

Paris, 27 July 2018

RALLYE

INTERIM FINANCIAL REPORT

30 JUNE 2018

Article 222-4 of the AMF General Regulation

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This document is a free translation into English of the original French “Rapport Financier Semestriel au 30 Juin 2018”, hereafter referred to as the “Interim Financial Report at 30 June 2018”. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

1 - STATEMENT BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT ¹

“I certify, to the best of my knowledge, that the financial statements presented in the interim financial report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the Rallye Group’s assets, financial position and results, and that the interim business report presents a true and fair review of the main events which occurred during the first six months of the year, their impact on the interim consolidated financial statements, the main risks and uncertainties for the remaining six months of the year and the main related party transactions.”

Paris, 27 July 2018

Franck Hattab
General Manager

¹ *This is a free translation of the statement signed and issued in French language by the Chairman and Chief Executive Officer of the Company and is provided solely for the convenience of English speaking readers.*

2 - INTERIM BUSINESS REPORT

Significant events of the first half of 2018

Casino

- On **24 January 2018**, the Casino Group announced that it had successfully placed a €200 million bond issue, adding to its existing bond debt maturing in June 2022. The new bond issue raised the total nominal amount of the paper from €550 million to €750 million.
- On **19 February 2018**, Monoprix announced that it was in exclusive negotiations to acquire Sarenza. Following the partnership deals recently signed by the banner, notably with Ocado, this acquisition aims to complete Monoprix's offering and position it as an omni-channel lifestyle leader (Fashion, Home, Beauty). The planned acquisition is a seamless fit with Monoprix's digitalisation strategy. Sarenza is a leading online shoe retailer and is among France's favourite online banners. The transaction will combine the forces of the Monoprix network, its Fashion, Home and Beauty offering and the expertise of its teams, with the e-commerce know-how of Sarenza, a shoe and accessories specialist, to create a truly unique omni-channel lifestyle leader. The acquisition of Sarenza was completed on 30 April 2018.
- On **26 March 2018**, the Casino Group announced that Amazon and Monoprix had joined forces to bring grocery items sourced from Monoprix to Amazon Prime Now service customers in Paris and its inner suburbs in 2018. Grocery items sourced from Monoprix will be available on the Amazon Prime Now app and website through a dedicated virtual store.
- On **3 April 2018**, the Casino Group and Auchan Retail announced that they had entered into exclusive talks to build, in compliance with competition rules, a strategic partnership enabling them to jointly negotiate their purchases in France and abroad with their main multi-national food and non-food suppliers. The Casino Group and Auchan Retail will invite their current partners in procurement to participate in the new dynamic, it being specified that the Casino Group and Intermarché have now terminated their procurement cooperation agreements in France, by mutual agreement.
- On **11 June 2018**, following a review of its business portfolio, the Group announced that it was launching a €1.5 billion asset disposal plan covering non-core assets, including real estate assets. This plan complements the ongoing disposal process of Via Varejo. Half of the plan will be completed in 2018 and half in 2019. The proceeds will be used to accelerate the deleveraging process in France, continue transforming the business model and to support the Group's strategy based on in-store innovation, digitalisation of the customer relationship, and partnerships with major e-tailers.
- On **29 June 2018**, the Casino Group, Auchan Retail, Metro and the Schiever Group announced their cooperation in purchasing. This set of alliances, called "Horizon", is built around a set of next generation purchasing platforms called "Horizon", internationally and in France, for both national brands and private labels.

Rallye

- On **8 February 2018**, Rallye carried out a CHF 95 million bond issue, maturing in six years and paying annual interest at 3.25%. After hedging the foreign exchange risk, interest on the bonds converted into euros is 4.23%.
- On **23 May 2018**, the Annual General Meeting of shareholders approved the payment of a dividend of €1.00 per share for the 2017 financial year with an option for payment in shares. On **21 June 2018**, following the exercise of 65% of the rights, 3,058,947 new shares were created representing 5.9% of the capital, enabling Rallye to increase its equity by €33.2 million and pay a cash dividend of €18 million.

Business report

The comments in the Interim Financial Report are based on a comparison with first-half 2017. The comparative information for H1 2017 has been restated following the retrospective application of IFRS 15.

Organic and same-store changes exclude fuel and calendar effects.

Main change in the scope of consolidation and associated effects:

- Consolidation of Sarenza at 30 April 2018
- Changes in scope within the Franprix-Leader Price sub-group

Currency effects:

Currency effects were negative in H1 2018, with the Brazilian real and Colombian peso declining against the euro (by an average 16.9% and 8.2%, respectively). Nevertheless, the peso rallied against the euro in the latter part of the period, with the closing rate up 1.8%.

Net sales

Rallye's consolidated net sales totalled €18.2 billion for the six months ended 30 June 2018, down 3.1% compared to H1 2017. The breakdown by business segment is as follows:

(€millions)	H1 2018	H1 2017	Change
France Retail	9,310	9,208	1.1%
Latam Retail	7,630	8,397	-9.1%
E-commerce	876	835	4.9%
Other businesses ¹	408	376	8.5%
Total	18,224	18,816	-3.1%

¹ Related to the holding company, investment portfolio and Groupe GO Sport.

Casino recorded consolidated net sales of €17.8 billion in the first half of 2018 versus €18.4 billion for the same period in 2017. Exchange rate fluctuations had a 7.7% negative impact, while changes in the scope of consolidation had a 0.1% positive impact.

- First-half 2018 was shaped by:
 - Net sales down 3.4% as reported and up 4.1% on an organic basis, excluding fuel and calendar effects.
 - Group trading profit of €439 million versus €450 million in H1 2017.
 - Trading profit of €136 million in France versus €110 million in H1 2017 (up 23.0%), of which €114 million for food retail activities compared with €78 million in H1 2017.
 - Underlying net profit, Group share of €48 million.
 - Group net debt of €5.4 billion versus €5.6 billion at end-June 2017.
 - Net debt in France of €4.0 billion versus €4.3 billion at end-June 2017.

Food retail operations in France delivered net sales of €9,310 million in H1 2018 versus €9,208 million in H1 2017. Excluding fuel and calendar effects, sales growth stood at 1.3% on an organic basis and 1.5% on a same-store basis, with a good performance in food sales (up 2.3% on a same-store basis). Over the last measured Kantar period (P07), the Casino Group increased its market share by 0.1 pt, reflecting gains at Géant Hypermarkets (up 0.2 pt) and Casino Supermarkets (up 0.1 pt).

During the half-year, the following can be noted per format:

- **Monoprix** reported organic sales growth of 2.4% and same-store growth of 1.3%. Customer traffic is dynamic, notably led by Sunday openings. The banner also benefited from a good performance in food (especially organic products) as well as from the deployment of the multi-channel strategy (1-hour delivery, click & collect). During the period, Monoprix signed an agreement with Amazon to bring grocery items sourced from Monoprix to Amazon Prime Now service customers and acquired Sarenza, a leading online footwear retailer.
- **Franprix** posted organic sales growth of 1.4% and same-store growth of 1.1%. Sales were led by innovative new offerings and the deployment of new in-store services. Two new “...Le Drugstore Parisien” stores opened during the period specialised mainly in beauty and wellness products.
- **Casino Supermarkets** continued to enjoy strong momentum, reporting organic sales growth of 1.3% and same-store growth of 1.4%. Food sales were boosted by the successful organic and private-label offerings, and the banner continued to roll out the “Bijou” (Jewel) concept, with additional stores converted during the period. Franchisees, which now account for 25% of the store base, experienced sustained sales growth.
- **Géant hypermarkets** enjoyed another period of growth, with sales up 2.5% on a same-store basis and up 2.9% on an organic basis. Géant gained 0.2 pt market share in the last Kantar period (P07). This success reflected the banner’s outstanding sales dynamic, led by a strong performance in food sales and rapid growth at drive-throughs. Non-food sales continued to improve, helped by the deployment of in-store Cdiscount corners (21 corners as of 30 June 2018).
- **Convenience** sales were up 3.5% on an organic basis and 0.8% on a same-store basis. Over the integrated network, the banner continued action to revamp the offering, in particular by introducing more organic products. Sales by the franchise network were also higher compared with H1 2017. As part of the Group’s digital strategy, during H1 2018 the banner started deploying the Casino Max app in the integrated store network.
- **Leader Price** sales dipped by 0.9% on an organic basis, reflecting the impact of store closures, mainly for renovation. Same-store sales grew 1.5%, led by the new Next concept (with 70 stores converted to date). Work to structure and revamp the offering is being pursued, with the development of the organic range and deployment of the beauty and well-being brand, Sooa. In line with the Group’s digital strategy, the banner is gradually deploying a next-generation app incorporating digital promotional offers.

In E-commerce, gross merchandise volume (GMV) totalled €1,614 million in H1 2018, up 13.7%¹ including organic growth of 7.5% on a same-store basis¹. At €876 million, E-commerce sales were up 4.9% as reported and 4.8% on an organic basis, and customer traffic grew 4.4%. The increase was attributable to the rapid development of the products and services offered to customers and marketplace vendors. The contribution of marketplace sales is growing at an increasingly fast pace, accounting for 34% of GMV in H1 2018. The Cdiscount à Volonté loyalty programme is also expanding rapidly, with sales to cardholders representing a growing proportion of GMV. As part of the Group’s multi-channel strategy, 21 Cdiscount corners were set up in Géant stores as of 30 June. Lastly, data monetisation revenues (advertising sales, service commissions, financial services, etc.) were sharply higher.

Latam Retail sales came to €7,630 million in H1 2018, after taking into account the -16.8% currency effect. The segment’s sales were up 7.3% on an organic basis, excluding fuel and the calendar effect.

- In Brazil, GPA food sales showed strong organic growth of 8.7% in H1 2018 excluding fuel and calendar effects. The Group continued to align its portfolio with new consumer trends by pursuing

¹ Data reported by the subsidiary. They include all sales generated by Cdiscount, including sales of technical products to the customers of Casino Group hypermarkets and supermarkets, further to the multi-channel agreement in effect since 19 June 2017. The organic changes exclude sales of technical products and household equipment generated with customers of the Casino Group hypermarkets and supermarkets (impact of -6.4 pts and -8.9 pts on GMV and net sales, respectively), but include sales generated in corners.

the Assaí store conversion programme and deploying new concepts in the Pão de Açúcar and Extra Supermarkets banners.

- Multivarejo staged a strong recovery since March, with same-store sales up 0.8% and market share up 100 bp during the quarter (source: Nielsen). The main growth drivers were the Extra Hypermarkets and Pão de Açúcar banners. The new management team is driving a marketing strategy that is focused more closely on targeted, digital promotional tools and more robust commercial campaigns.
- Assaí continued to expand during the period and delivered an excellent performance, reporting organic sales growth of 24.0% and same-store growth of 7.0%. The banner increased its market share by 200 bp in the second quarter (source: Nielsen). Customer loyalty rates improved, thanks to the Passaí store card which has been acquired by 335,000 holders. In H1 2018, the banner converted one Extra hypermarket to the cash & carry format and opened four new stores, for a network of 130 stores at end-June 2018.

Groupe GO Sport

Groupe Go Sport reported a strong increase in business volumes in H1 2018, up 3.4% to over €486 million for the period, in line with the growth seen across all networks (integrated stores, affiliates, and e-commerce). Net sales totalled €406 million, up 8.6% on a reported basis and up 4.2% on a same-store basis and at constant exchange rates.

The new positioning of **GO Sport France** is paying off, with solid sales growth on a same-store basis leading to market share gains². Growth was driven by an increase in traffic and a better performance from international brands, driven by the group's successful new positioning as a sports coach for brands. In-store shoe merchandising which was reorganised as a mural proved a success. The banner's digitalisation was ramped up with the launch of a free-of-charge instalment payment plan on the e-commerce site. The rationalisation of the store network continued apace with two store closures in the period.

Courir gained market share³ and continued to expand all of its distribution channels in France, opening five integrated stores and eight affiliates. The deployment of the "Wood" concept, enthusiastically welcomed by brands and customers, was ramped up during the period, with 15 more stores now operating under the new concept. Courir has laid a strong foundation for its growth going forward, enhancing its omni-channel strategy by revamping its e-commerce platform to provide optimum mobile browsing and expanding its international footprint, opening two integrated stores in the fast-growing market Spanish market and two in Poland.

The store network continued to expand outside France. **GO Sport Poland** opened two new outlets in a context of fierce competition and the closure of stores on every other Sunday since March. The banner launched its omni-channel strategy with a new e-commerce site. The master franchise opened two stores in two new markets: the Philippines and Senegal.

All networks combined, Groupe GO Sport includes 580 stores (303 GO Sport stores and 277 Courir stores) on 30 June 2018, including 102 outside France (77 GO Sport stores and 25 Courir stores).

² Data provided by Banque de France - *Sport & Leisure retailing* at end-June 2018.

³ Data provided by NPD at end-May 2018.

Recurring operating income

Rallye posted recurring operating income of €425 million for the first half of 2018, down 3.4% on the same period in 2017. The breakdown by business is as follows:

<i>(€millions)</i>	H1 2018	H1 2017 <i>(restated)</i>
France Retail	136	110
Latam Retail	326	364
E-commerce	(23)	(24)
Other businesses ¹	(14)	(9)
Total	425	441

¹ Activity of the holding company, the investment portfolio and Groupe GO Sport.

Trading profit for Casino contracted by 2.4% to €439 million from €450 million in H1 2017, after taking into account the 14.2% negative currency effect. On an organic basis, the period-on-period change was an increase of 10.3%. Excluding tax credits in Brazil, Casino Group trading profit amounted to €339 million, an increase of 6.1% and 17.3% on an organic basis compared with H1 2017.

The trading profit of the France Retail segment amounted to €136 million, up 23.0% compared with H1 2017 (€110 million). Food retail trading profit rose by a strong 47.3% to €114 million from €78 million in H1 2017, reflecting improved performances by the main banners and a favourable change in format mix. The trading margin for the food retail business in France represented 1.5% in H1 2018.

The e-commerce segment posted a **trading loss** of €23 million in H1 2018. EBITDA was a negative €7 million, representing a sequential improvement thanks to increased data monetisation revenues and ongoing cost rationalisation measures, focused mainly on delivery costs.

Latam Retail's trading profit from food retail amounted to €326 million, down 10.3% versus H1 2017, and included a 17.1% negative currency effect. The H1 2018 total includes tax credits recognised by GPA⁴. Adjusted for these items, trading profit was up 14.8% on an organic basis thanks to improved margins at GPA.

Operating income

Other operating income and expenses amounted to a net expense of €138 million in H1 2018 versus a net expense of €277 million in H1 2017. This amount mainly comprises €10 million in disposal gains, €96 million in restructuring costs, €16 million in expenses linked to litigation and risks, and €33 million in net expenses related to changes in the scope of consolidation.

After the impact of other operating income and expenses, operating income for H1 2018 came to €288 million, compared with €163 million for the first half of 2017.

⁴ Including tax credits of €130 million in H1 2017 and €100 million in H1 2018 relating to the ICMS-ST ("tax substitution") tax.

Net income/(loss), Group share

(€ millions)	H1 2018	H1 2017 (restated)
Recurring operating income	425	441
Other operating income and expenses	(138)	(277)
Net finance costs	(211)	(246)
Other financial income and expenses	(101)	(39)
Net income/(loss) from continuing operations	(41)	(90)
Net income/(loss) from discontinued operations	48	(14)
Net income/(loss)	7	(105)
Net income/(loss), Group share	(128)	(136)
Underlying net income/(loss) from continuing operations, Group share	(67)	(69)

Rallye reported a net loss, Group share of €128 million for H1 2018 versus a loss of €136 million one year earlier.

Underlying net income/(loss) from continuing operations, Group share, amounted to a negative €67 million for the six months ended 30 June 2018 versus a negative €69 million in the prior-year period.

Financial structure of Casino

Casino Group net debt at 30 June 2018 stood at €5,445 million, versus €5,594 million at 30 June 2017, a decrease of €149 million.

Net debt of Casino in France at 30 June 2018 amounted to €4,019 million, compared with €4,314 million at 30 June 2017.

At 30 June 2018, **Casino in France**⁵ had €5.5 billion in cash and cash equivalents, corresponding to a significant **gross cash** position of €2.1 billion and **confirmed undrawn credit facilities** of €3.3 billion.

Casino Group cash flow from continuing operations increased to €635 million versus €564 million in H1 2017.

Casino Group capex from continuing operations decreased to €305 million versus €452 million in H1 2017.

Casino has been rated BB+ by Standard & Poor's (with a negative outlook) since 24 April 2018 and Ba1 by Moody's (with a stable outlook) since 30 November 2017.

Casino Group consolidated equity stood at €6,680 million at end-June 2018, compared with €7,794 million at 30 June 2017.

⁵ Scope: the Casino, Guichard-Perrachon parent company, French businesses and wholly-owned holding companies.

Financial structure of the holding company's scope of consolidation

The scope of consolidation for Rallye's holding company includes Rallye and its wholly-owned subsidiaries that operate as holding companies and hold Casino and Groupe GO Sport shares and the investment portfolio.

- **Net debt for the holding company's scope of consolidation**

Net debt for the Rallye holding company's scope of consolidation totalled €2,867 million at 30 June 2018.

This amount includes €2,140 million⁶ in bond financing and €540 million⁷ in bank financing, plus €386 million in commercial paper outstanding at 30 June 2018, net of interest accrued and IFRS restatements for a total amount of €5 million, and €205 million in cash.

- **Investment portfolio of the Rallye holding company's scope of consolidation**

Rallye's investment portfolio was valued at €47 million at 30 June 2018.

Parent company results

Rallye's sales totalled €0.6 million at 30 June 2018, compared to €0.7 million at 30 June 2017.

Rallye's net income totalled €28.0 million versus net income of €25.0 million at 30 June 2017.

The company issued 3,058,947 new shares representing 5.9% of the capital following the exercise of 65% of rights to the payment of dividends in shares.

⁶ Bonds and commercial paper are not backed by asset pledges.

⁷ At 30 June 2018, €250 million in bank loans were backed by Casino share pledges.

Major related party transactions

Related party transactions are described in Rallye's Registration Document for the 2017 financial year, which was filed with the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) on 17 April 2018, under number D.18-0340. They mainly concern current transactions with companies over which the Group exercises notable influence or joint control and which have been consolidated by the equity method. The transactions are concluded at market price. Related party transactions with individuals (directors, corporate officers and members of their families) are not material nor were transactions with the parent companies.

At 30 June 2018, Foncière Euris owned 58.0% of Rallye's capital and 71.6% of its voting rights.

The main transaction in the half-year between Rallye and Foncière Euris concerned the payment of the dividend for 2017, which was paid in shares (2,694,608 shares).

Rallye benefits from the guidance of Euris, the Group's parent company, under the terms of a strategic advisory services agreement signed in 2003.

More details on related party transactions are available in notes 3.3.3 and 12 to the financial statements.

Relationships with related parties, including the compensation methods applicable for company directors, have remained comparable to those in 2017 and no unusual transactions, in nature or amount, occurred during the period.

Major risks and uncertainties for the second half of 2018

The Group's business activities are exposed to certain risk factors described in the 2017 Rallye Registration Document, which is available on the Group's website, and was filed with the AMF on 17 April 2018, under number D.18-0340.

Other information

The definition of non-GAAP indicators is available on the Rallye Group website at www.rallye.fr.

Trends and Outlook

Casino: Casino confirmed its 2018 objectives, and updated them following the asset disposal plan announced in June 2018:

- For **trading profit**:
 - In France, it targets in food retail organic⁸ growth **above 10%** of trading profit excluding property development, led by growth in the most profitable formats, by improved hypermarket and convenience profitability.
 - In all, the Casino Group is aiming to deliver organic growth⁸ in consolidated trading profit and **above 10%** excluding tax credits.
- In France, a **free cash flow**⁹ from operations excluding non-recurring items covering financial expenses and dividends and enabling to improve net financial debt.
- Reduction in **net debt** in France by around **€1 billion** at 31 December 2018 thanks to self-financing and the proceeds from the asset disposals announced in June.
- A reduction in Group **net financial debt** with:
 - Return to breakeven for Cdiscount's free cash flow.
 - Free cash flow⁹ from continuing operations, excluding exceptional items of over €1 billion in total.
 - A capex envelope of around €1 billion.
 - And the impact of the disposal of Via Varejo.

Progress on the disposal plan

The Casino Group's objective is to complete half of the €1.5 billion asset disposal plan announced on 11 June 2018 this year, taking into account:

- the definitive disposal of 15% of Mercialis equity through an equity swap with a bank for €213 million; and
- the indicative offers received in July 2018 for other Group assets representing around half of the disposal plan.

The Casino Group confirms this objective.

Rallye reiterates its strategy of maximising the value of its assets and reinforcing its financial structure, in particular by maintaining positive recurring cash flow in 2018.

Subsequent events

On **16 July 2018**, the Group announced that it had been informed of an investigation by the French Competition Authority (*Autorité de la Concurrence*) regarding "Purchasing alliances in the food retail sector" prompted by the Horizon alliances. This procedure is standard and non-suspensive of the agreements' implementation.

On **25 July 2018**, Casino's Board of Directors authorised the definitive disposal of a block of Mercialis shares representing 15% of its capital, through a total return swap entered into with CA-CIB which will sell the over a period of 2.4 years. During this period, the Casino Group will remain exposed to changes in the Mercialis share price and will continue to receive dividends on the shares.

On **25 July 2018**, Rallye's Board of Directors decided to cancel 278,524 Company shares each with a par value of €3. These shares had been acquired by the Company as part of the buyback programme authorised by the Shareholders' Meeting of 23 May 2018. As a result, the Company's share capital

⁸ Excluding changes in the scope of consolidation and exchange rates.

⁹ Before dividends paid to owners of the parent, TSSDI holders and excluding financial expenses.

decreased from €165,371,313 to €164,535,741, comprising 54,845,247 fully paid-up shares each with a par value of €3.

Appendix: Alternative performance indicators

The definition of key non-GAAP indicators are available on Rallye's website (<http://www.rallye.fr/en/investors/financing>), particularly underlying net income (see below).

Underlying net income corresponds to net income from continuing operations, adjusted for (i) the impact of other operating income and expenses, as defined in the "Significant accounting policies" section in the notes to the consolidated financial statements, (ii) the impact of non-recurring financial items, as well as (iii) income tax expense/benefits related to these adjustments.

<i>(€ millions)</i>	H1 2017	Restated items	H1 2017 underlying	H1 2018	Restated items	H1 2018 underlying
Recurring operating income	441	-	441	425	-	425
Other operating income and expenses	(277)	277	-	(138)	138	-
Operating income	163	277	441	288	138	425
Cost of net debt	(246)	-	(246)	(211)	-	(211)
Other financial income and expenses	(39)	(23)	(62)	(101)	45	(56)
Income tax/(expense) benefit	28	(81)	(53)	(26)	(39)	(65)
Share of net income of equity-accounted investees	3	-	3	10	-	10
Net income/(loss) from continuing operations	(90)	174	83	(41)	144	103
Attributable to non-controlling interests ¹⁰	41	111	152	89	80	169
Group share (attributable to owners of the parent)	(132)	62	(69)	(130)	63	(67)

¹⁰ Non-controlling interests are restated for amounts associated with the above restated items.

3 – INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018

Consolidated income statement

<i>(€ millions)</i>	Notes	First-half 2018	First-half 2017 (restated*)
Continuing operations			
Net sales	5/6.2	18,224	18,816
Other income	6.2	243	227
Total income	6.2	18,467	19,043
Cost of goods sold		(13,798)	(14,214)
Gross margin		4,668	4,829
Selling expenses	6.3	(3,518)	(3,658)
General and administrative expenses	6.3	(725)	(730)
Recurring operating income	5.1	425	441
Other operating income	6.5	106	114
Other operating expenses	6.5	(244)	(391)
Operating income		288	163
Income from cash and cash equivalents	9.3.1	23	49
Cost of gross debt	9.3.1	(235)	(295)
Cost of net debt	9.3.1	(211)	(246)
Other financial income	9.3.2	59	96
Other financial expenses	9.3.2	(160)	(135)
Income/(loss) before tax		(25)	(122)
Income tax (expense) benefit	7	(26)	28
Share of net income of equity-accounted investees	3.3.1	10	3
Net income/(loss) from continuing operations		(41)	(90)
Attributable to owners of the parent		(130)	(132)
Attributable to non-controlling interests		89	41
Discontinued operations			
Net income/(loss) from discontinued operations	3.2.2	48	(14)
Attributable to owners of the parent	3.2.2	2	(4)
Attributable to non-controlling interests	3.2.2	46	(10)
Continuing and discontinued operations			
Consolidated net income/(loss)		7	(105)
Attributable to owners of the parent		(128)	(136)
Attributable to non-controlling interests		136	31
<i>(in €)</i>			
Earnings/(loss) per share attributable to owners of the parent			
From continuing operations			
Basic		(2.47)	(2.55)
Diluted		(2.47)	(2.55)
From continuing and discontinued operations			
Basic		(2.43)	(2.63)
Diluted		(2.43)	(2.63)

* The comparative information has been restated to reflect the retrospective application of IFRS 15 – Revenue from Contracts with Customers (note 1.3).

Consolidated statement of comprehensive income

<i>(€ millions)</i>	First-half 2018	First-half 2017*
Consolidated net income/(loss)	7	(105)
Cash flow hedges	20	(32)
Foreign currency translation adjustments ⁽¹⁾	(852)	(797)
Available-for-sale financial assets	0	2
Debt instruments and other instruments at fair value through other comprehensive income	1	(2)
Share of items of equity-accounted investees that may be subsequently reclassified to profit or loss	(4)	(9)
Income tax effects	(7)	10
Items that may be subsequently reclassified to profit or loss	(850)	(829)
Equity instruments at fair value through other comprehensive income	(9)	
Actuarial gains and losses	8	(2)
Income tax effects	(2)	1
Items that will never be reclassified to profit or loss	3	(1)
Other comprehensive income/(loss), net of tax	(848)	(830)
Total comprehensive income/(loss) for the period, net of tax	(840)	(934)
Attributable to owners of the parent	(343)	(330)
Attributable to non-controlling interests	(498)	(604)

* The comparative information has been restated to reflect the retrospective application of IFRS 15 – Revenue from Contracts with Customers (see note 1.3).

- (1) The €852 million negative net translation adjustment in first-half 2018 primarily reflects the depreciation of the Brazilian currency for €830 million.
The €797 million negative net translation adjustment in first-half 2017 arose primarily from the depreciation of the Brazilian currency for €710 million.

Consolidated statement of financial position

ASSETS (€ millions)	Notes	30 June 2018	31 December 2017 (restated*)	1 January 2017 (restated*)
Goodwill	8	9,833	10,045	10,609
Intangible assets	8	2,808	2,934	3,161
Property, plant and equipment	8	6,830	7,330	8,167
Investment property	8	477	460	416
Investments in equity-accounted investees	3.3.1	581	575	611
Other non-current assets		1,489	1,313	1,206
Deferred tax assets		632	524	677
Total non-current assets		22,651	23,181	24,848
Inventories		4,101	4,019	4,111
Trade and other receivables		808	959	896
Other current assets		1,392	1,315	1,554
Other current financial assets		63	54	87
Current tax assets		140	139	130
Cash and cash equivalents	9.1	3,616	3,511	5,836
Assets held for sale	3.2.1	5,546	6,594	6,120
Total current assets		15,666	16,591	18,734
Total assets		38,317	39,772	43,581

EQUITY AND LIABILITIES (€ millions)	Notes	30 June 2018	31 December 2017 (restated*)	1 January 2017 (restated*)
Share capital	10.1	165	156	146
Consolidated reserves attributable to owners of the parent		814	1,208	1,654
Equity attributable to owners of the parent		980	1,364	1,801
Non-controlling interests		9,032	9,869	10,822
Total equity		10,012	11,233	12,623
Non-current provisions for employee benefits		357	363	317
Other non-current provisions	11.1	460	514	615
Non-current financial liabilities	9.2.1	9,971	9,559	10,064
Non-current put options granted to owners of non-controlling interests		65	28	41
Other non-current liabilities		492	501	648
Deferred tax liabilities		700	725	1,095
Total non-current liabilities		12,044	11,690	12,780
Current provisions for employee benefits		11	11	11
Other current provisions	11.1	146	172	171
Trade payables		6,147	6,792	7,044
Current financial liabilities	9.2.1	3,452	2,352	3,333
Current put options granted to owners of non-controlling interests		121	143	341
Current tax liabilities		64	88	54
Other current liabilities		2,615	2,611	2,821
Liabilities associated with assets held for sale	3.2.1	3,704	4,680	4,404
Total current liabilities		16,261	16,848	18,178
Total equity and liabilities		38,317	39,772	43,581

* The comparative information has been restated to reflect the retrospective application of IFRS 15 – Revenue from Contracts with Customers (see note 1.3).

Consolidated statement of cash flows

	Notes	First-half 2018	First-half 2017*
Net income (loss) before tax from continuing operations		(25)	(122)
Net income (loss) before tax from discontinued operations	3.2.2	74	(28)
Consolidated net income (loss) before tax		49	(150)
Depreciation and amortisation expense	6.4	340	355
Provision expense	4.1	(6)	2
Unrealised losses/(gains) arising from changes in fair value	9.3.2	46	(21)
Expenses/(income) on share-based payment plans		15	14
Other non-cash items		(16)	(22)
(Gains)/losses on disposals of non-current assets		(4)	(24)
(Gains)/losses due to changes in percentage ownership of subsidiaries resulting in acquisition/loss of control		(1)	31
Dividends received from equity-accounted investees	3.3.1	27	51
Cost of net debt	9.3.1	212	246
Non-recourse factoring and associated transaction costs	9.3.2	42	38
(Gains)/losses on disposal of discontinued operations, net of tax	3.2.2	0	
Adjustments related to discontinued operations	3.2.3	45	240
Net cash from operating activities before change in working capital and income tax		748	763
Income tax paid		(104)	(38)
Change in working capital	4.2	(875)	(1,870)
Income tax paid and change in working capital: discontinued operations	3.2.3	(402)	(775)
Net cash used in operating activities		(633)	(1,920)
<i>Of which continuing operations</i>		<i>(350)</i>	<i>(1,357)</i>
Acquisitions of property, plant and equipment, intangible assets and investment property	4.3	(540)	(635)
Disposals of property, plant and equipment, intangible assets and investment property	4.4	223	176
Acquisitions of financial assets		(22)	(17)
Disposals of financial assets		20	3
Effect of changes in scope of consolidation resulting in acquisition or loss of control	4.5	(74)	(61)
Effect of changes in scope of consolidation related to equity-accounted investees		(4)	
Change in loans and advances granted		2	(31)
Net cash used in investing activities of discontinued operations	3.2.3	(58)	(36)
Net cash used in investing activities		(453)	(601)
<i>Of which continuing operations</i>		<i>(395)</i>	<i>(565)</i>
Dividends paid to owners of the parent	10.5	(17)	(15)
Dividends paid to non-controlling interests		(116)	(109)
Dividends paid to holders of deeply subordinated perpetual bonds (TSSDI)	10.5	(42)	(41)
Repayment of mandatory convertible bonds		(0)	
Capital reductions/increases for cash		(0)	
Transactions between the Group and owners of non-controlling interests	4.6	7	(148)
Purchases and sales of treasury shares		(151)	(6)
Change in financial assets related to liabilities		(1)	
Increase in borrowings	4.7	2,011	2,410
Repayments of borrowings	4.7	(384)	(1,879)
Interest paid, net	4.8	(364)	(477)
Net cash used in investing activities of discontinued operations	3.2.2	(291)	(387)
Net cash from/(used in) financing activities		653	(652)
<i>Of which continuing operations</i>		<i>944</i>	<i>(265)</i>
Effect of changes in exchange rates on cash and cash equivalents of continuing operations		(148)	(162)
Effect of changes in exchange rates on cash and cash equivalents of discontinued operations		(54)	(23)
Change in cash and cash equivalents		(635)	(3,358)
Net cash and cash equivalents at beginning of period		4,251	6,863
- Of which net cash and cash equivalents of continuing operations	9.1.1	3,350	5,689
- Of which net cash and cash equivalents of discontinued operations		901	1,174
Net cash and cash equivalents at end of period		3,616	3,504
- Of which net cash and cash equivalents of continuing operations	9.1.1	3,402	3,305
- Of which net cash and cash equivalents of discontinued operations		214	199
Change in cash and cash equivalents		(635)	(3,358)

* The financial statements previously published have been restated to reflect the retrospective application of IFRS 15 – Revenue from Contracts with Customers (see note 1.3).

Consolidated statement of changes in equity

<i>(€ millions)</i>	Share capital	Additional paid-in capital	Treasury shares	Retained earnings and net income for the year	Other reserves ⁽¹⁾	Equity attributable to owners of the parent ⁽²⁾	Non-controlling interests	Total equity
At 1 January 2017 (reported)	146	1,440		955	(739)	1,802	10,829	12,631
Effect of applying IFRS 15 (see note 1.3)				(3)		(3)	(6)	(8)
At 1 January 2017 (restated*)	146	1,440		952	(739)	1,801	10,822	12,622
Other comprehensive income (loss) for the period (restated*)					(194)	(194)	(635)	(829)
Net income/(loss) for the period (restated*)				(136)		(136)	31	(105)
Consolidated comprehensive income/(loss) for the period (restated*)				(136)	(194)	(330)	(604)	(934)
Equity transactions	9	44				53		53
Purchases and sales of treasury shares			(7)	(2)		(9)	4	(5)
Dividends paid ⁽³⁾				(68)		(68)	(100)	(210)
Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries								
Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries ⁽⁴⁾				14		14	54	68
Other movements				1		1	(30)	13
At 30 June 2017 (restated*)	155	1,484	(7)	762	(933)	1,460	10,146	11,606
At 31 December 2017 (reported)	156	1,483	(10)	813	(1,066)	1,377	9,886	11,263
Effect of applying IFRS 15 (see note 1.3)				(13)		(13)	(17)	(30)
At 31 December 2017 (restated*)	156	1,483	(10)	801	(1,066)	1,365	9,869	11,233
Effect of applying IFRS 9 and IFRS 2 amendments (see note 1.3)				40	(68)	(28)	(71)	(98)
At 1 January 2018 (restated*)	156	1,483	(10)	841	(1,134)	1,337	9,798	11,135
Income and expenses recognised directly in equity					(214)	(214)	(633)	(847)
Consolidated net income/(loss) for the period				(128)		(128)	136	8
Consolidated comprehensive income/(loss) for the period				(128)	(214)	(342)	(497)	(839)
Equity transactions	9	25				34		34
Purchases and sales of treasury shares			(5)	43	(29)	9	(154)	(145)
Dividends paid ⁽³⁾				(52)		(52)	(113)	(165)
Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries								
Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries ⁽⁴⁾				(9)		(9)	30	21
Other movements				3		3	(31)	(28)
At 30 June 2018	165	1,508	(15)	698	(1,377)	980	9,032	10,012

* The comparative information has been restated to reflect the retrospective application of IFRS 15 – Revenue from Contracts with Customers (see note 1.3).

(1) See note 10.3.

(2) Attributable to shareholders of Rallye.

(3) Rallye distributed €51 million in dividends to its shareholders during first-half 2018. The main subsidiaries Casino, Éxito and Uruguay paid €80 million, €18 million and €12 million, respectively, to non-controlling interests. In first-half 2017, Rallye distributed €68 million in dividends to its shareholders, while the main subsidiaries Casino, Éxito and Uruguay paid €86 million, €7 million and €6 million, respectively, to non-controlling interests.

(4) The €21 million positive impact primarily concerns (a) the additional contribution of €36 million made by the private equity fund Fondo Inmobiliario Colombia to the Viva Malls real estate trust created by Éxito in 2016, and (b) the negative impact of the sale of Franprix-Leader Price and Distribution Casino France stores for €7 million and €4 million, respectively (see notes 3.1.2 and 3.1.3). At 30 June 2017, the €68 million positive impact mainly reflects (a) the additional €42 million contribution paid by investor Fondo Inmobiliario Colombia to the property company Viva Malls created by Éxito in 2016, and (b) the €22 million resulting from the public tender offer for Cnova N.V. shares (see note 2).

Notes to the interim consolidated financial statements at 30 June 2018

Rallye is a French *société anonyme* (joint stock company) registered in France and listed in Eurolist Compartment B of Euronext Paris. The Company and its subsidiaries are hereinafter referred to as the "Group" or the "Rallye Group".

The condensed consolidated financial statements at 30 June 2018 present the fair and true position of the Company and its subsidiaries, as well as the Group's interests in joint ventures and associates.

On 25 July 2018, the Board of Directors approved the publication of the consolidated financial statements of the Rallye Group for the six months ended 30 June 2018.

Note 1 Significant accounting policies

1.1 Accounting standards

Pursuant to European Commission regulation 1606/2002 of 19 July 2002, the condensed consolidated financial statements of the Rallye Group are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union at 30 June 2018.

These standards are available on the European Commission's website:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017, as reported in the Registration Document filed with the AMF on 17 April 2018 under number D.18-0340.

The condensed interim consolidated financial statements were prepared in accordance with international financial reporting standard IAS 34 ("Interim Financial Reporting"). They do not contain all the information and notes included in the annual financial statements. They should therefore be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

The consolidated financial statements of the Rallye Group at 31 December 2017 are available on request from the Company's finance department at 32 rue de Ponthieu, Paris 8th, or from its website at www.rallye.fr.

The accounting principles used to prepare these consolidated financial statements for the six months ended 30 June 2018 are identical to those applied to the annual consolidated financial statements for the year ended 31 December 2017, with the exception of the accounting changes related to new standards applicable from 1 January 2018.

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 – Transfers of Investment Property
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- IFRS Annual Improvements – 2015-2017 cycle

The effects of applying IFRS 9 and IFRS 15 and the amendments to IFRS 2 are presented in note 1.3. The other texts have no material impact on the Group's financial statements.

Standards, amendments and interpretations published but not yet mandatory

IFRS 16 – Leases

Details of the accounting treatment of leases under IFRS 16 are provided in note 18 to the Group's 2017 consolidated financial statements.

Application of IFRS 16 as from 1 January 2019 will have an impact on the consolidated financial statements, in particular due to the fact that a proportion of the Retail business's store base consists of leased stores. The Group has property leases; annual rent on the roughly 7,300 property leases amounted to €915 million in 2017, out of total rental expense for the year of €1,045 million. In this context, application of IFRS 16 will lead to an increase in the Group's lease liabilities and an improvement in EBITDA, recurring operating income and net cash from operating activities.

In first-half 2018, the Group continued to identify and analyse the data required for the application of IFRS 16. During the period, the Group also started to deploy an IT application to manage leases from an operational and financial standpoint on a fully integrated basis. The potential impact of applying IFRS 16 on the Group's financial information is still being analysed and no decision has yet been made on the choice of transition option between the full retrospective approach and the modified retrospective approach.

The main application difficulty identified to date concerns the determination of the lease term, because of the wide range of different property leasing practices and the different legal rules applicable from one country to another.

1.2 Basis of preparation and presentation of the consolidated financial statements

1.2.1 Basis of measurement

The consolidated financial statements are presented in euros, which is the functional currency of the parent company. The figures in the tables have been rounded to the nearest million euros and include individually rounded data. Consequently, the totals and subtotals shown may not correspond exactly to the sum of the reported amounts.

1.2.2 Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that may affect the reported amounts of assets and liabilities and income and expenses, as well as the disclosures made in certain notes to the consolidated financial statements. Due to the inherent uncertainty of assumptions, actual results may differ from the estimates. Estimates and assessments are reviewed at regular intervals and adjusted where necessary to take into account past experience and any relevant economic factors.

In preparing these interim consolidated financial statements, the main judgements made by management and the key assumptions adopted were the same as those applied when preparing the consolidated financial statements for the year ended 31 December 2017.

The main judgements and estimates for the period relate to:

- impairment of non-current assets and goodwill (see note 8);

For operating subsidiaries, the judgements, estimates and assumptions used also concern:

- classification and measurement of Via Varejo's net assets and other France Retail and Latam Retail segment assets, in accordance with IFRS 5 (see note 3.2);
- review of impairment indicators, and non-current asset and goodwill measurements (see note 8);
- recoverable amounts of deferred tax assets;
- recognition, presentation and measurement of the recoverable amounts of tax credits or taxes (mainly ICMS, PIS and COFINS in Brazil) (see notes 5.1 and 11);
- provisions for risks (see note 11), particularly tax and employee-related risks in Brazil.

1.3 Changes in accounting methods

1.3.1 Impact on the consolidated financial statements

The tables below show the impact on the previously published consolidated income statement, statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows of the following:

- full retrospective application of IFRS 15 (see note 1.3.2);
- limited retrospective application (cumulative catch-up without restating prior years) of IFRS 9 (see note 1.3.3);
- prospective application of the amendments to IFRS 2: the impact consists in the reclassification to non-controlling interests at 1 January 2018 of a €5 million debt corresponding to withholding taxes due on stock option plans in Brazil.

Moreover, certain changes have been made to the presentation of the consolidated income statement in connection with the application of IFRS 15. These changes concern (a) the addition of a new income statement indicator, "Total income", representing the sum of "Net sales" and "Other income", (b) the reclassification of the cost of property development and property trading activities and changes in related inventories from "Selling expenses" to "Cost of goods sold", and (c) reclassifications between "Net sales" and "Other income" of various items including:

- rental revenue, which is now reported under "Other income";
- franchising and management fees billed to franchisees, which are now reported under "Net sales".

The new presentation has been applied retrospectively, by restating 2017 comparative information on the same basis.

Impact on the main consolidated income statement indicators

<i>(€millions)</i>	First-half 2017 (reported)	IFRS 15 restatements	First-half 2017 (restated)
Net sales	18,974	(158)	18,816
Other income	155	71	226
Total income	19,129	(87)	19,042
Cost of goods sold	(14,319)	105	(14,214)
Selling expenses	(3,634)	(25)	(3,659)
General expenses	(720)	(9)	(729)
Recurring operating income	456	(16)	440
Operating income	179	(16)	163
Cost of net debt	(246)		(246)
Other financial income and expenses	(39)		(39)
Income/(loss) before tax	(106)	(16)	(122)
Income tax benefit	23	5	28
Share of net income of equity-accounted investees	3		3
Net income/(loss) from continuing operations	(80)	(11)	(91)
Attributable to owners of the parent	(127)	(5)	(132)
Attributable to non-controlling interests	47	(6)	41
Net income/(loss) from discontinued operations	(14)		(14)
Attributable to owners of the parent	(4)		(4)
Attributable to non-controlling interests	(10)		(10)
Consolidated net income/(loss)	(94)	(11)	(105)
Attributable to owners of the parent	(131)	(5)	(136)
Attributable to non-controlling interests	37	(6)	31

Impact on the main consolidated statement of comprehensive income indicators

<i>(€millions)</i>	First-half 2017 (reported)	IFRS 15 restatements	First-half 2017 (restated)
Consolidated net income/(loss)	(94)	(11)	(105)
Items that may be subsequently reclassified to profit or loss	(829)		(829)
Items that will never be reclassified to profit or loss	(1)		(1)
Total comprehensive income/(loss) for the period, net of tax	(924)	(11)	(934)
Attributable to owners of the parent	(325)	(5)	(330)
Attributable to non-controlling interests	(599)	(6)	(604)

Impact on the main consolidated statement of financial position indicators

<i>(€ millions)</i>	31 December 2017 (reported)	IFRS 15 restatements	31 December 2017 (restated)	IFRS 9 restatements	Amendments to IFRS 2	1 January 2018 (restated)
Goodwill	10,045		10,045			10,045
Intangible assets, property, plant and equipment, and investment property	10,724		10,724			10,724
Investments in equity-accounted investees	588	(13)	575	(11)		564
Other non-current assets	1,334	(21)	1,313			1,313
Deferred tax assets	526	(2)	524	21		545
Total non-current assets	23,217	(36)	23,181	10		23,191
Inventories	4,070	(51)	4,019			4,019
Trade and other receivables	964	(5)	959	(46)		913
Other current assets	1,312	3	1,315	(2)		1,313
Other current financial assets	54		54			54
Current tax assets	139		139			139
Cash and cash equivalents	3,511		3,511			3,511
Assets held for sale	6,594		6,594	(47)		6,547
Total current assets	16,645	(54)	16,591	(95)		16,496
Total assets	39,862	(90)	39,772	(85)		39,687
Equity attributable to owners of the parent	1,377	(13)	1,364	(28)		1,336
Non-controlling interests	9,886	(17)	9,869	(76)	5	9,798
Total equity	11,263	(30)	11,233	(104)	5	11,134
Non-current provisions for employee benefits	363		363			363
Other non-current provisions	514		514			514
Non-current financial liabilities	9,559		9,559	19		9,578
Non-current put options granted to owners of non-controlling interests	28		28			28
Other non-current liabilities	501		501		(3)	498
Deferred tax liabilities	725		725			725
Total non-current liabilities	11,690		11,690	19	(3)	11,706
Current provisions for employee benefits	11		11			11
Other current provisions	172		172	(4)		168
Trade payables	6,773	19	6,792			6,792
Current financial liabilities	2,352		2,352			2,352
Current put options granted to owners of non-controlling interests	143		143			143
Current tax liabilities	88		88			88
Other current liabilities	2,690	(78)	2,611	4		2,615
Liabilities associated with assets held for sale	4,680		4,680		(2)	4,678
Total current liabilities	16,908	(60)	16,848		(2)	16,846
Total equity and liabilities	39,862	(90)	39,772	(85)		39,687

<i>(€ millions)</i>	1 January 2017 (reported)	IFRS 15 restatements	January 2017 (restated)
Goodwill	10,609		10,609
Intangible assets, property, plant and equipment, and investment property	11,744		11,744
Investments in equity-accounted investees	627	(16)	611
Other non-current assets	1,214	(8)	1,206
Deferred tax assets	687	(10)	677
Total non-current assets	24,881	(33)	24,848
Inventories	4,157	(46)	4,111
Trade and other receivables	900	(5)	895
Other current assets	1,555	(1)	1,554
Other current financial assets	87		87
Current tax assets	130		130
Cash and cash equivalents	5,836		5,836
Assets held for sale	6,120		6,120
Total current assets	18,785	(51)	18,733
Total assets	43,666	(84)	43,581
Equity attributable to owners of the parent	1,803	(2)	1,801
Non-controlling interests	10,829	(6)	10,822
Total equity	12,631	(8)	12,623
Non-current provisions for employee benefits	317		317
Other non-current provisions	615		615
Non-current financial liabilities	10,064		10,064
Non-current put options granted to owners of non-controlling interests	41		41
Other non-current liabilities	648		648
Deferred tax liabilities	1,095		1,095
Total non-current liabilities	12,780		12,780
Current provisions for employee benefits	11		11
Other current provisions	171		171
Trade payables	7,044		7,044
Current financial liabilities	3,333		3,333
Current put options granted to owners of non-controlling interests	341		341
Current tax liabilities	54		54
Other current liabilities	2,896	(76)	2,821
Liabilities associated with assets held for sale	4,404		4,404
Total current liabilities	18,254	(76)	18,179
Total equity and liabilities	43,666	(84)	43,581

Impact on the main consolidated statement of cash flows indicators

<i>(€ millions)</i>	First-half 2017 (reported)	IFRS 15 restatements	First-half 2017 (restated)
Net cash used in operating activities	(1,920)		(1,920)
<i>Consolidated net income/(loss) before tax</i>	<i>(134)</i>	<i>(16)</i>	<i>(150)</i>
<i>Other components of cash flow</i>	<i>914</i>	<i>(2)</i>	<i>912</i>
<i>Change in working capital and income tax paid</i>	<i>(2,701)</i>	<i>18</i>	<i>(2,683)</i>
Net cash used in investing activities	(601)		(601)
Net cash used in financing activities	(652)		(652)
Effect of changes in exchange rates on cash and cash equivalents	(185)		(185)
Change in cash and cash equivalents	(3,359)		(3,359)
Net cash and cash equivalents at beginning of period	6,863		6,863
Net cash and cash equivalents at end of period	3,504		3,504

1.3.2 Impact of first-time adoption of IFRS 15 – Revenue from Contracts with Customers

IFRS 15 defines the principles for recognising revenue and replaces IAS 18 – Revenue, and IAS 11 – Construction Contracts and all related interpretations. The standard defines a single model for recognising revenue, in five steps. It introduces new concepts and principles regarding the recognition of revenue, in particular the identification of performance obligations and the allocation of the transaction price for contracts with multiple performance obligations.

The Group has decided to adopt IFRS 15 from 1 January 2018 under the full retrospective approach, by restating comparative information. In view of the nature of the Group's businesses, the application of the standard had no material impact on the revenue and recurring operating income previously published by the Group.

Adoption of IFRS 15 has mainly led to reclassifications between net sales, other income, cost of goods sold and selling expenses. This mainly concerns certain services provided to suppliers, certain promotional offers granted directly by suppliers to end-customers, agent/principal qualifications in certain contracts and the presentation of rental revenue. Retrospective application of IFRS 15 had the effect of reducing recurring operating income for first-half 2017 by €16 million.

The amended accounting policy applied to revenue is presented in note 6.2.

1.3.3 Impact of the first-time adoption of IFRS 9 – Financial Instruments

IFRS 9 defines new principles covering the classification and measurement of financial instruments, the recognition of impairment provisions for credit risk on financial assets and hedge accounting.

The Group has adopted IFRS 9 as from 1 January 2018 using the simplified retrospective approach consisting of recording the cumulative impact in opening equity at the transition date. The main individually non-material changes resulting from the application of IFRS 9 are as follows:

- In line with the new impairment model for financial assets (including contract assets), incurred losses recorded under IAS 39 have been replaced by lifetime expected credit losses. The Group has applied the simplified model for all these assets, particularly receivables from franchisees and tenants. With respect to continuing operations excluding equity-accounted investees, application of the new model led to a €44 million increase in provisions for asset impairment and a €30 million reduction in equity, net of tax.
- Credit card receivables (Brazil) have been classified as debt instruments at fair value through other comprehensive income, resulting in a €3 million reduction in trade receivables and a €2 million reduction in equity.
- Equity instruments previously classified as "Available-for-sale financial assets" have been reclassified mainly as equity instruments at fair value through other comprehensive income and at fair value through profit or loss.
- Bond swaps have been restated, leading to a €19 million increase in debt and a €15 million reduction in equity, net of tax.
- With respect to equity-accounted investees (Merrialys, Banque du Groupe Casino and FIC), an €11 million reduction in equity, net of tax was recognised against equity-accounted investees, mainly due to the application of the new impairment model for financial assets.
- With respect to Via Varejo's discontinued operations, a €47 million reduction in equity, net of tax was recognised against assets held for sale, as a result of the application of the new impairment model for consumer finance receivables and the classification of credit card receivables as debt instruments at fair value through other comprehensive income.

The table below shows the original measurement categories under IAS 39 and the new categories used as from 1 January 2018 under IFRS 9 for each class of financial assets. The financial liability categories are unchanged and are therefore not presented.

(€ millions)	Original classification (IAS 39)	New classification (IFRS 9)	Original carrying amount (IAS 39)	New carrying amount (IFRS 9)
Equity instruments	Available-for-sale – at cost	Fair value through profit or loss	4	4
Equity instruments	Available-for-sale – at fair value	Fair value through profit or loss	34	34
Equity instruments	Available-for-sale – at fair value	Fair value through other comprehensive income (OCI)	62	62
Cash and cash equivalents	Held-for-trading financial assets	Fair value through profit or loss	4	4
Cash and cash equivalents	Loans and receivables	Amortised cost	3,507	3,507
Current and non-current hedging derivatives – assets	Hedging instruments	Fair value – hedging instruments	112	112
Credit card receivables (Brazil) ⁽¹⁾	Loans and receivables	Debt instruments at fair value through other comprehensive income (OCI)	104	101
Other current and non-current financial assets	Held-for-trading financial assets	Fair value through profit or loss	12	12
Trade receivables and other current and non-current assets ⁽¹⁾	Loans and receivables	Amortised cost	2,309	2,282

(1) The original carrying amount and the new carrying amount under IFRS 9 of Via Varejo's debt instruments (reclassified as "Assets held for sale" and not included in the table above) represent €421 million and €405 million, respectively.

The amended accounting policy applied to financial instruments is presented in note 9.

Note 2 Significant events of the period

Significant events during the period are the following:

➤ Planned disposal of Via Varejo

During 2017, certain external factors that were beyond GPA's control, mostly related to the macro-economic environment in Brazil, prevented the disposal of Via Varejo being completed within one year as originally planned. The disposal plan is nonetheless unchanged. GPA and Casino have examined the next steps with their financial advisors and have confirmed that they are pursuing the disposal process.

Consequently, in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations:

- the assets and liabilities held for sale have been reclassified in the statement of financial position under "Assets held for sale" and "Liabilities associated with assets held for sale" (see note 3.2.1);
- Via Varejo's net profit and cash flows for the period ending 30 June 2018 and 2017 are reported under separate lines in the income statement and statement of cash flows;
- the table related to contingent liabilities (see note 11.3) does not take into account Via Varejo's activities. If necessary, specific information for Via Varejo is provided in a footnote.

➤ Casino bond issue

On 24 January 2018, Casino placed a €200 million tap of its bond issue due June 2022, at an effective interest rate of 1.58%. The new bond issue raised the total nominal amount of the paper from €550 million to €750 million.

➤ Rallye bond issue

On 8 February 2018, Rallye carried out a CHF 95 million bond issue, maturing in six years and paying annual interest at 3.25%. After hedging the foreign exchange risk, interest on the bonds converted into euros is 4.23%.

➤ Acquisition of Sarenza (see note 3.1.1)

➤ **Commercial partnership between Monoprix and Amazon**

On 26 March 2018, Monoprix and Amazon announced that they were forming a commercial partnership to bring grocery items sourced from Monoprix to Amazon's Prime Now service customers in Paris and its inner suburbs. Starting in September 2018, grocery items sourced from Monoprix will be available in the Prime Now app and website through a dedicated virtual store. This partnership will be operational as from September 2018.

➤ **Announcement of an asset disposal plan**

On 11 June 2018, the Casino Group announced that it was launching an asset disposal plan to support ongoing transformation of the business model and accelerate the deleveraging process in France. The plan concerns non-strategic real estate and other assets identified by the Casino Group with an estimated total realisable value of €1.5 billion. Around half of the plan will be completed in 2018 and the other half in 2019.

➤ **Rallye dividend reinvestment option**

On 23 May 2018, the Annual General Meeting of shareholders approved the payment of a dividend of €1 per share for the 2017 financial year with an option for payment in shares. On 21 June 2018, following the exercise of 65% of the rights, 3,058,947 new shares were created representing 5.9% of the capital, enabling Rallye to increase its equity by €33.2 million.

➤ **Cooperation in purchasing with Auchan Retail, METRO and the Schiever Group**

On 29 June 2018, the Casino Group, Auchan Retail, METRO and the Schiever Group announced their cooperation in purchasing, internationally and in France, after signing several agreements over the previous three months. A set of alliances in purchasing called "Horizon" has been created. The new alliances will focus on moving away from purely transactional negotiations towards a collaborative, balanced and innovative type of negotiations.

Prior to the Horizon project, on 3 April 2018 the Casino Group and Auchan Retail announced that they had begun exclusive talks to build a global strategic partnership. This coincided with Casino and Intermarché's mutually agreed termination of their purchasing alliance.

The relevant competition authorities will be approached for approval prior to implementation of the alliances. A submission was made to the French Competition Authority immediately upon the signing of the agreements for France on 18 May 2018.

On 16 July 2018, the French Competition Authority announced that it had launched an investigation into recent purchasing alliances between retailers.

Note 3 Scope of consolidation

3.1 Transactions affecting the scope of consolidation in the first half of 2018

3.1.1 Acquisition of control of Sarenza

On 30 April 2018, Monoprix acquired Sarenza, a leading online footwear retailer. The amount paid was €22 million for 100% of the shares (see note 4.5).

Considering the closing date of the deal, the Casino Group did not have time to measure the acquired assets and assumed liabilities at fair value. Sarenza has therefore been consolidated in the statement of financial position at 30 June 2018 at net book value, leading to the recognition of provisional goodwill of €24 million (corresponding to the difference between the book value of the acquired net assets and the consideration transferred), which has been allocated to the Monoprix CGU.

Sarenza's contribution to consolidated net sales for the period from 30 April 2018 to 30 June 2018 was €27 million. Its contribution to consolidated net profit for the period was not material. If control of Sarenza had been acquired on 1 January 2018, it would have increased consolidated net sales by €70 million and reduced consolidated net profit by €4 million.

3.1.2 Changes in scope relating to the Franprix-Leader Price sub-group

On 28 February 2018, Franprix-Leader Price sold control of 105 Franprix and Leader Price stores to a master-franchisee. As the decision to dispose of the stores was made at the end of 2017, the related assets and liabilities were presented on a separate line of the statement of financial position at 31 December 2017 ("Assets held for sale"), in accordance with IFRS 5.

The sale proceeds amounted to €33 million, including €28 million collected in cash (see note 4.5). The transactions generated a loss of €15 million which is recognised in "Other operating expenses". If the transactions had been completed on 1 January 2018, the impact on net sales, trading profit, other operating income and expenses and the Casino Group's share of profit of equity-accounted investees would not have been material.

Franprix-Leader Price has retained a 49% interest in the group of stores and has a call option exercisable between 2021 and 2023.

Concurrently, the same master-franchisee acquired a 40% stake in another group of Franprix-Leader Price stores. The investment was accounted for as a transaction between owners.

The master-franchisee has a put option on its 40% stake and Franprix-Leader Price has a call option.

Together, all of these transactions (i) had the effect of reducing consolidated equity attributable to owners of the parent by €4 million and (ii) led to the recognition in debt of put options granted to owners of non-controlling interests for €17 million and of a derivative instrument in assets for €10 million.

In addition, Franprix-Leader Price acquired control of various stores during first-half 2018, at a total cost of €45 million, including €36 million paid in cash during the period (see note 4.5). Provisional goodwill on these transactions amounted to €41 million. Some of the acquired sub-groups were previously accounted for by the equity method in the Casino Group's consolidated financial statements. The

previously-held interest was therefore remeasured at its acquisition-date fair value, leading to the recognition of a €17 million gain in “Other operating income”.

The contribution of these stores to consolidated net sales and consolidated net profit was €6 million and a negative €2 million, respectively (before taking into account the gain recognised on remeasurement of the previously-held interest).

If these acquisitions had been completed on 1 January 2018, the additional contribution to consolidated net sales and consolidated net profit would have been €15 million and €1 million, respectively (before taking into account the gain recognised on remeasurement of the previously-held interest).

3.1.3 Sale of a group of Casino supermarkets without loss of control

During first-half 2018, Distribution Casino France sold a 40% stake in five Casino supermarkets to a master-franchisee. The sale without loss of control was accounted for as a transaction between owners. It had a €6 million impact on equity attributable to owners of the parent and a €9 million impact on non-controlling interests.

The master-franchisee has a put option on its 40% stake and Distribution Casino France has a call option. The put has been recognised in debt for €19 million with a corresponding adjustment to equity (including an €8 million reduction in equity attributable to owners of the parent).

3.2 Non-current assets held for sale and discontinued operations

3.2.1 Assets held for sale and liabilities associated with assets held for sale

(€millions)	Notes	30 June 2018		31 December 2017	
		Assets	Liabilities	Assets	Liabilities
Via Varejo sub-group		4,938	3,624	6,041	4,571
Other France Retail ⁽¹⁾		487	79	545	109
Other Latam Retail ⁽²⁾		120	1	7	
Total		5,545	3,704	6,593	4,680
Net assets		1,841		1,913	
Of which, attributable to the Casino Group	9.2.1	1,089		1,070	

(1) At 30 June 2018, this item mainly includes stores and property assets. The absence of a material change in net assets attributable to owners of the Casino Group compared to 31 December 2017 reflects the net impact of the €175 million cancelled on completed sales for the period and the new disposal plans for approximately €140 million recognised for assets classified as held for sale during the period.

(2) Consisting mainly of real estate assets.

3.2.2 Discontinued operations

Net income/(loss) from discontinued operations in first-half 2017 and first-half 2018 mostly composed of Via Varejo (including Cnova Brazil) and breaks down as follows:

(€millions)	First-half 2018 ⁽¹⁾⁽²⁾	First-half 2017 ⁽¹⁾
Net sales	3,155	3,521
Expenses	(3,080)	(3,512)
Gain/(loss) on disposal of discontinued operations ⁽³⁾		
Impairment loss resulting from the measurement of Via Varejo at fair value less costs to sell ⁽⁴⁾		(38)
Net income/(loss) before tax from discontinued operations	74	(28)
Income tax (expense)/gain	(29)	10
Share of income profit of equity-accounted investees	3	4
Net income/(loss) from discontinued operations	48	(14)
Attributable to owners of the parent	2	(4)
Attributable to non-controlling interests	46	(10)
<i>Basic earnings per share attributable to owners of the parent (€)</i>	0.04	(0.07)
<i>Diluted earnings per share attributable to owners of the parent (€)</i>	0.04	(0.07)

(1) The amounts reported for first-half 2018 and first-half 2017 mainly represent six months of business for Via Varejo.

(2) In first-half 2018, Via Varejo reported net sales of €3,155 million and EBITDA of €186 million (first-half 2017: €3,521 million and €183 million, respectively).

(3) The reclassification of Via Varejo under discontinued operations had no impact on other items of comprehensive income for first-half 2018 and first-half 2017. The sale of Via Varejo will not lead to any related foreign currency translation adjustments being reclassified to profit or loss.

(4) When it was reclassified under discontinued operations in 2016, in accordance with IFRS 5, Via Varejo's fair value (including Cnova Brazil) was estimated at €1,656 million (before estimated costs to sell of €20 million), based on the share price of BRL 10.75 at 31 December 2016 plus an estimated control premium. The share price was approximately the same at 30 June 2017 and the valuation was therefore not adjusted at that date. The fair value measurement led to the recognition of an impairment loss of €38 million at 30 June 2017. No additional impairment loss has been recorded since then. Via Varejo's share price at 30 June 2018 was BRL 18.61.

3.2.3 Net cash from/(used in) discontinued operations

For the six-months periods ended 30 June 2018 and 30 June 2017, net cash flows mainly concerned Via Varejo

3.3 Investments in equity-accounted investees

3.3.1 Changes in investments in equity-accounted investees

<i>(€millions)</i>	Opening balance (restated)	IFRS 9 adjustments	Impairment loss	Share of net income/(loss) for the period	Dividends	Other	Closing balance
Associates							
FIC (GPA)	92			18	(53)	(12)	45
Mercialys ⁽¹⁾	351*			29	(38)	9	350
Franprix-Leader Price Group associates ⁽²⁾	2			(39)		40	4
Other	39			(2)	(4)	6	39
Joint ventures							
Banque du Groupe Casino	84			1		4	89
Tuya (Éxito)	28			3		1	32
Other	15			(1)	(1)	2	15
Full-year 2017 (restated)	611			10	(96)	51	575
Associates							
FIC (GPA)	45	(5)		8		(5)	42
Mercialys ⁽¹⁾	350	(1)		17	(25)	(3)	337
Franprix-Leader Price Group associates ⁽²⁾	4			(26)		26	4
Other	39			(0)	(2)	4	41
Joint ventures							
Banque du Groupe Casino	89	(5)		2			86
Tuya (Éxito)	32			8		12	52
Other	15			2			17
First-half 2018	575	(11)		10	(27)	33	581

(*) Restatement of Mercialys equity-accounted investees following the retrospective application of IFRS 15 had a negative impact of €16 million.

- (1) The €3 million decrease in first-half 2018 and the €9 million increase in 2017 correspond mainly to the elimination of gains on sales of property assets by Casino to Mercialys for the portion corresponding to Casino's percentage interest in Mercialys.
- (2) The amounts of €26 million and €40 million respectively in first-half 2018 and 2017 relate to the reclassification of the share of losses from Franprix-Leader Price associates that exceeds the book value of the investments, when Franprix-Leader Price has an obligation to cover its share in the losses of those associates.

3.3.2 Share of contingent liabilities of equity-accounted investees

At 30 June 2018, none of the Group's associates and joint ventures had any material contingent liabilities.

At the end of 2017, SCI Beaugrenelle, a non-trading property company, received a tax adjustment regarding fiscal years 2014 and 2015. This adjustment was challenged by the company and was not provisioned in the company's financial statements or in Rally's consolidated financial statements. All of the proposed adjustments were withdrawn by the tax authorities in June 2018, thereby putting an end to the dispute.

3.3.3 Related party transactions (equity-accounted investees)

The related party transactions shown below mainly concern transactions carried out in the normal course of business on arm's length terms with companies over which the Casino Group exercises significant influence (associates) or joint control (joint ventures) that are accounted for in the consolidated financial statements using the equity method.

(<i>€ millions</i>)	2018		2017 (restated)	
	Associates ⁽¹⁾⁽³⁾	Joint ventures ⁽²⁾	Associates ⁽¹⁾⁽³⁾	Joint ventures ⁽²⁾
Closing balance at 30 June 2018 and 31 December 2017				
Loans	21	12	15	13
<i>of which impairment</i>	(70)		(63)	
Receivables	156	48	105	49
<i>of which impairment</i>	(2)		(1)	
Payables	22	486	21	274
First-half transactions				
Expenses ⁽¹⁾⁽²⁾	42	993	48	548
Income ⁽³⁾	519	20	459	25

Concerning transactions in Q1 2018 and Q1 2017:

- (1) The €42 million expense includes rent excluding occupancy costs for the 71 leases signed with Mercialys for €26 million in first-half 2018 (first-half 2017: €48 million expense including €29 million in rent excluding occupancy costs for the 73 leases signed with Mercialys). At 31 December 2017, lease commitments to Mercialys for property assets amounted to €68 million, of which €43 million due within one year.
- (2) Expenses: including €576 million in fuel purchases from Distridyn in first-half 2018 (first-half 2017: €536 million) and €400 million in goods purchases from CD Supply Innovation, the joint purchasing organisation set up with Dia at the end of 2017.
- (3) Income of €519 million in first-half 2018 (first-half 2017: €459 million) includes sales of goods by Franprix-Leader Price and Distribution Casino France to master-franchisees accounted for by the equity method for €440 million (first-half 2017: €402 million). It also includes income related to property development transactions with Mercialys reported under "Other revenue" for €8 million (first-half 2017: €14 million).

In first-half 2018, the Casino Group signed a property development contract with Sacré Coeur, a subsidiary of Mercialys. After eliminating a percentage corresponding to the Casino Group's interest in Mercialys, the contract led to the recognition of €8 million in "Other income" and a non-material contribution to EBITDA.

In addition, the Casino Group sold two hypermarket property development projects scheduled for transformation. After eliminating a percentage corresponding to the Group's 10% interest in the associates concerned, the two transactions led to the recognition of €29 million in "Other income" and had a €15 million contribution to EBITDA.

Note 4 Additional disclosures related to the consolidated statement of cash flows

4.1 Reconciliation of provision expense

(<i>€ millions</i>)	Notes	First-half 2018	First-half 2017
Goodwill impairment			(4)
Impairment of intangible assets			(11)
Impairment of property, plant and equipment		(12)	(42)
Impairment of investment property			
Impairment of other assets		(12)	1
Net additions to provisions for risks and charges	11.1	19	55
Provision expense adjustment in the statement of cash flows		(4)	(2)

4.2 Reconciliation of changes in working capital to changes in the corresponding items in the statement of financial position

<i>(€millions)</i>	31 December 2017 (restated)	Effect of applying IFRS 9	Cash flows		Changes in		Reclass. and other	30 June 2018
			from operating activities	Other	scope of consolidation	exchange rates		
Goods inventories	(3,888)		(149)		(50)	149	(2)	(3,940)
Property development work in progress	(132)		(21)		(1)	4	(12)	(161)
Trade payables	6,792		(527)	9	26	(183)	29	6,147
Trade and other receivables	(959)	46	77	2	4	25	(3)	(808)
Other receivables/payables	430		(255)	(97)	(6)	63	3	138
Total	2,244	47	(875)	(86)	(27)	58	15	1,376

<i>(€millions)</i>	1 January 2017	Cash flows		Changes in		Reclass. and other	30 June 2017 (restated)	
		from operating activities	Other	scope of consolidation	exchange rates			
Goods inventories	(3,941)	(182)	(1)			157	19	(3,944)
Property development work in progress	(170)	(3)			(4)	(1)	3	(206)
Trade payables	7,044	(1,426)	(1)			(192)	(8)	5,400
Trade and other receivables	(896)	64				19	5	(815)
Other receivables/payables ⁽¹⁾	622	(322)	(48)		(13)	4	13	308
Total	2,659	(1,870)	(50)		(17)	(13)	32	742

4.3 Reconciliation of acquisitions of non-current assets

<i>(€millions)</i>	Notes	First-half 2018	First-half 2017
Additions to and acquisitions of intangible assets	8	(91)	(65)
Additions to and acquisitions of property, plant and equipment	8	(366)	(470)
Additions to and acquisitions of investment property	8	(25)	(43)
Changes in amounts due to suppliers of fixed assets		(64)	(63)
New finance leases			(3)
Capitalised borrowing costs (IAS 23)		6	8
Cash used in acquisitions of intangible assets, property, plant and equipment and investment property		(540)	(635)

4.4 Reconciliation of disposals of non-current assets

<i>(€millions)</i>	First-half 2018	First-half 2017
Derecognition of intangible assets	4	7
Derecognition of property, plant and equipment	73	119
Derecognition of investment property		
Gains/(losses) on disposals of non-current assets	5	20
Change in receivables related to non-current assets	4	(32)
Reclassification of non-current assets as "Assets held for sale" (IFRS 5)	136	61
Cash from disposals of intangible assets, property, plant and equipment and investment property	223	176

4.5 Effect on cash and cash equivalents of changes in scope of consolidation resulting in acquisition or loss of control

<i>(€millions)</i>	First-half 2018	First-half 2017
Amount paid for acquisitions of subsidiaries	(70)	(34)
Cash/(bank overdrafts) acquired	(19)	
Proceeds from disposals of subsidiaries	15	3
(Cash)/bank overdrafts sold		(30)
Effect of changes in scope of consolidation resulting in acquisition or loss of control	(74)	(61)

In first-half 2018, the net impact of these transactions on the Casino Group's cash and cash equivalents mainly comprised:

- An outflow of €43 million for the acquisition of Sarenza, including the €20 million negative cash acquired and the €22 million sale price paid (see note 3.1.1);
- An outflow of €45 million for acquisitions by the Franprix-Leader Price sub-group, including an outflow of €36 million for transactions during the period (see note 3.1.2) and an outflow of €11 million for transactions in 2017;
- An inflow of €14 million for losses of control by the Franprix-Leader Price sub-group, including an inflow of €28 million for the sale of 105 stores (as described in note 3.1.2).

4.6 Effect on cash and cash equivalents of transactions with non-controlling interests

<i>(€millions)</i>	Notes	First-half 2018	First-half 2017
Distribution Casino France – Disposal without loss of control (see note 3.1.3)		20	
Franprix-Leader Price sub-group – Acquisition of Sarjel shares			(19)
Éxito – Additional contribution of FIC to Viva Malls		36	42
Tender offer on Cnova N.V. shares			(165)
Unwinding of TRS Casino		(36)	
Other		(12)	(6)
Effect on cash and cash equivalents of transactions with non-controlling interests		7	(148)

4.7 Reconciliation between change in cash and cash equivalents and change in net debt

<i>(€millions)</i>	Notes	First-half 2018	First-half 2017
Change in cash and cash equivalents		(635)	(3,359)
New borrowings ⁽¹⁾		(2,011)	(2,410)
Repayments of borrowings ⁽¹⁾		384	1,879
Non-cash changes in debt ⁽¹⁾		228	453
<i>Change in net assets held for sale attributable to owners of the parent</i>		96	271
<i>Change in other financial assets</i>		1	
<i>Effect of changes in scope of consolidation</i>			
<i>Change in cash flow and fair value hedges</i>		17	8
<i>Change in accrued interest</i>		75	156
<i>Other</i>		39	18
Effect of movements in exchange rates ⁽¹⁾		89	262
Change in debt of discontinued operations		619	917
Change in net debt		(1,346)	(2,257)
Net debt at beginning of period (reported)	9.2.1	7,168	6,427
Effects of applying IFRS 9 at 1 January 2018	1.3	19	
Net debt at beginning of period (restated)		7,187	6,427
Net debt at end of period	9.2.1	8,514	8,684

(1) These impacts relate exclusively to continuing operations.

4.8 Reconciliation of net interest paid

<i>(€millions)</i>	Notes	First-half 2018	First-half 2017
Cost of net debt reported in the income statement	9.3.1	(211)	(246)
Neutralisation of unrealised exchange gains/losses		(12)	(11)
Neutralisation of amortisation of debt issuance/redemption costs and premiums		16	19
Capitalised borrowing costs		(6)	(8)
Change in accrued interest and fair value hedges of borrowings		(110)	(193)
Non-recourse factoring costs	9.3.2	(42)	(38)
Net interest paid, as presented in the statement of cash flows		(364)	(477)

Note 5 Segment information

In accordance with IFRS 8 “Operating Segments”, the information presented below is based on the internal reporting used by management (as the chief operating decision maker) to assess performance and allocate resources.

Segment reporting includes two operating segments corresponding to:

The “Food and general retailing” division which includes the various activities of the Casino Group, namely:

- France Retail: for all retail activities in France (mainly the Casino, Monoprix, Franprix-Leader Price and Vindémia banners);
- Latam Retail: for all food retailing operations in Latin America (mainly the GPA, Éxito, Disco, Devoto and Libertad banners);
- E-commerce: for Cdiscount.

The “Holdings and other activities” division which combines the activities of the holding companies, the sale of sporting goods and financial and property investments. Taken individually, these activities are not material at Group level.

5.1 Key indicators by operating segment

(<i>€ millions</i>)	Food and general retailing			Holdings and other activities	Continuing operations in first-half 2018
	France Retail	Latam Retail	E-commerce		
External net sales	9,310	7,630	876	408	18,224
EBITDA ⁽¹⁾	307	473	(7)	(7)	766
Net depreciation and amortisation expense (see notes 6.3/6.4)	(171)	(147)	(16)	(7)	(341)
Recurring operating income/(loss) ⁽¹⁾	136	326	(23)	(14)	425

(<i>€ millions</i>)	Food and general retailing			Holdings and other activities	Continuing operations in first-half 2017 (restated)
	France Retail	Latam Retail	E-commerce		
External net sales	9,208	8,397	835	376	18,816
EBITDA ⁽¹⁾	281	529	(12)	(3)	795
Net depreciation and amortisation expense (see notes 6.3/6.4)	(171)	(165)	(12)	(7)	(355)
Recurring operating income/(loss) ⁽¹⁾	110	364	(24)	(10)	441
<i>Including effect of applying IFRS 15 on net sales</i>	<i>(53)</i>	<i>(69)</i>	<i>(37)</i>		<i>(158)</i>
<i>Including effect of applying IFRS 15 on recurring operating income</i>	<i>(10)</i>		<i>(5)</i>		<i>(16)</i>

(1) *France Retail:*

- *At 30 June 2018: of which €21 million for property development transactions carried out in France.*
- *At 30 June 2017: of which €33 million for property development transactions.*

Latam Retail:

- *At 30 June 2018: of which BRL 414 million (€100 million) for the ICMS-ST tax credits arising in prior periods that were recognised by GPA during the period (mainly reversal of the valuation allowance on Assai’s ICMS-ST tax credit following a change in the law).*
- *At 30 June 2017: of which BRL 447 million (€130 million) for the ICMS-ST tax credits arising in prior periods that were recognised by GPA during the period as a deduction from “Cost of goods sold” following the decision published in April 2017 by the Brazilian federal supreme court stipulating that the ICMS-ST tax is not a final tax and should not therefore be included in the PIS and COFINS taxes, allowing GPA to apply for a refund from the Brazilian state administrations.*

5.2 Key indicators by geographical area

(<i>€ millions</i>)	Food and general retailing			Holdings and other activities		Total
	France Retail	Latin America	Asia	France	Other regions	
External net sales for first-half 2018	10,184	7,628	4	370	38	18,224
External net sales for first-half 2017 (restated)	10,040	8,397	3	345	31	18,816

(<i>€ millions</i>)	Food and general retailing			Holdings and other activities		Total
	France Retail	Latin America	Other regions	France	Other regions	
Non-current assets at 30 June 2018	12,428	8,068	50	121	4	20,670
Non-current assets at 31 December 2017 (restated)	12,480	8,822	49	118	4	21,474

Non-current assets include goodwill, intangible assets and property, plant, and equipment, investment property, investments in equity-accounted investees, contract assets and long-term prepaid expenses.

Note 6 Activity data

6.1 Seasonality of operations

Across all businesses, seasonal fluctuations on the income statement are minor in terms of net sales (first-half 2017 represented 49% of full-year 2017, or 51% based on the average 2017 exchange rate), but are more significant in terms of recurring operating income (first-half 2017 represented 36% of full-year 2017, or 38% based on the average 2017 exchange rate).

These seasonal fluctuations have an even greater impact on the cash flows generated by the Group. The change in working capital observed in the first half of the year is structurally negative as a result of the large payments made to suppliers at the beginning of the financial year in return for purchases made to meet strong demand in December of the previous year.

6.2 Breakdown of revenue

Following the first-time adoption of IFRS 15 from 1 January 2018 (see note 1.3.2), the Group revised its revenue accounting policy.

Accounting principle

Total income is composed of two parts: “Net sales” and “Other income”.

“**Net sales**” include sales by the Group’s stores, e-commerce sites and restaurants, franchise fees, revenues from business leases and financial services revenues.

“**Other income**” consists of revenue from the property development and property trading businesses, rental revenues, miscellaneous service revenues, incidental revenues and revenues from secondary activities, and revenues from the energy business.

Revenue is measured at the contract price, corresponding to the consideration to which the Group expects to be entitled in exchange for the supply of goods or services. The transaction price is allocated to the performance obligations in the contract, which represent the units of account for revenue recognition purposes. Revenue is recognised when the performance obligation is satisfied, i.e. when control of the good or service passes to the customer. Revenue may therefore be recognised at a specific point in time or over time (based on the stage of completion).

The Group’s main sources of revenue are as follows:

- Sales of goods (including through the property trading business): in this case, the Group generally has only one performance obligation, that of delivering the good to the customer. Revenue from these sales is recognised when control of the good is transferred to the customer, generally upon delivery. In the Group, control passes mainly:
 - at the check-out for in-store sales;
 - on receipt of the goods for sales to franchisees or affiliated stores;
 - on receipt of the goods by the customer for e-commerce sales.
- Sales of services, for example sales of subscriptions, franchising fees, logistics services, rental revenue and property management services: in this case, the Group generally has only one performance obligation, to supply the service, and the related revenues are recognised over the period in which the services are performed.
- Property development revenues: in this case, the Group generally has several performance obligations, some of which may be satisfied at a given point in time and others over time based on the project’s percentage of completion. Profit is calculated on a percentage-of-completion basis by reference to the projected margin on completion weighted by the percentage of completion determined by the costs incurred (inputs method).

If settlement of the consideration is deferred beyond normal payment terms and no promise of financing is explicitly stated in the contract or implied by the payment terms, the transaction price is determined by adjusting the consideration for the effects of the time value of money. If significant, the difference between this price and the unadjusted transaction price is recognised in “Other financial income” over the payment deferral period.

The Group operates loyalty programmes that enable customers to obtain discounts or award credits on their future purchases. Award credits granted to customers under loyalty programmes represent a performance obligation that is separately identifiable from the initial sales transaction. This performance obligation gives rise to the recognition of a contract liability. The corresponding revenue is deferred until the award credits are used by the customer.

The following tables present a breakdown of revenue:

(<i>€ millions</i>)	Food and general retailing			Holdings and other activities	Continuing operations in first-half 2018
	France Retail	Latam Retail	E-commerce		
Net sales	9,310	7,630	876	408	18,224
Other income	163	78		2	243
Total	9,473	7,708	876	410	18,467

(<i>€ millions</i>)	Food and general retailing			Holdings and other activities	Continuing operations in first-half 2017 (restated)
	France Retail	Latam Retail	E-commerce		
Net sales	9,208	8,397	835	376	18,816
Other income	148	77		2	227
Total	9,356	8,474	835	378	19,043

The Group's core business is retailing and the vast majority of revenues are therefore recognised at a given point in time. Revenue recognised over time mainly concerns certain performance obligations arising from the property development business and from certain incidental retail-related services.

6.3 Expenses by nature and function

Following the first-time adoption of IFRS 15 from 1 January 2018 (see note 1.3.2), the Group revised its accounting policy for "Selling expenses", which now consist of point-of-sale costs.

The cost of property development and property trading activities and changes in property development and property trading inventories have been reclassified to "Cost of goods sold".

(<i>€ millions</i>)	Notes	Logistics costs ⁽¹⁾	Selling expenses	General and administrative expenses	First-half 2018
Employee benefits expense		(270)	(1,610)	(424)	(2,304)
Other expenses		(481)	(1,657)	(230)	(2,368)
Depreciation/amortisation for the period	5.1/6.4	(18)	(251)	(72)	(341)
Total		(769)	(3,518)	(725)	(5,012)

(1) Logistics costs are reported in the consolidated income statement under "Cost of goods sold".

(<i>€ millions</i>)	Notes	Logistics costs ⁽¹⁾	Selling expenses	General and administrative expenses	First-half 2017 (restated)
Employee benefits expense		(253)	(1,680)	(422)	(2,354)
Other expenses		(474)	(1,713)	(238)	(2,425)
Depreciation/amortisation for the period	5.1/6.4	(19)	(266)	(70)	(355)
Total		(746)	(3,658)	(730)	(5,134)

(1) Logistics costs are reported in the consolidated income statement under "Cost of goods sold".

6.4 Depreciation and amortisation

(<i>€ millions</i>)	Notes	First-half 2018	First-half 2017
Amortisation of intangible assets		(61)	(59)
Depreciation of property, plant and equipment		(277)	(292)
Depreciation of investment property		(3)	(4)
Depreciation and amortisation expense of continuing operations	5.1 and 6.3	(341)	(355)

6.5 Other operating income and expenses

(€ millions)	First-half 2018	First-half 2017
Total other operating income	106	114
Total other operating expenses	(244)	(391)
	(138)	(277)
Breakdown by type		
Gains and losses on disposal of non-current assets ⁽⁵⁾	10	26
Net impairment losses on assets ⁽¹⁾⁽⁵⁾	(1)	(50)
Net income/(expense) related to changes in scope of consolidation ⁽²⁾⁽⁵⁾	(34)	(55)
Gains and losses on disposal of non-current assets, net impairment losses, and net income/(expense) related to changes in scope of consolidation	(25)	(79)
Restructuring provisions and expenses ⁽³⁾⁽⁵⁾	(96)	(125)
Provisions and expenses for litigation and risks ⁽⁴⁾	(16)	(60)
Other operating income and expenses		(13)
Other operating income and expenses	(112)	(198)
Total other operating income/(expense), net	(137)	(277)

- (1) Impairment losses recorded in first-half 2017 mainly related to individual assets in the France Retail segment for €32 million (primarily Monoprix and Franprix-Leader Price for €11 million and €9 million, respectively) and Latam Retail (primarily GPA) for €12 million.
- (2) The €34 million expense recorded in first-half 2018 primarily concerns fees related to changes in the scope of consolidation. The €55 million expense recognised in first-half 2017 related mainly to changes in consolidation scope at Distribution Casino France for an amount of €30 million and related fees of €10 million.
- (3) Restructuring expenses for first-half 2018 relate chiefly to the France Retail segment for €49 million (including employee-related costs and store closure costs for €41 million and store conversion costs of €8 million) and to Latam Retail for €37 million. Restructuring expenses for first-half 2017 mainly concerned the France Retail segment for €90 million (including employee-related costs and store closure costs for €55 million and store conversion costs of €35 million) and GPA for €21 million.
- (4) Provisions and expenses for litigation and risks represented a net expense of €16 million in first-half 2018 and concerned France Retail for €6 million and Latam Retail for €8 million. Provisions and expenses for litigation and risks represented a net expense of €60 million for first-half 2017, including €53 million for the GPA tax amnesty programme initiated during the period.
- (5) Reconciliation of impairment losses with the analysis of changes in non-current assets:

(€ millions)	First-half 2018	First-half 2017
Goodwill impairment losses		(4)
Impairment (losses)/reversals on intangible assets, net		(10)
Impairment (losses)/reversals on property, plant and equipment, net	(12)	(42)
Impairment (losses)/reversals on investment property, net		
Impairment (losses)/reversals on available-for-sale financial assets		(3)
Impairment (losses)/reversals on other assets, net	(2)	(2)
Total net impairment losses of continuing operations	(14)	(62)
<i>Of which presented under "Restructuring provisions and expenses"</i>	(2)	(11)
<i>Of which presented under "Net impairment (losses)/reversals on other assets"</i>	(1)	(45)
<i>Of which presented under "Net income/(expense) related to changes in scope of consolidation"</i>	(3)	
<i>Of which presented under "Gains and losses on disposal of non-current assets"</i>	(9)	

Note 7 Income tax

The tax expense reported for the period ended 30 June 2018 is chiefly due to the Casino Group. It corresponds to a negative effective tax rate of 43.5% for the Casino Group versus a negative rate of 59.0% at 30 June 2017 (as restated).

Deferred tax assets recognised for tax loss carryforwards primarily concern Casino, Guichard-Perrachon, Éxito and GPA.

Note 8 Goodwill, intangible assets, property, plant and equipment, and investment property

Acquisitions of intangible assets, property, plant and equipment, and investment property amounted to €482 million (see note 4.3) in first-half 2018 versus €578 million for the same period in 2017.

The Group carried out a review of goodwill and other non-current assets at 30 June 2018 to determine whether there was any evidence of impairment, as defined in the notes to the 2017 consolidated financial statements.

Impairment charges of €12 million were recognised on intangible assets and property, plant and equipment in first-half 2018 (see note 6.5), mainly in the France Retail segment (€6 million) and the Latam Retail segment (€5 million).

Concerning goodwill, the tests carried out on CGUs for which there was an indication of impairment concerned the France Retail segment (Casino Restauration) and the Latam Retail segment (Argentina). The tests did not lead to the recognition of any impairment losses at 30 June 2018.

Note 9 Financial structure and finance costs

Following the first-time adoption of IFRS 9 from 1 January 2018 (see note 1.3.3), the Group revised its accounting policy for financial instruments.

Accounting principle

FINANCIAL ASSETS

Financial assets are initially measured at fair value plus directly attributable transaction costs in the case of instruments not measured at fair value through profit or loss. Directly attributable acquisition costs of financial assets measured at fair value through profit or loss are recorded in the income statement.

Financial assets are classified as current if they are due in less than one year at the closing date and non-current if they are due in more than one year.

Financial assets are classified in the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVOCI);
- financial assets at fair value through profit or loss.

The classification depends on the business model within which the financial asset is held and the characteristics of the instrument's contractual cash flows.

Financial assets at amortised cost

Financial assets are measured at amortised cost when (i) they are not designated as financial assets at fair value through profit or loss, (ii) they are held within a business model whose objective is to hold assets in order to collect contractual cash flows and (iii) their contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI" criterion).

They are subsequently measured at amortised cost, determined using the effective interest method, less any impairment losses. Interest income, exchange gains and losses, impairment losses and gains and losses arising on derecognition are all recorded in the income statement. This category primarily includes trade receivables (except for GPA credit card receivables), cash and cash equivalents as well as other loans and receivables.

Long-term loans and receivables that are not interest-bearing or that bear interest at a below-market rate are discounted when the amounts involved are material.

Financial assets at fair value through other comprehensive income (OCI)

This category comprises debt instruments and equity instruments.

- Debt instruments are measured at fair value through other comprehensive income when (i) they are not designated as financial assets at fair value through profit or loss, (ii) they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (iii) they give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI" criterion). Interest income, exchange gains and losses and impairment losses are recorded in the income statement. Other net gains and losses are recorded in OCI. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

This category mainly consists of GPA credit card receivables.

- Equity instruments that are not held for trading may also be measured at fair value through OCI. This method may be chosen separately for each investment. The choice is irrevocable. Dividends received on equity instruments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recorded in other comprehensive income and are never reclassified to profit or loss.

Financial assets at fair value through profit or loss

All financial assets that are not classified as financial assets at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. Gains and losses on these assets, including interest or dividend income, are recorded in the income statement.

This category mainly comprises derivative instruments that do not qualify for hedge accounting and investments in non-consolidated companies.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term investments.

To be classified as cash equivalents under IAS 7, investments must be:

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

The Group typically uses interest bearing bank accounts or term deposits of less than three months.

Impairment of financial assets

IFRS 9 requires the recognition of lifetime expected credit losses on financial assets. This impairment model applies to financial assets at amortised cost, contract assets and debt instruments at fair value through OCI.

The main financial assets concerned are trade receivables relating to Brazilian credit activities, trade receivables from franchisees and affiliated stores and rent receivables.

For trade and rent receivables, the Group applies the simplified approach provided for in IFRS 9. This approach consists of estimating lifetime expected credit losses on initial recognition using a provision matrix that specifies fixed provision rates depending on the number of days that a receivable is past due.

Derecognition of financial assets

Financial assets are derecognised in the following two cases:

- the contractual rights to the cash flows from the financial asset have expired; or
- the contractual rights have been transferred. In this latter case:
 - if substantially all the risks and rewards of ownership of the financial asset have been transferred, the asset is derecognised in full,
 - if substantially all the risks and rewards of ownership are retained by the Group, the financial asset continues to be recognised in the statement of financial position for its total amount.

FINANCIAL LIABILITIES

Financial liabilities are classified as current if they are due in less than one year at the closing date and non-current if they are due in more than one year.

Financial liabilities recognised at amortised cost

Borrowings and other financial liabilities at amortised cost are initially measured at the fair value of the consideration received, and subsequently at amortised cost, using the effective interest method. Transaction costs and issue and redemption premiums directly attributable to the acquisition or issue of a financial liability are deducted from the liability's carrying amount. The costs are then amortised over the life of the liability by the effective interest method.

Within the Group, some loans and other financial liabilities at amortised cost are hedged.

Several subsidiaries have set up reverse factoring programmes with financial institutions to enable their suppliers to collect receivables more quickly in the ordinary course of the purchasing process. The accounting policy for these transactions depends on whether or not the characteristics of the liabilities concerned have been changed. For example, when trade payables are not substantially modified (term and due date, consideration, face value) they continue to be recorded under "Trade payables". Otherwise, they are qualified as financing transactions and included in financial liabilities under "Trade payables – structured programme".

Financial liabilities at fair value through profit or loss

These are mainly derivative instruments (see below) and financial liabilities intended to be held on a short-term basis for trading purposes. They are measured at fair value and gains and losses arising from remeasurement at fair value are recognised in the income statement. The Group does not hold any financial liabilities for trading other than derivative instruments.

The accounting treatment of put options granted to owners of non-controlling interests is described in note 3.4.1 to the annual consolidated financial statements.

DERIVATIVE INSTRUMENTS

All derivative instruments are recognised in the statement of financial position and measured at fair value.

Derivative financial instruments that qualify for hedge accounting: recognition and presentation

In accordance with IFRS 9, the Group applies hedge accounting to:

- fair value hedges (for example, swaps to convert fixed rate debt to variable rate). In this case, the debt is recognised at fair value up to the amount of the hedged risk and any change in fair value is recognised in profit or loss. Gains and losses arising from remeasurement at fair value of the derivative are also recognised in profit or loss. 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 (for example, swaps to convert floating rate debt to fixed rate or to change the borrowing currency, and hedges of budgeted purchases billed in a foreign currency). For these hedges, the ineffective portion of the change in the fair value of the derivative is recognised in profit or loss and the effective portion is recognised in other comprehensive income and subsequently reclassified to profit or loss on a symmetrical basis with the hedged cash flows in terms of both timing and classification (i.e. in recurring operating income for hedges of operating cash flows and in net financial income and expense for other hedges). The premium/discount component of forward foreign exchange contracts is treated as a hedging cost. Changes in the fair value of this component are recorded in "Other comprehensive income" and reclassified to profit or loss as part of the cost of the hedged transaction on the transaction date ("basis of adjustment" method).
- hedges of net investments in foreign operations. For these hedges, the effective portion of the change in fair value attributable to the hedged foreign currency risk is recognised net of tax in other comprehensive income and the ineffective portion is recognised directly

in financial income or expense. Gains or losses accumulated in other comprehensive income are reclassified to profit or loss on the date of liquidation or disposal of the net investment.

Hedge accounting may only be used if:

- the hedging instruments and hedged items included in the hedging relationship are all eligible for hedge accounting;
- the hedging relationship is clearly defined and documented at inception; and
- the effectiveness of the hedge can be demonstrated at inception and throughout its life.

Derivative financial instruments that do not qualify for hedge accounting: recognition and presentation

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, successive changes in its fair value are recognised directly in profit or loss for the period under “Other financial income and expenses”.

DEFINITION OF NET DEBT

Net debt corresponds to loans and other borrowings including derivatives designated as fair value hedge (liabilities) and trade payables – structured programme, less (i) cash and cash equivalents, (ii) financial assets held for cash management purposes and as short-term investments, (iii) derivatives designated as fair value hedge (assets), (iv) financial assets arising from a significant disposal of non-current assets and (v) net assets held for sale attributable to owners of the parent of the selling subsidiary.

9.1 Net cash and cash equivalents

“Net cash and cash equivalents” break down as follows:

<i>(€millions)</i>	Notes	30 June 2018	31 December 2017
Cash equivalents		1,303	1,531
Cash		2,313	1,980
Cash and cash equivalents		3,616	3,511
Bank overdrafts		(214)	(161)
Net cash and cash equivalents		3,402	3,350

The €24 million previously placed in escrow for the plaintiffs in the class action against Cnova (see note 11.3) was cleared upon payment of the debt.

Transactions in relation to the management of trade payables/receivables

The Group disposes of non-recourse receivables without continuing involvement, within the meaning of IFRS 7, and uses reverse factoring.

9.2 Financial liabilities

9.2.1 Breakdown of net debt

<i>(€millions)</i>	30 June 2018				31 December 2017			
	Debt ⁽¹⁾	Cash and cash equivalents	Attributable net assets reclassified as "held for sale" (IFRS 5)	Net debt	Debt ⁽¹⁾	Cash and cash equivalents	Attributable net assets reclassified as "held for sale" (IFRS 5)	Net debt
Rallye Group⁽²⁾	3,288	(219)		3,069	3,162	(121)		3,042
Casino Group	9,931	(3,397)	(1,089)	5,445	8,586	(3,391)	(1,070)	4,126
France Retail	6,567	(2,141)	(408)	4,019	6,022	(1,872)	(435)	3,715
Latam Retail	3,043	(1,204)	(119)	1,719	2,326	(1,475)	(7)	845
of which GPA food	1,701	(681)	(93)	928	1,147	(952)	(6)	189
of which Éxito ⁽³⁾	1,341	(522)	(26)	793	1,179	(522)	(1)	655
Latam Electronics			(562)	(562)	0		(628)	(628)
E-commerce	321	(52)		269	238	(44)		194
Total	13,219	(3,616)	(1,089)	8,514	11,749	(3,511)	(1,070)	7,168

Notes	30 June 2018			31 December 2017		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
(€millions)						
Bonds ⁽¹⁾	7,858	1,084	8,942	7,739	799	8,538
Other borrowings and financial liabilities	2,069	2,346	4,415	1,757	1,513	3,270
Finance leases	35	15	51	47	17	65
Fair value hedges – liabilities ⁽²⁾	8	6	15	16	22	38
Financial liabilities	9,971	3,452	13,423	9,559	2,352	11,911
Fair value hedges – assets ⁽³⁾	(135)	(23)	(157)	(108)	(4)	(112)
Net assets held for sale attributable to owners of the parent of the selling subsidiary	3.2.1	(1,089)	(1,089)		(1,070)	(1,070)
Other financial assets	(6)	(41)	(47)		(50)	(50)
Cash and cash equivalents	9.1	(3,616)	(3,616)		(3,511)	(3,511)
Net assets held for sale attributable to owners of the parent of the selling subsidiary	(141)	(4,768)	(4,909)	(108)	(4,635)	(4,743)
Net debt	9,830	(1,316)	8,514	9,451	(2,284)	7,168

- (1) Of which €8,099 million in France and €843 million in Brazil at 30 June 2018 (31 December 2017: €7,789 million in France and €749 million at GPA).
- (2) Of which €7 million in Colombia, €6 million in France and €3 million in Brazil at 30 June 2018 (31 December 2017: €16 million in Brazil, €12 million in France and €10 million in Colombia).
- (3) Of which €120 million in France, €31 million in Brazil and €6 million in Colombia at 30 June 2018 (31 December 2017: €103 million in France, €7 million in Brazil and €2 million in Colombia).

Breakdown of net debt

(€millions)	30 June 2018				31 December 2017			
	Debt ⁽¹⁾	Cash and cash equivalents	Attributable net assets reclassified as “held for sale” (IFRS 5)	Net debt	Debt ⁽¹⁾	Cash and cash equivalents	Attributable net assets reclassified as “held for sale” (IFRS 5)	Net debt
Rallve Group⁽²⁾	3,263	(194)		3,069	3,162	(121)		3,042
Casino Group	9,931	(3,397)	(1,089)	5,445	8,586	(3,391)	(1,070)	4,126
France Retail	6,567	(2,141)	(408)	4,019	6,022	(1,872)	(435)	3,715
Latam Retail	3,043	(1,204)	(119)	1,719	2,326	(1,475)	(7)	845
of which GPA food	1,701	(681)	(93)	928	1,147	(952)	(6)	189
of which Éxito ⁽³⁾	1,341	(522)	(26)	793	1,179	(522)	(1)	655
Latam Electronics			(562)	(562)	0		(628)	(628)
E-commerce	321	(52)		269	238	(44)		194
Total	13,194	(3,591)	(1,089)	8,514	11,749	(3,511)	(1,070)	7,168

- (1) Financial liabilities net of fair value hedging derivatives assets and other financial assets.
- (2) Groupe GO Sport accounted for €201 million of net debt at 30 June 2018 versus €165 million at 31 December 2017.
- (3) Éxito excluding GPA, including Argentina and Uruguay.

During first-half 2018, cash was transferred by the Casino Group to Éxito and Casino, Guichard-Perrachon via debt contracted by Ségisor (Latam Retail segment), which holds the GPA shares. The debt consists of a €400 million medium-term loan with a variable interest rate of Euribor +1.75%.

9.2.2 Change in financial liabilities

(€ millions)	Notes	30 June 2018	31 December 2017
Financial liabilities at 1 January including hedging instruments (reported)		11,798	13,086
<i>Effect of applying IFRS 9 (see note 1.3)</i>		19	
Financial liabilities at 1 January including hedging instruments (restated)		11,817	13,086
New borrowings ⁽¹⁾⁽³⁾		2,012	2,128
Repayments of borrowings ⁽²⁾⁽³⁾		(384)	(3,087)
Change in fair value of hedged debt		(10)	114
Change in accrued interest		(75)	(101)
Effective of movements in exchange rates		(110)	(352)
Changes in scope of consolidation		27	10
Reclassification of financial liabilities associated with non-current assets held for sale		(7)	(17)
Other reclassifications		(3)	17
Financial liabilities at 30 June (including hedging and cash flow instruments)		13,267	11,798
Financial liabilities	9.2.1	13,423	11,911
Derivative instruments – assets	9.2.1	(157)	(112)

- (1) In the first half of 2018, new borrowings mainly included: (a) a €200 million bond issue by Casino, Guichard-Perrachon and a CHF 95 million (€80 million) bond issue by Rallye (see note 2), (b) an increase in negotiable European commercial paper (NEU CP) for €562 million, (c) a bond issue by GPA for BRL 800 million (€193 million) and new borrowings for €267 million, (d) a €400 million loan taken out by Ségisor and (e) drawdowns on lines of credit by Éxito for COP 500 billion (€145 million).
- (2) In first-half 2018, repayments of borrowings primarily concerned GPA for €184 million and Éxito for €50 million.
- (3) Cash flows from financing activities in first-half 2018 represented a net inflow of €1,266 million, with repayments of borrowings for €384 million and net interest payments of €364 million offset by the proceeds from new borrowings of €2,011 million (see note 4.8). Cash flows from financing activities in first-half 2017 represented a net inflow of €54 million, with proceeds from new borrowings of €2,410 million offset by repayments of borrowings for €1,879 million and net interest payments of €477 million.

9.3 Net financial income (expense)

9.3.1 Net finance costs

(€ millions)	First-half 2018	First-half 2017 (restated)
Gains/(losses) on disposal of cash equivalents		
Income from cash and cash equivalents	23	49
Income from cash and cash equivalents	23	49
Interest expense on borrowings after hedging	(231)	(291)
Interest expense on finance lease liabilities	(4)	(4)
Cost of gross debt	(235)	(295)
Cost of net debt	(211)	(246)

9.3.2 Other financial income and expenses

(€ millions)	First-half 2018	First-half 2017 (restated)
Investment income		
Foreign currency exchange gains (other than on borrowings)	17	14
Discounting and accretion adjustments	1	1
Gains on remeasurement at fair value of non-hedge derivative instruments ⁽¹⁾	11	48
Gains on remeasurement at fair value of financial assets at fair value through profit or loss	3	1
Other	27	31
Other financial income	59	96
Foreign currency exchange losses (other than on borrowings)	(20)	(15)
Discounting and accretion adjustments	(1)	(3)
Losses on remeasurement at fair value of non-hedge derivative instruments ⁽¹⁾	(57)	(27)
Losses on remeasurement at fair value of financial assets at fair value through profit or loss	(2)	(1)
Non-recourse factoring and associated transaction costs	(42)	(38)
Other	(37)	(50)
Other financial expenses	(160)	(135)
Total other financial income and expenses	(101)	(39)

- (1) The net expense of €46 million in first-half 2018 reflects (a) fair value adjustments to the GPA TRS (expense of €6 million), the GPA forward (expense of €18 million), the Mercialis TRS linked to 2% of the capital (expense of €6 million), along with the non-recourse factoring costs linked to these instruments (expense of €7 million), and (b) the €9 million expense linked to other derivatives. The net gain of €21 million in first-half 2017 chiefly reflected (a) positive fair value adjustments to the GPA TRS (€9 million), the GPA forward (€25 million), the Mercialis TRS linked to 2% of the capital (expense of €4 million), along with the non-recourse factoring costs linked to these instruments (expense of €8 million), and (b) the €3 million expense linked to other derivatives.

9.4 Fair value of financial instruments

At 30 June 2018 (€ millions)	Carrying amount	Fair value	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Assets					
Financial assets at fair value through profit or loss	67	67	31	1	35
Financial assets at fair value through other comprehensive income	72	72	19	20	33
Fair value hedges – assets ⁽²⁾	158	158		158	
Other derivative instruments – assets	19	19	1	8	10
Liabilities					
Bonds ⁽³⁾	8,942	9,159	8,318	841	
Other borrowings and finance leases – liabilities ⁽⁴⁾	4,463	4,478		4,478	
Fair value hedges – liabilities ⁽²⁾	15	15		15	
Other derivative instruments – liabilities ⁽²⁾	314	314		314	
Put options granted to owners of non-controlling interests ⁽⁵⁾	185	185			185

At 31 December 2017 (€ millions)	Carrying amount	Fair value	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
Assets					
Available-for-sale financial assets ⁽²⁾	95	96	24	2	70
Fair value hedges – assets ⁽³⁾	112	112		112	
Other derivative instruments – assets	12	12		12	
Other financial assets	7	7	7		
Liabilities					
Bonds ⁽⁴⁾	8,538	9,215	8,463	752	
Other borrowings and finance lease liabilities ⁽⁵⁾	3,335	3,348		3,348	
Fair value hedges – liabilities ⁽³⁾	38	38		38	
Other derivative instruments – liabilities ⁽³⁾	298	298		298	
Put options granted to owners of non-controlling interests ⁽⁶⁾	171	171			171

- (1) Level 1 = market price - Level 2 = models that are based on observable inputs - Level 3 = models that are based on unobservable inputs.
- (2) The fair value of available-for-sale financial assets is generally measured using standard valuation techniques. If their fair value cannot be determined reliably, they are not included in this note.
- (3) Derivative financial instruments are valued (internally or externally) on the basis of the widely used valuation techniques for this type of instrument. Valuation models are based on observable market inputs (mainly the yield curve) and counterparty quality. Derivatives held as fair value hedges are almost fully backed by borrowings.
- (4) The fair value of bonds is based on the latest quoted price on the reporting date.
- (5) The fair value of other borrowings has been measured using other valuation techniques such as the discounted cash flow method, taking into account the Group's credit risk and interest rate conditions at the reporting date.
- (6) The fair value of put options granted to owners of non-controlling interests is measured by applying the contract's calculation formulas and is discounted, if necessary. These formulas are considered to be representative of fair value and notably use net income multiples.

Note 10 Equity

10.1 Share capital

The share capital is made up of ordinary fully paid-up shares with a par value of €3 each. At 30 June 2018, the share capital consisted of 55,123,771 shares representing a total par value of €165 million.

	30 June 2018	31 December 2017
Number of shares at 1 January	52,064,824	48,831,113
2017 and 2016 stock dividend	3,058,947	3,182,997
Free share grants		50,714
Number of shares at 30 June	55,123,771	52,064,824

10.2 Treasury shares

Within the scope of the authorisations granted by the Shareholders' Meetings, Rallye bought back 197,886 of its own shares for €1.9 million.

At 30 June 2018, the Group had a total of 1,218,886 treasury shares worth €12.2 million, including 1,021,000 treasury shares held under the liquidity agreement for €10.3 million.

At 31 December 2017, 513,000 treasury shares were held under the liquidity agreement, representing a total of €8 million.

10.3 Breakdown of other reserves

<i>(€ millions)</i>	Cash flow hedges	Net investment hedges	Foreign currency translation reserves	Actuarial gains and losses	Available-for-sale financial assets	Total other reserves
At 1 January 2017 (reported)	6		(734)	(34)	24	(739)
Movements for the period	(12)	2	(181)	(1)	(2)	(194)
At 30 June 2017 (restated)	(6)	2	(916)	(35)	22	(933)

<i>(€ millions)</i>	Cash flow hedges	Net investment hedges	Foreign currency translation reserves	Actuarial gains and losses	Available-for-sale financial assets	Equity instruments ⁽¹⁾	Debt instruments ⁽¹⁾	Total other reserves
At 31 December 2017 (reported)	(10)	1	(1,024)	(51)	17			(1,066)
Effect of applying IFRS 15 (see note 1.3)								
At 31 December 2017 (restated*)	(10)	1	(1,024)	(51)	17			(1,066)
Effect of applying IFRS 9 and IFRS 2 amendments (see note 1.3)	(2)				(17)	(45)	(2)	(68)
At 1 January 2018 (restated*)	(12)	1	(1,024)	(51)		(45)	(2)	(1,133)
Movements for the period	4		(242)	3		(8)	(1)	(244)
At 30 June 2018	(8)	1	(1,266)	(48)		(53)	(3)	(1,377)

(1) *Financial instruments at fair value through other comprehensive income.*

10.4 Material non-controlling interests

Summarised financial information on the main subsidiaries with significant non-controlling interests

The information presented in the table below is based on the IFRS financial statements, as adjusted, where applicable, to reflect the remeasurement at fair value on the date of acquisition or loss of control, and to align accounting policies with those applied by the Group. The amounts are shown before intragroup eliminations. The Éxito group publishes its financial statements at a date later than that of the Casino Group; therefore information related to that subsidiary is not disclosed.

<i>(€ millions)</i>	Casino Group		GPA	
	2018	2017 (restated)	2018	2017 (restated)
<i>Country</i>	France		Brazil	
<i>% of ownership interests held by non-controlling interests¹</i>	47.41%	48.89%	66.89%	66.84%
<i>% of voting rights held by non-controlling interests¹</i>	34.65%	36.85%	0.06%	0.06%
<i>For the first half-year</i>				
Net sales	17,816	18,439	5,561	6,139
Net income/(loss) from continuing operations	42	(16)	152	91
Net income/(loss) from discontinued operations	48	(14)	51	(9)
Net income/(loss)	90	(30)	204	83
<i>Attributable to non-controlling interests in continuing operations</i>	88	41	102	61
<i>Attributable to non-controlling interests in discontinued operations</i>	46	(10)	44	(6)
Other comprehensive income/(loss)	(840)	(827)	(673)	(663)
Total comprehensive income/(loss) for the period	(750)	(857)	(470)	(580)
<i>Attributable to non-controlling interests</i>	(498)	(605)	(329)	(362)
<i>At 30 June 2018 and 31 December 2017</i>				
Non-current assets	21,437	21,954	6,348	6,995
Current assets	15,131	16,158	7,184	8,680
Non-current liabilities	(9,929)	(9,335)	(1,818)	(1,825)
Current liabilities	(14,812)	(15,750)	(5,834)	(7,352)
Net assets	11,827	13,027	5,880	6,449
<i>Attributable to non-controlling interests²</i>	9,028	9,873	3,948	4,324
<i>For the first half-year</i>				
Net cash from/(used in) operating activities	(623)	(1,892)	(511)	(866)
Net cash from/(used in) investing activities	(440)	(592)	(216)	(168)
Net cash from/(used in) financing activities	561	(774)	(80)	(720)
Effect of changes in exchange rates on cash and cash equivalents	(202)	(184)	(152)	(81)
Change in cash and cash equivalents	(705)	(3,443)	(959)	(1,835)
Dividends paid to the Group ³	(88)	(88)	(16)	-
Dividends paid to owners of non-controlling interests during the period³	(113)	(100)	(26)	-

- (1) The percentages of non-controlling interests set out in this table do not include the Group's own non-controlling interests in sub-groups.
- (2) Including €1,350 million relating to issues of deeply subordinated perpetual bonds (TSSDI) by Casino.
- (3) GPA has a dividend payout obligation (see note 12.7 to the Group's 2017 consolidated financial statements).

10.5 Dividend

On 23 May 2018, the Annual General Meeting of shareholders approved the payment of a dividend of €1 per share for the 2017 financial year with an option for payment in shares. 65% of rights to payment in shares were exercised.

The operation has enabled Rallye to boost its shareholders' equity by €33.2 million through the creation of 3,058,947 new shares.

The coupons payable on deeply subordinated perpetual bonds are as follows:

<i>(€ millions)</i>	First-half 2018	First-half 2017
Coupons payable on deeply subordinated perpetual bonds	42	43
Amount paid during the period	37	37
Amount payable in the following year	6	6
Impact on the cash flow statement	42	41
Of which coupons awarded and paid during the period	37	37
Of which coupons awarded in the prior year and paid during the reporting year	6	5

Note 11 Other provisions

11.1 Breakdown of provisions and movements

(€ millions)	1 January 2018 ⁽¹⁾	Additions	Reversals used	Reversals not used	Changes in scope of consolidation and transfers	Effect of movements in exchange rates	Other	30 June 2018
Claims and litigation ⁽²⁾	535	60	(37)	(32)		(55)		469
Other risks and expenses	119	18	(20)	(19)	1		3	102
Restructuring	29	26	(19)	(1)				35
Total other provisions	682	104	(76)	(52)	1	(55)	3	606
of which non-current	514	57	(30)	(28)		(55)		460
of which current	168	46	(46)	(24)	1		1	146

(1) See note 1.3.

(2) Additions to provisions and reversals of used and unused provisions relating to GPA amounted to €49 million, €29 million and €20 million, respectively.

Provisions for claims and litigation, and for other risks and expenses are composed of a wide variety of provisions for employee-related disputes (before a labour court), property disputes (concerning construction or refurbishment work, rents, tenant evictions, etc.), tax disputes and business claims (trademark infringement, etc.).

Claims and litigation mainly includes provisions relating to GPA (see note 11.2).

11.2 Breakdown of GPA provisions for claims and litigation (excluding Via Varejo)

(€ millions)	PIS/COFINS/CPMF disputes ⁽¹⁾	Other tax disputes	Employee disputes	Civil litigation	Total
30 June 2018	29	288	75	28	420
31 December 2017	32	324	83	35	475

(1) * VAT and similar taxes.

In the context of the litigation disclosed above and below in note 11.3, GPA (food only) is contesting the payment of certain taxes, contributions and payroll obligations. The legal deposits paid by GPA pending final rulings from the administrative courts on these various disputes are included in "Other non-current assets". GPA has also provided various guarantees in addition to these deposits, reported as off-balance sheet commitments.

(€ millions)	30 June 2018			31 December 2017		
	Legal deposits paid	Assets pledged as collateral	Bank guarantees	Legal deposits paid	Assets pledged as collateral	Bank guarantees
Tax disputes	51	186	1,708	51	216	1,843
Employee disputes	107	1	27	119	1	23
Civil and other litigation	17	3	82	21	2	70
Total	175	189	1,817	192	218	1,937

11.3 Contingent assets and liabilities

In the normal course of its business, the Group is involved in a number of legal or arbitration proceedings with third parties or with the tax authorities in certain countries (mainly involving GPA – see below).

As stated in note 3.3.2, no associates or joint ventures have any significant contingent liabilities.

11.3.1 Class action against Cnova N.V. and the Casino Group

Some of the officers and directors of Cnova N.V. and the underwriters of its IPO were named in a class action before the United States District Court for the Southern District of New York alleging a breach of United States securities laws. The lawsuit claimed that misleading information was issued at the time of the IPO concerning the macro-economic situation in Brazil and the irregularities uncovered at Cnova Brazil.

On 19 March 2018, the United States District Court for the Southern District of New York announced its final approval of the proposed settlement of this class action for an amount of USD 28.5 million. Most of the USD 28.5 million was put up by Cnova's insurers. The balance, including estimated related costs, was covered by the provision recorded in 2016. Consequently, the settlement had no material impact on the Casino Group's net profit.

In a potential separate case, the SEC could fine Cnova N.V. following an analysis of the facts uncovered during the internal investigation carried out by Cnova, its lawyers and consultants, that was completed at the end of the first half of 2016.

11.3.2 Proceedings brought by the DGCCRF (French competition authority) against AMC and INCAA and investigations by the French and European competition authorities

There were no material developments during first-half 2018.

11.3.3 GPA tax, social security and civil contingent liabilities

Contingent liabilities essentially relate to the GPA group, and break down as follows:

<i>(€millions)</i>	30 June 2018	31 December 2017
INSS (employer's social security contributions)	92	98
IRPJ – IRRF and CSLL (corporate income taxes)	189	208
PIS, COFINS and CPMF (VAT and similar taxes)	427	429
ISS, IPTU and ITBI (service tax, urban property tax and tax on property transactions)	36	38
ICMS (state VAT)	1,244	1,457
Civil litigation	126	136
Total (1)	2,115	2,367

(1) Contingent liabilities of Via Varejo classified in discontinued operations and not included in the table above amount to €359 million at 30 June 2018 versus €407 million at 31 December 2017.

The €252 million decrease reflects the €271 million negative currency effect.

GPA employs consulting firms to advise it in tax disputes, whose fees are contingent on the disputes being settled in GPA's favour. At 30 June 2018, the estimated amount totalled €35 million (31 December 2017: €40 million).

Moreover, Casino has given a specific guarantee to its Brazilian subsidiary concerning notifications of tax adjustments received from the tax administration, for a total amount of BRL 1,248 million at 30 June 2018 (31 December 2017: BRL 1,223 million), including penalties and interest. Under the terms of the guarantee, Casino has undertaken to indemnify GPA for 50% of any damages incurred, provided those damages are definitive. Based on the commitment given by Casino to its subsidiary, the risk exposure amounts to BRL 624 million (€139 million). The underlying risks are considered possible; as such, no provision was recorded in the financial statements.

GPA contingent assets

Exclusion of ICMS from the PIS/COFINS tax base:

Since the introduction of non-cumulative PIS and COFINS tax credits, GPA has asserted the right to deduct ICMS tax from the base used to calculate PIS and COFINS taxes. On 15 March 2017, in line with the position historically taken by GPA, the Brazilian Federal Supreme court (STF) ruled that the ICMS tax should be excluded from the PIS and COFINS tax base. Based on the STF's ruling and the opinion of its internal and external advisors, GPA considers that the probability of having to settle the amounts deducted in prior periods is low. During the period, it therefore released the corresponding provisions set up in prior periods for an amount of BRL 117 million (€34 million).

Since the Supreme Court's ruling on 15 March 2017, the procedure has continued in line with the expectations of GPA and its advisors, without GPA's judgement being called into question concerning the release of the provisions, although the court has not yet handed down its final decision. GPA and its external legal advisors believe that this decision concerning the application method will not limit its rights under the legal proceedings brought since 2003 which are still in progress. However, an asset cannot be recognised for the tax credits until all the stages in the procedure have been completed. Based on the information available at 31 December 2017 and GPA's estimates in the second quarter of 2018, the potential asset represents between BRL 1,300 million and BRL 1,650 million (€290 million and €368 million) for continuing operations other than the cash & carry business for which the estimate has not yet been finalised.

In the case of Via Varejo, which is classified as a discontinued operation, the estimated potential tax asset amounts to around BRL 1,382 million (€308 million), including an additional amount of BRL 433 million (€96 million) that will be owed exclusively to GPA.

Note 12 Related party transactions

Rallye is controlled by Foncière Euris which in turn is held by Finatis then by Euris.

At 30 June 2018, Foncière Euris held 57.98% of the capital of Rallye and 71.59% of the voting rights.

The Company has relations with all of its subsidiaries in its day-to-day management of the Group. The Company and its subsidiaries receive strategic advice from Euris, the ultimate holding company, with which agreements have been signed. The Group also receives other routine services from Euris and Foncière Euris (technical assistance, provision of staff and premises).

The expenses recorded during the period in respect of these agreements totalled €3.6 million, of which €3.1 million for administrative and strategic advisory services and €0.5 million for the provision of staff and premises.

The main transaction in the half-year between Rallye and Foncière Euris concerned the payment in new shares of a €29 million dividend for the 2017 financial year.

In connection with the deployment of its dual model associating retail and commercial real estate activities, Casino and its subsidiaries are involved in a number of property development operations with Mercialys (see note 3.3.3).

Relations with other related parties, including remuneration of senior managers, remained comparable to those of the 2017 financial year, and no unusual transactions, in terms of either nature or amount, took place during the period.

Transactions with related equity-accounted investees are presented in note 3.3.3.

Note 13 Subsequent events

Hyperinflation in Argentina

The Casino Group will track changes in the characteristics of the economic environment that may lead to Argentina being classified as a hyperinflationary economy by the end of 2018, in which case IAS 29 – Financial Reporting in Hyperinflationary Economies will be applied. IAS 29 requires that the statements of financial position and income statements of subsidiaries operating in hyperinflationary economies should be (i) restated by applying a general price index so that they are stated in terms of the measuring unit current at the end of the reporting period, and (ii) converted into euros at the period-end exchange rate. IAS 29 would be applicable retrospectively and comparative information for 2017 would therefore also be restated. The Group believes that the classification of Argentina as a hyperinflationary economy would not have a material impact on the main consolidated financial indicators (net sales, trading profit, equity and net debt).

Bond buybacks

On 19 July 2018, Casino bought back €27 million worth of 2019, 2020 and 2023 bonds. The bonds were bought back through an intermediary when market opportunities arose, at prices that the Casino Group considered attractive. The transactions were in line with the strategy to pay down consolidated debt.

Via Varejo share conversion

At a meeting of the Board of Directors of its subsidiary Via Varejo on 23 July 2018, GPA proposed undertaking the process to transfer all Via Varejo shares to the new B3 stock market, thereby converting preferred shares into ordinary shares at a ratio of 1:1. The proposal was approved. Bundles of Via Varejo shares (composed of one ordinary share and two preferred shares) will be dissolved and holders will receive three ordinary Via Varejo shares in exchange.

The next meeting of the Board of Directors of Via Varejo is expected to take place by 15 August 2018, at which time the directors will discuss the new legal form of the company in line with the rules of the new market. Consequently, a General Meeting will be called to approve the conversion process and any related decisions.

Sale of 15% of Mercialys through an equity swap

On 25 July 2018, Casino's Board of Directors authorised the definitive disposal of a block of Mercialys shares representing 15% of its share capital, through a total return swap entered into with CA-CIB, which will sell the shares over a period of 2.4 years. During this period, the Casino Group will remain exposed to changes in the Mercialys share price and will continue to receive dividends on the shares. In the immediate term, the Casino Group will receive €213 million in connection with the sale.

Cancellation of Rallye shares

On 25 July 2018, Rallye's Board of Directors decided to cancel 278,524 Company shares each with a par value of €3. These shares had been acquired by the Company as part of the buyback programme authorised by the Shareholders' Meeting of 23 May 2018. As a result, the Company's share capital decreased from €165,371,313 to €164,535,741, comprising 54,845,247 fully paid-up shares each with a par value of €3.

4 - STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of article L.451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Rallye, for the period from 1 January to 30 June 2018;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by European Union applicable to interim financial information.

Without qualifying our opinion, we draw your attention to paragraph 1.3 “Changes in accounting methods” included in note 1 “Significant accounting policies” to the condensed half-yearly consolidated financial statements. This paragraph describes the application of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments as of 1 January 2018.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to the fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, 27 July 2018

The Statutory Auditors
French original signed by

KPMG Audit
Department of KPMG SA
Catherine Chassaing

Ernst & Young et Autres
Henri-Pierre Navas