customers and improved sales performance on a comparable basis, by 1.2% at hypermarkets, and by 0.3% at supermarkets. Market share also registered positive results, with market share stabilized for Géant, and with an increase in market share of 0.1 percentage point for the Casino supermarkets. At other store formats, Monoprix confirmed the dynamism of its sales (+2.7% on a comparable basis), and its convenience stores continued to enjoy sustained growth, with 54,000 sq. m. of new selling area opened during the quarter. Franprix/Leader Price have seen sales increase by 2.0%, sustained by the opening of 14,600 sq. m. in new selling area.

On the international scene, the Group continued to record very satisfactory performance, with total sales growth of 69.9% in published figures (including the impact on the consolidation scope of CBD and Vindémia), and +18.3% pro forma <sup>(1)</sup>. The organic growth rate of sales reached 8.5%, as against 6.4% for the full year of 2005, thus reflecting excellent performance in Latin America and Asia, with organic growth rates, respectively, of 18.6% and 10.9%, and with the improved outlook on a same-store basis for stores located in Poland and in Taiwan.

#### Groupe Go Sport

During the first quarter 2006, Groupe Go Sport recorded total sales of €177.2 million, up by 11.1% compared to the first quarter 2005. Total sales grew by 10.4% in France, and by 19.5% abroad. On a comparable basis, Go Sport and Courir experienced total sales growth rates of, respectively, 9.4% and 14%.

During the first quarter 2006, the Group closed two Moviesport stores, and shifted one to GO Sport in Créteil (near Paris). Thus, the number of Groupe Go Sport stores reached 366, as at

March 31, 2006: there are 157 GO Sport stores, of which 4 are franchised, 203 Courir stores, of which 7 are franchised, and 6 Moviesport stores.

Other major events which took place since the closure of accounts are included on page 6, under "Highlights".

#### Outlook

Rallye is confident in the future growth of its subsidiaries.

#### Casino

The implementation of the financial and operational action plans as announced by Casino will profoundly change the group's dynamics for the period 2006-2007:

- the growth and profitability profile will be improved, as a result of priority being given to the most profitable and value-generating areas of business;
- the financial structure will be improved through accelerated cash flow generation and by a significant reduction in debt.

As a result, the Casino group has set itself the following objectives:

- to attain a more rapid organic growth rate in consolidated sales for 2006, as compared with the rate achieved for 2005;
- to experience growth in current operating income, beginning in 2006;
- to significantly reduce its net financial debt burden, beginning in 2006, and to reach a net financial debt (NFD) / EBITDA ratio of less than 2.5 by December 31, 2007.

#### Groupe Go Sport

In 2006, Groupe Go Sport will reap the harvest it planted through its activities in 2005, and will consolidate the implementation of its strategy: better market positioning; the implementation of new Go Sport and Courir store concepts; improved communication; the contribution of new expertise, both at headquarters as well as at the store level; and improvements in back-office processes (e.g., supply chain management, and information systems). The group will thereby continue the improvements first undertaken in 2005, based on a larger market share, increased margins, and cost reduction.

#### Financial information calendar

- 2006 first half-year results September 21, 2006

(1) By reconsolidating CBD and Vindémia in the first quarter 2005.



## Other information

# Information on Rallye's activity and risk management

### Information on Rallye's activity

#### Investment policy

Investments of Rallye and its sub-holding companies in 2005 mainly consisted in a further investment of €33 million in the financial investment portfolio.

Annual investments by operating subsidiaries for the past two years are as follows:

(in € millions)	
2004	728
2005	870

Investments by operating companies are detailed in the "Business review" of the management report. For more information on the strategy of the Group's operating subsidiaries, see "Recent trend and outlook" page 145.

### Risk management

#### MARKET RISK

Rallye as a parent company and its two main operating subsidiaries, Casino and Groupe Go Sport, manage market risk separately.

Within each company, cash, currency and interest rate risks are managed centrally, under the responsibility of the finance department, which has the necessary tools and expertise and reports to senior management.

#### Liquidity risk

Rallye enjoys an excellent liquidity situation, with €892 million in available cash, and €1,475 million in unused, confirmed credit lines.

The breakdown by maturity date and by currency of debt over one year, additional information on the risk pertaining to financial debt payable on demand, and commitments received from financial institutions can be found in notes 16 and 30 of the notes to the consolidated financial statements.

#### Foreign exchange risk

As part of its currency risk management policy, Rallye uses various financial instruments, especially swaps as well as forward sales and purchases of foreign currencies. These transactions are used strictly for hedging purposes.

#### Interest rate risk

As part of its interest rate risk management policy, the Rallye group uses various financial instruments, especially swaps and

interest rate purchase options. These transactions are strictly for hedging purposes. See to the consolidated financial statements note 16 for detailed information on interest rate risks.

#### Securities risk

Rallye and its subsidiaries own treasury stock which is booked as investment securities in their respective financial statements. In the consolidated financial statements, treasury stock is offset by shareholders' equity.

In addition, investment securities (see note 13 of the notes to the consolidated financial statements, and note 3 in the notes to the company financial statements) consist mainly of money market mutual funds, for which the Group's exposure is low.

#### OPERATING RISK

As a holding company, this type of risk does not apply directly to Rallye. It does however apply to Casino and Groupe Go Sport, which are subject to several business risks, including mainly:

#### Supply risk

Casino lists over 30,000 suppliers and is not dependent on any single supplier in any way. Further, through specialized subsidiary Easydis, Casino has its own logistics network in France, with 945,000 square meters and 40 sites, spread throughout France. This enables the group to supply its different networks.

Supplier concentration is a key feature of the sporting goods market. Like its competitors, Groupe Go Sport makes most of its purchases (40%) from four main suppliers (Nike, Adidas, Reebok and Puma). Thanks to its strong competitive position, Groupe Go Sport is a key player and a strategic client in the French market.

In addition, the policy of brand diversification that has been implemented has contributed to the launch of many brands in France, in particular, Fila and Ellesse.

#### Store network risk

The Group's banners operate partly through affiliated or franchised networks, which accounted for 49% of Casino outlets as at December 31, 2005. These are mainly supermarkets (including Leader Price) and convenience stores.

The credit risk of the affiliate/franchise network has been taken into account in the framework of credit management. At Groupe Go Sport, all of the stores are owned outright, with the exception of eleven franchise stores, located mainly in Saudi Arabia.

#### Risk linked to brands and chains

The Group owns almost all of its brands and is not particularly dependent on patents and licenses, with the exception of the

Spar brand, for which it holds an operating license in France.

#### Customer credit risk

Through subsidiaries specialized in consumer credit (e.g., Banque du Groupe Casino, Géant Krédyt, etc.), the Group is exposed to customer credit risk. Customers are individually assessed using a credit scoring system managed by a specialized supplier.

#### IT risk

The Group is increasingly dependent on standard IT applications for the data it needs to make operating decisions. IT system security is taken into account from the design stage and is monitored continuously.

#### Geographical risk

Some of the Group's businesses are subject to risk and uncertainty linked to activities in countries that may experience or have recently experienced a period of economic or political instability (e.g., South America and Asia). In 2005, international activities accounted for 25% of the Group's consolidated sales.

#### Industrial and environmental risk

See pages 23 to 26 ("Social and environmental information") for a description of environmental risk and management.

#### Legal risk

The Group is subject to laws and regulations that govern facilities classified as establishments open to the public or falling into administrative classifications. Some of its businesses are also subject to specific regulations (e.g., Casino Vacances and Banque du Groupe Casino). Furthermore, new store openings and store expansion projects are subject to administrative authorization procedures, in France and in other countries where the Group is present.

As part of its current operations, the Group is involved in various legal and administrative proceedings, and is subject to government control. The Group sets aside a provision each time it has a current obligation (whether legal or implicit) which results from a past event for which the amount may be reliably estimated and for which its elimination would result in an outflow of resources representing economic benefits for the Group.

To the Company's knowledge, there is no litigation or arbitration procedure that is likely to have, or that has had in the recent past, a substantial impact on the issuer's financial position, business, earnings, or potentially on its Group.

In the context of litigation between Casino and the company Cora with respect to an equity swap transaction concluded through Deutsche Bank on the shares of the company GMB and

that led Cora to denounce its trade agent contract with the company Opéra, in early 2006, Casino and the Louis Delhaize group signed an agreement under which the Louis Delhaize group will purchase 42.39% of the capital of its subsidiary GMB for €850 million. This will put an end to the legal proceedings currently under way between the two parties.

## INSURANCE

#### Coverage of risks likely to be incurred by the company

The Rallye group's insurance coverage and risk management policy comes within a wider framework of protecting the Group's balance sheet while monitoring certain objectives, such as:

- to protect assets and responsibilities incurred by the Group;
- to defend shareholders' interests;
- to take into account the regulations that govern establishments open to the public in France (known as the ERP rules).

Analysis of random insurable risk, as well as subscription and management of insurance policies and claims are handled independently by each of the operating subsidiaries (essentially Casino and Groupe Go Sport) and by the parent company Rallye.

#### Insurance subscribed

The main insurance policies subscribed by the Rallye Group cover the risks of:

- damage to property (e.g., fire, explosion, electrical damage, collapse of buildings, insurrection, riots, terrorism and natural disasters);
- business interruption;
- civil liability (general civil liability and product liability).

The other insurance policies subscribed to by the Group are mainly to insure automobiles, the transportation and import of goods, construction, professional civil liability (for example, real estate management, or travel agencies), accidental pollution, and so forth.

The yearly insurance budget (deductible plus premium) of the Rallye Group for 2005 is over €48 million, of which €47 million correspond to Casino's business activity, €1.1 million correspond to the activities of Group Go Sport, and €15,800 were used to insure the Rallye parent company.

As regards self-insurance, some subsidiaries, particularly Casino, cover certain claims themselves through standard deductibles. Qualitative and financial monitoring and control of accidental damage for which the deductible applies is set up in close collaboration with the corporate broker, the insurance companies, the certified experts, and by the Corporate Insurance Department. The total amount of deductibles retained

by the Group for 2005 stood at €19 million, i.e., less than 0.1% of the Group's sales.

#### **Level of coverage**

##### **• Property damage and business interruption**

The Group has subscribed to an "All-Risk with Exceptions" type of insurance policy, in which the level of protection granted is defined in light of the exclusions. It was subscribed against a maximum possible damage, based on an expert's calculation, with coverage amounting to €200 million for major disasters, of which €60 million covers operating losses. This insurance, which is intended to enable the Group to return to the situation it was in before the occurrence of a potential accident (asset replacement) and enable it to continue its business under the best possible financial conditions, covers, but is not limited to, the following: fire and related risks, collapse of buildings, real estate liabilities (e.g., claims from third parties, neighbors, rental risks, etc.), terrorism (where required by law), the fair market value of on-going business, etc.

At Group Go Sport, capital insured amounts to €289 million per year, against damage to property, and €342 million to cover operating losses.

##### **• Civil liability insurance**

Civil liability insurance, for which it is difficult to assess the maximum amount of potential damage, carries special importance, given the risks that the Group is exposed to, as a result of both the legal requirements that apply to establishments open to the public in France (known as the ERP rules), and of the type of products that it sells to its customers. Civil liability insurance is intended to cover corporal, material, and/or financial damages borne by third parties, as a result of products delivered or sold to them (and, in particular, plant and equipment, buildings, and store operations) and services provided. This program also covers, below the limit of the general guarantee ceiling, which is set at €76 million, the risk of accidental environmental pollution, as well as the cost of product withdrawal and the Group's responsibility as an employer, should work accidents or work-related illnesses occur.

##### **• Other insurance**

For risks other than those mentioned above, the Group has subscribed to insurance policies wherever a legal obligation so requires, or wherever any risks which might exist render it necessary, provided that the insurance policies on offer remain in tune with the guarantees expected.

#### **Crisis prevention and management**

Measures for the prevention and continuation of business after an accident are part and parcel of the Group's insurance policy. Casino continues to pursue several studies in which it maps out risks linked to dangerous goods, in order to, ultimately, examine and finalize many internal procedures, from storage conditions, handling, transportation, sale, traceability, to work-related accident prevention. In addition, a study of operational risks at hypermarkets has been launched this year.

With respect to civil liability and product risks, Casino carries out an active prevention and watch policy, by performing regular supplier audits, as well as by auditing stores and warehouses belonging to the Group. It also has stepped up the speed and effectiveness of the product withdrawal management mechanism that is used, should a product be found to be defective.

In the event of a serious accident, Rallye and its subsidiaries have at their disposal the human, technical and support resources necessary to manage any severe crisis or accident situation in the most appropriate manner possible.

#### **Person in charge of the corporate communication**

Didier CARLIER – Deputy Managing Director

Tel: +33 (1) 44 71 13 73

Fax: +33 (1) 44 71 13 70

E-mail: [info@rallye.fr](mailto:info@rallye.fr)


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