

GOVERNANCE

Report of the Chairman of Board of Directors

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, this Report has been prepared by the Chairman of the Board of Directors.

The report is intended to present corporate governance as applied by the Board of Directors and by Executive Management, and to describe the Company's internal control and risk management procedures.

This report, attached to the management report prepared by the Board of Directors describing the activities of the Company and its subsidiaries during the year ended December 31, 2013, which has been reviewed by the Appointments and Compensation Committee and by the Audit Committee, has been approved by the Board of Directors. It was made available to the shareholders prior to the Annual General Meeting.

It was also the subject of a report by the Statutory Auditors, under Article L. 225-235 of the French Commercial Code, with regard to the internal control procedures relating to the preparation and processing of accounting and financial information, as well as a certification concerning the preparation of other necessary information.

I - CODE OF CORPORATE GOVERNANCE

As part of the Company's good governance practices, the Board of Directors has confirmed that the Company has used the AFEP/MEDEF Code of Corporate Governance, which was updated in June 2013, especially in the preparation of this report.

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

All the recommendations of the AFEP/MEDEF Code as presented in the "Guide for the application of the June 2013 High Committee Corporate Governance Code for listed companies" published in January 2014, have been incorporated in this Report.

II - BOARD OF DIRECTORS

I. COMPOSITION OF THE BOARD OF DIRECTORS

A list of the members making up the Board of Directors is presented on page 48 of this Registration Document.

2. PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS

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

→ ORGANIZATION AND OPERATION OF THE BOARD OF DIRECTORS

During the 2013 fiscal year, the duties of Chairman of the Board of Directors and of Chief Executive Officer were separated.

The Board of Directors, at its meeting of February 28, 2013, thus appointed Didier CARLIER as Chief Executive Officer and Franck HATTAB as Deputy Managing Director; Jean-Charles NAOURI remains Chairman of the Board of Directors.

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

The rules of procedure also set out the rules of ethics applicable to members of the Board of Directors, in particular the obligations of confidentiality referred to by Articles 621-1 *et seq.* of the regulations of the French Financial Markets Authority (AMF) relating to insider trading, as well as the obligation to observe a blackout period in relation to all transactions in the Company's shares during the fifteen-day period preceding the release of the Company's annual and semi-annual financial statements.

They also mention the registration of Directors on the list of permanent insiders drawn up by the Company as part of the regulatory provisions intended to better prevent insider trading and breaches.

They include provisions governing the declarations that must be made by corporate officers, individuals having "close personal ties" to members of the Board of Directors and similar individuals regarding their transactions in Company shares.

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

They also spell out the terms and conditions for its meetings and deliberations and allow directors to attend Board meetings by video-conference or telecommunication.

The office of non-voting observer was created in 2002 to encourage other qualified individuals to become members of the Board of Directors. The non-voting observer attends Board meetings, may express his observations and opinions and takes part in the proceedings, with consultative powers.

→ AUTHORIZATIONS AND DUTIES OF THE BOARD OF DIRECTORS

In accordance with the provisions of Article L. 225-35 of the Commercial Code, the Board of Directors decides on the general directions to be followed by the Company's business and sees to it that they are implemented. Subject to the powers expressly assigned to Shareholders' Meetings, and within the limits of the Company's corporate purpose, the Board of Directors deals with all issues concerning the proper functioning of the Company. By its resolutions, it settles the matters that pertain to it. It also carries out all checks and audits it deems necessary.

The Board of Directors also reviews and approves the annual and six-month individual company and consolidated financial statements. It presents reports on the activities and performance of the Company and its subsidiaries, and approves management forecasts. It also reviews the Chairman's Report for approval. It appoints its Chairman, Chief Executive Officer and Deputy Managing Director and decides on their compensation. It decides whether to combine or separate the methods for exercising Executive Management. It grants stock subscription options and bonus shares. It is called upon to deliberate every year with regard to the Company's policy on equal job opportunities and equal pay.

— Powers of the Chairman of the Board of Directors

Within the Board of Directors, the Chairman organizes and directs the activities of the Board and reports thereon to the Shareholders' Meeting.

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

— Powers of Executive Management

The Chief Executive Officer and the Deputy Managing Director, in accordance with Article L. 225-56 of the Commercial Code, have the broadest range of powers to act on behalf of the Company under every circumstance. They exercise these powers within the limits of the Company's business purpose and subject to the powers expressly attributed by law to the Shareholders' Meetings and to the Board of Directors. They represent the Company in its dealings with third parties.

As part of good governance practices, due to their nature or their amount, certain transactions are subject to prior approval by the Board of Directors. Thresholds were set so that, in accordance with the law and the principles of corporate governance, decisions regarding the most significant transactions are taken by the Board of Directors.

Thus Executive Management cannot, without prior approval by the Board of Directors, carry out:

- any transaction likely to affect the strategy of the Company or companies that it controls, their financial structure or business scope and in particular cannot sign or terminate any agreements that significantly commit the Group in the future;
- any transactions that exceed one (1) million euros and in particular:
 - any security subscription and purchase, any immediate and deferred equity investment in any entity or company, of fact or law,
 - any contribution or exchange, with or without a balancing cash adjustment, of assets, shares or securities,
 - any acquisition of real estate assets or rights,
 - any new loans, borrowings, credit or cash advance,
 - any derivative transaction on equities, marketable securities, interest-rate or foreign exchange hedges, such as Equity Swaps, Total Return Swaps (TRS) and options including through the disposal or acquisition of call options or put options,
 - any transaction and settlement relating to litigation,
 - any transfer of tangible real property or real estate rights,
 - any total or partial transfer of equity interests, marketable securities or any other asset or rights,
 - any constitution of securities.

All of these provisions apply to transactions carried out by the Company itself and by companies which it controls, either directly or indirectly, except for internal Group transactions.

Moreover, Executive Management has specific annual authorizations related in particular to borrowings, credit lines, other funding and cash advance contracts, guarantees, endorsements and securities, equity, marketable security and derivative transactions and convertible bonds, which have been renewed until December 2014.

— Borrowings, credit lines, funding and cash advance contracts

Executive Management is authorized, for a period of one year, to negotiate and set up - including the renewal, extension or replacement - borrowings, including as bonds and/or any other debt instrument, confirmed credit lines and any funding contracts (syndicated or not), as well as cash advances, up to a monthly maximum of €200 million and within an overall annual maximum of €800 million.

— Guarantees, endorsements and securities

Executive Management is authorized for a period of one year to provide guarantees, endorsements and securities in the Company's name, on behalf of its controlled subsidiaries, to financial or banking institutions and to the Treasury system, up to an overall annual maximum of €100 million.

Executive Management is also authorized to award pledged securities relating to loans and credit lines, including those set up before February 28, 2013, up to a monthly and annual maximum of 130% of the amount of loans and credit lines and all other types of funding contracts concerned.

— Equity, marketable security, derivative, interest rate and foreign exchange transactions

Executive Management is authorized, for a period of one year, to carry out the following transactions:

- interest-rate transactions, up to a monthly maximum of €500 million and an overall annual maximum of €1.5 billion;
- foreign exchange transactions, up to a monthly maximum of €300 million and an overall annual maximum of €1 billion;
- equity, marketable security and financial portfolio transactions, either directly or via derivatives such as Equity Swaps, Total Return Swaps' (TRS) and options, up to a monthly maximum, which corresponds to the value of the underlying instrument where applicable, of €25 million and an annual maximum of €100 million;
- transaction of any nature (acquisitions, disposals, exchanges, commitments and similar transactions), either directly or through derivatives such as Equity Swaps, Total Return Swaps (TRS) and options, on investment securities, up to an annual maximum, which corresponds to the value of the underlying instrument where applicable, of €100 million.

It being noted that short-term liquid investments, such as money-market funds, term deposits, cash from borrowings, credit lines, funding contracts, cash advances or bond issues, are authorized up to the maximum monthly and annual amounts set for the transactions to which they are related.

— Bond issues

Executive Management is authorized to issue bonds, including as part of the EMTN program, and all other types of debt instruments, with or without securities giving access to the existing capital of the Company or to existing securities of companies controlled by Rallye, and, in this respect, to determine the characteristics and conditions and to implement all related market transactions, up to an overall annual maximum of €1 billion and a monthly maximum of €500 million.

As part of this delegation of powers, Executive Management is authorized to buy back previously issued existing bonds. This buyback may be carried out in cash or new bonds to be issued up to the monthly and annual maximum amounts set out above.

Independently, Executive Management is authorized to issue commercial paper up to a maximum amount outstanding of €500 million.

— Compensation of all contracts or offices held

Executive Management is authorized to pay the fees and commission of contracts and offices held up to an overall annual maximum of €5 million and a monthly maximum of €3 million.

All transactions, implemented under these specific authorizations, for which the amount is more than €25 million, are subject to the express joint approval of the Chief Executive Officer and the Deputy Managing Director.

→ INDEPENDENCE OF DIRECTORS

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

Therefore, each year the Committee carries out an annual review of the membership of the Board of Directors, and, in particular, of the independence of the Directors in light of the assessment criteria laid down by the AFEP/MEDEF Code set out in the table below. It presents its findings to the Board of Directors.

Summary of the analysis of the position of each Director in terms of the AFEP/MEDEF Code independence criteria

Independence criteria of the AFEP/MEDEF Code	Not being an employee or a corporate officer of the company, employee or board member of the parent company or of a company it controls and not have been one during the five previous years	Not being a corporate officer of a company in which the company holds directly or indirectly a seat on the board or in which an employee designated as such or a corporate officer of the company does	Not being a customer, supplier, investment bank, lending bank	Not being a relative or a person close to a corporate officer	Not having been an auditor of the company in the five previous years	Not having been a board member of the company for more than twelve years
Non-independent directors						
Dider CARLIER, representing Matignon Diderot	N					
Jacques DUMAS	N					N
Jean-Marie GRISARD, representing Finatis	N					N
Didier LEVÊQUE, representing Foncière Euris	N					
Odile MURACCIOLE, representing Eurisma	N					
Jean-Charles NAOURI	N					N
Gabriel NAOURI	N			N		
Independent Directors						
Philippe CHARRIER	Y	Y	Y	Y	Y	Y
Jean-CHODRON DE COURCEL	Y	Y	Y	Y	Y	Y
Christian PAILLOT	Y	Y	Y	Y	Y	Y
Note: non-compliance with the criteria is identified with an "N" and compliance with an "Y".						

→ BOARD MEMBERS HOLDING MORE THAN ONE OFFICE

No Board member whose new appointment or re-appointment has been put forward to the Shareholders' Meeting of May 13, 2014 holds more than one office as defined in the recommendations of the AFEP/MEDEF Code.

— Board of Directors' activities

Over the course of the year ended, the Board of Directors met five times. The attendance rate of Board members for these meetings was 98%.

— Approval of the financial statements – Business of the Company and its subsidiaries

The Board of Directors examined the financial statements for the year ended December 31, 2012 and the statements for the first half of 2013, as well as the management forecasts. It also decided on the reports and the text of the resolutions submitted to the Ordinary and Extraordinary General Meeting held on May 14, 2013. It also took note of the Group's activity for each quarter, its number of employees, as well as of the Company's level of debt and available sources of funds.

The Board of Directors approved different operations that were subject to its authorization. These included, in particular, the provision of guarantees on behalf of the Company's subsidiaries when financial operations were being carried out. It also examined the lines of credit set up by the Company and its subsidiaries within the holding company's scope.

The Board also took stock of the financial and real estate asset disposals made by the Group.

The Board of Directors discussed the Company's professional gender equality policy and heard a special presentation of the principal actions taken within the Group in relation to this matter.

— Compensation

The Board of Directors set the 2013 fixed compensation and 2012 variable compensation of Chief Executive Officer Didier CARLIER, as well as the fixed compensation of Franck HATTAB relating to his duties as Deputy Managing Director. It also set the conditions for their 2013 variable compensation, it being noted that the Chairman of the Board of Directors does not receive fixed or variable compensation.

It also examined the Directors' and the non-voting observer's fees, as well as the remuneration paid to the members of the Board committees. It decided on the issuance of bonus shares, subject to presence and performance conditions, to executives and employees of the Company and its affiliates.

— Corporate governance

The Board of directors decided to separate the role of Chairman of the Board of Directors and that of Chief Executive Officer. It also set limits on the powers of Executive Management and granted it specific annual authorizations.

It examined its situation with regard to the principles of corporate governance: composition and organization of the Board of Directors and Board committees, the representation of women and of independent directors.

The Board of Directors approved the Chairman's Report on the organization and operation of the Board of Directors and executive management, as well as on the internal control and risk management procedures.

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

— Board Committees

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

Committee members are named by the Board of Directors, which also appoints the Chairman of each committee.

The Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Managing Director are not members of these committees.

The authorities and specific methods of operation of each Committee were defined by the Board of Directors when they were created and incorporated into the rules of procedure.

— Audit Committee

Composition

The Audit Committee has three members, of whom two are independent: Philippe CHARRIER, Chairman, Jean-Marie GRISARD and Christian Paillot, who have been appointed for the duration of their terms as Directors.

All members of the Audit Committee currently hold or have held positions as Company directors and thus have the financial and/or accounting expertise required under Article L.823-19 of the French Commercial Code.

Duties

The Audit Committee provides support to the Board of Directors in the review and approval of the annual and six-month financial statements. It also assists the Board whenever an event occurs that is likely to have a significant impact on the situation of the Company or its subsidiaries in terms of commitments and/or risk.

In this regard and in accordance with Article L. 823-19 of the French Commercial Code, it monitors issues related to the preparation and auditing of accounting and financial information, subject to the responsibility of the Board of Directors. For the annual and six-month financial statements, the Company sees to it that the Audit Committee meets at least two days prior to the Board meeting called to approve those statements. Thus, inter alia, it is charged with monitoring the preparation of financial information, the efficacy of internal control and risk management systems, the legally required audit of annual and consolidated financial statements by the Statutory Auditors and the independence of the Statutory Auditors.

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

Activities in 2013

The Audit Committee met three times in 2013, with all members in attendance at each meeting.

In connection with the approval of the six-month and annual financial statements, the Audit Committee verified the account closing process and took note of the Statutory Auditors' analysis, in particular, of all consolidation procedures and the Company's financial statements. The Committee also reviewed off-balance-sheet commitments, risks and accounting options taken with regard to provisions, together with relevant legal and accounting changes. It was notified of the audit plan and the fees in 2013 paid to the Statutory Auditors.

The Committee reviewed the financial and accounting department's report on risks and off-balance sheet commitments and Rallye's risk prevention documents as well as the Chairman's Report on internal control and risk management procedures.

The Committee was informed of the findings of the Statutory Auditors regarding the procedures relative to the processing and preparation of accounting and financial information. The Audit Committee organized and monitored the reappointment of one regular and one acting Auditor which took place at the Shareholders' Meeting of Tuesday, May 14, 2013. It presented its findings and its recommendation to the Board of Directors.

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

— *Appointments and Compensation Committee*

Composition

The Appointments and Compensation Committee has two members: Jean CHODRON de COURCEL, Chairman, and Jacques DUMAS, appointed for the duration of their terms as Directors.

The Appointments and Compensation Committee originally had three members, two of whom were independent, but since the death of one of its members it has had only two members, one of whom is independent and also the Chairman of the Committee. The Board of Directors will see to it that it puts forward the next appointment of an additional independent committee member.

The Chairman and the Chief Executive Officer may attend Committee Meetings in an advisory capacity, in order to present proposals related, in particular, to the compensation of senior managers and the granting of options and bonus shares.

Duties

The Appointments and Compensation Committee is charged, in particular, with helping the Board of Directors review candidates for Senior Management positions, select new Directors, and define and monitor policies for senior management compensation and stock option and bonus share awards. As appropriate, it also reviews the benefits and other forms of compensation of senior management. It also oversees the proper application of corporate governance rules and the absence of potential conflicts of interest.

The Appointments and Compensation Committee drew up an organization chart, adopted in 2004, confirming its powers and authorities with regard to performance evaluation of the Board of Directors and verification that the Corporate Governance principles and Code of ethics, in particular as derived from the Board of Directors' internal rules of procedure, are being properly respected and applied.

Activities in 2013

The Appointments and Compensation Committee met three times in 2013, with all members in attendance at each meeting.

The Committee performed its annual review of the organization and operations of the board of directors and its special committees as

well as of the proper application of corporate governance principles in accordance with the AFEP/MEDEF Code and the provisions of the rules of procedure. In this regard, it re-evaluated in December 2013 the organization and the operations of the committee. The conclusions drawn from this evaluation are available on page 74.

It examined the situation of each director with regard to dealings with Group companies that might compromise his freedom of judgment or entail conflicts of interest.

The Appointments and Compensation Committee expressed its recommendations regarding the proposed reappointment of the Chairman of the Board of Directors, the reappointment of Directors and the non-voting observer, and the composition of Board committees.

The Committee approved the conditions for determining the 2013 fixed and variable compensation of the Chief Executive Officer and the Deputy Managing Director as well as the conditions for determining their conditional and deferred bonuses.

The Committee also reviewed the issuance of stock options and bonus shares to managerial staff and employees of the Company and related companies, as well as the fees to be awarded to Board members, the non-voting observer, and members of Board committees.

It examined the Chairman's Report on the organization of the Board of Directors' work, along with the corporate governance-related information mentioned in the management report.

The Committee issued recommendations regarding the separation of the role of Chairman of the Board of Directors and that of Chief Executive Officer. It was also informed of the introduction of limits on the powers of Executive Management and the specific annual authorizations granted to Executive Management.

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

→ PRINCIPLES AND RULES DETERMINING COMPENSATION AND BENEFITS GRANTED TO CORPORATE OFFICERS

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

The compensation paid to the Chief Executive Officer Didier CARLIER and to Deputy Managing Director Franck HATTAB, whose position as Chief Financial Officer was maintained, includes both a fixed and a variable component. The basis for their determination is decided each year by the Board of Directors, on the recommendation of the Appointments and Compensation Committee, and as applicable, based on studies carried out by external consultants.

The 2013 variable compensation component of the Chief Executive Officer is based on the attainment of quantitative Group targets, qualitative individual targets and on a general evaluation of managerial attitudes and behavior. The variable element may be a maximum of €150,000 if the defined targets are achieved and up to €300,000 if such targets are exceeded.

The 2013 variable compensation component of the Deputy Managing Director is based on the attainment of quantitative Group targets, identical to those of the Chief Executive Officer, qualitative individual targets and on a general evaluation of managerial attitudes and behavior. The variable element may be a maximum of €60,000 if the defined targets are achieved and up to €120,000 if such targets are exceeded.

The quantitative Group targets are evaluated according to criteria corresponding to significant business indicators for the Rallye Group: reduction in the cost of debt and improvement in the ratio of EBITDA to consolidated finance charges. Figures are not published for confidentiality reasons.

A conditional and deferred bonus for a targeted gross amount of €208,000 each was granted, in December 2013, to the Chief Executive Officer and the Deputy Managing Director. These bonuses will be paid at the end of a set period which ends on January 31, 2017 subject to presence and performance conditions.

The Board of Directors, on the recommendation of the Appointments and Compensation Committee, sets the rules for distribution of the fees payable to the Directors and to the non-voting observer, as well as the additional fees to be paid to the members of board committees, as follows:

- these fees include a flat fee of €4,000 and a variable component of €16,000 based on attendance at Board Meetings. Note: fees for directors, senior managers and Group executives have been reduced by half and the variable component attributable to absent directors is not re-assigned;
- an additional fee is paid to committee members in the flat amount of €10,000. The fee is doubled for each Committee Chairman;
- the Vice-Chairman receives an additional flat fee of €20,000. André CRESTEY served as Vice-Chairman until May 14, 2013.

→ INFORMATION PROVIDED TO DIRECTORS

In accordance with Article L. 225-35 of the French Commercial Code, the Company's Chairman or the Chief Executive Officer provides each member of the Board with all documents and information necessary for the performance of their duties.

As such, all necessary information pertaining to the issues to be examined by the Board is provided to Board members in advance of each Board meeting. Each member receives a preparatory file containing all documents and information pertaining to the items on the agenda for the meeting, subject to their availability and depending on the percentage of completion of each matter.

Executive Management regularly informs the Board of Directors of the state of business for the Company and its main subsidiaries as well of the position of credit lines that the Company can draw on.

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

→ ASSESSMENT OF THE CONDITIONS UNDER WHICH THE BOARD OF DIRECTORS OPERATES

Pursuant to the Code of Corporate Governance, the rules of procedure provide for an annual discussion and regular evaluation of the operations of the Board of Directors, to be performed by the Appointments and Compensation Committee, with the help, if desired, of an external consultant.

The latest evaluation of the organization and operation of the Board of Directors was carried out during the last quarter of 2013, using responses to a questionnaire sent to each Director.

The evaluations and observations made by the members of the Board of Directors indicate that the organization and operations of the Board are entirely satisfactory with respect to proper corporate governance. The directors have expressed the desire to increase the percentage of women on the Board of Directors and to be regularly informed on the disposal of financial assets.

III - PARTICIPATION IN SHAREHOLDERS' MEETINGS

The methods of participating in general shareholders' meetings are presented in Articles 25, 27 and 28 of the bylaws (see pages 205 and 206 of this Registration Document).

IV - ISSUES WHICH MAY HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

The Company's capital structure and any direct or indirect interests in the Company's capital structure of which it is aware by virtue of Articles L 233-7 and L 233-12 of the French Commercial Code are described on pages 23 *et seq.*

There are no restrictions in the by-laws on the exercise of voting rights and on share transfers, nor are there any agreements of which the Company was made aware under Article L 233-11 providing preferential terms for the sale or acquisition of shares, nor are there, to the Company's knowledge, any agreements between shareholders which might restrict the transfer of shares or the exercise of voting rights.

The Company has not issued any securities with special control rights attached, and there is no control mechanism provided for in any employee stock ownership plan when the control rights are not exercised by employees.

The rules which apply to the appointment and replacement of the members of the Board of Directors, as well as to the amendments to the Company by-laws are described beginning on pages 208 *et seq.*

The powers of the Board of Directors are described on page 209. With respect to the issuance of shares, the authorizations granted to the Board of Directors are indicated on page 24 and, with regard to share repurchases, the powers of the Board of Directors are described on page 23.

Agreements entered into by the Company which are modified or come to an end in the event of a change in the control of the Company are mentioned on pages 30 *et seq.*

In addition, there are no agreements providing for compensation of the members of the Board of Directors, executive officers or employees should they resign or be dismissed without just cause or if their employment is terminated as a result of a public offer.

V - INTERNAL CONTROL PROCEDURES IMPLEMENTED BY RALLYE

The information below was obtained from those responsible for implementing Rallye's internal control procedures and was validated by Executive Management. This information enabled a factual description to be made of the control environment and procedures put in place.

I. DEFINITION AND OBJECTIVES OF INTERNAL CONTROL PROCEDURES

→ REFERENCE FRAMEWORK USED

Rallye uses the internationally-recognized COSO⁽¹⁾ framework, which is compatible with the AFEP/MEDEF⁽²⁾ framework; internal control is implemented by all levels of an organization's management, and aims to provide reasonable assurance that the following three goals will be met:

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

→ OBJECTIVES

The internal control procedures in force at Rallye provides reasonable assurance of the control of its activities, the efficiency of its operations and the efficient use of its resources, in accordance with applicable laws and regulations, internal standards and rules and aims, in particular, although without being able to provide an absolute guarantee, to meet the following objectives:

- the proper functioning of the internal processes of the Company, particularly those that promote the protection of its assets, according to the guidelines and policies set out by Rallye's executive management;
- the reliability of the accounting, financial and management information published internally and externally;
- the control of risks resulting from its status as a company whose securities are traded in a regulated market.

→ CONTROL ENVIRONMENT

The control environment within the Company consists mainly of the principles of corporate governance and group organization, carefully designed and rigorously applied. The aim is for all risks to be managed as a whole and for a reasonable assessment to be made of the potential risks of any kind with which the Group may be faced.

2. DESCRIPTION OF THE CONTROL PROCEDURES PUT IN PLACE

The scope of internal control over accounting and financial information comprises the parent company and the operating subsidiaries

included in the Group's consolidated financial statements, the main ones being the Casino Group and Groupe GO Sport (these have an internal audit department available at the subsidiary level to manage their own internal control).

→ GENERAL ORGANIZATION OF INTERNAL CONTROL

The internal control procedures are part of the general policy framework set out by the Board of Directors and implemented under the direct responsibility of the Company's senior management.

The main actors involved in managing the internal control system are as follows:

— Executive Management – Administration and finance department

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

— Board of Directors – Audit Committee

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

— Statutory Auditors – Outside consultants

The Statutory Auditors certify the financial statements, in accordance with legal and regulatory requirements, examine the Company's semi-annual consolidated results and verify the information given in the six-month report. They are consulted regularly regarding the accounting treatment of ongoing operations. They are also informed of how internal control procedures are organized and applied in practice and, if necessary, they may issue recommendations.

→ DISSEMINATION OF INFORMATION WITHIN THE GROUP

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

With the objective of providing reliable financial information and communication, Rallye strives to ensure that the entire organization respects certain references in the performance of its duties: manual of accounting and consolidated procedures, general accounting plan, Code of ethics described in the Board of Directors' rules of procedure, organization charts of the Audit Committee and the Appointments and Compensation Committee.

(1) Committee of Sponsoring Organizations of the Treadway Commission.

(2) Recommendations of the French association of private companies and the movement of French companies of December 17, 2003, known as "The application of the provisions of financial security law with regard to the chairman's report on internal control procedures implemented by the company".

→ IDENTIFICATION AND ASSESSMENT OF RISKS

The Group identifies and assesses the main risks that could affect the achievement of its objectives. It takes measures to limit the probability of occurrence and the effects of such risks, thereby promoting an environment of risk control.

The risks to which the Group is exposed in the course of its business and the provisions intended to control them are partially detailed in note 32 "Financial risk management policies and objectives" to the 2013 consolidated financial statements. The main risks related to the Group's financial instruments are discussed: interest and exchange rate risk, credit risk, liquidity risk and securities risk.

Risks relating to the business of the Rallye holding company, risks relating to the main controlled investments (Casino and Groupe GO Sport), legal risks as well as the description of the insurance policy are included in the management report in the "risk factor and insurance" chapter.

→ CONTROL ACTIVITIES

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

Within the Company, internal control procedures are centralized. Because Rallye is a holding company, the procedures implemented relate mainly to the preparation and processing of financial and accounting information aimed at ensuring that consolidated financial statements are reliable and that subsidiaries are monitored.

— Operating subsidiaries

Each Rallye subsidiary has its own internal audit department charged with ensuring the effectiveness of the internal control activities and procedures in order to obtain reasonable assurance that the subsidiary's own risks are under control.

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

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

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

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

The Company's legal department performs any specific investigations or examinations that it deems necessary, for the prevention

and detection of any legal irregularity or anomaly in Group management. Executive Management and the administration and finance department regularly communicate regarding the status of the chief disputes possibly affecting the subsidiaries, as well as with regard to the risks incurred.

— Rallye

Procedures for monitoring operating risks

Cash management, financing and expenditures

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

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

Executive Management receives reports of weekly cash flows and the status of the credit lines, along with the respective terms and conditions.

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

A formal authorization procedure for financial investments and general administrative expenses has been put in place to facilitate and reinforce control over Company expenditure. This procedure allows for the identification of those involved in the authorizations prior to any commitment or payment.

Market risk monitoring

The Company's market risk monitoring policy is described in this Registration Document in the chapter "risk factors and insurance". In light of the priorities emanating from the latter, those responsible regularly make adjustments to the control measures pertaining thereto.

Investment portfolio

Investments and divestments require prior approval to ensure that they comply with the Group's strategy and profitability criteria. Weekly reports showing the changes in the investment portfolio are sent to Executive Management.

Payroll and compensation

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

The Group's legal department regularly monitors changes in legal and social information affecting payroll management.

In addition, the Appointments and Compensation Committee reviews compensation for senior managers, which is then submitted for approval to the Board of Directors. Compensation for all other employees is approved by Executive Management.

Procedures for producing and processing financial and accounting data

Preparation of the individual and consolidated financial statements

The management of risks associated with the preparation of accounting and financial information begins with the constant monitoring of regulatory texts, the anticipation of possible issues and an appropriate schedule.

The Group's administration and finance department is responsible for preparing the financial statements. These can be a source of financial risk, particularly as regards the accounting records, the consolidation process, and the recognition of off-balance sheet commitments.

The accounting department implements a standard internal accounting system in accordance with accounting procedure manuals, using "Agresso" software to produce the individual company financial statements, and "BFC" software to produce the consolidated financial statements. The accounting department is also in charge of ensuring that the methods employed are consistent, reliable and homogeneous and that scheduled account closings are respected, in line with the deadlines set by the Board of Directors and specialized Board Committees.

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

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

In addition, the Consolidation Department is in charge of updating consolidation procedures, including subsidiaries within the scope of consolidation, information processing and maintaining the consolidation tools.

In the performance of their duties to express an opinion regarding the financial statements, the Statutory Auditors prepare a report intended for the Group shareholders certifying that the financial statements are accurate, truthful, and fair in their presentation.

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

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

IT system security

Information systems are used to prepare financial and accounting data.

In order to ensure the effectiveness of internal control procedures as well as the security and integrity of all data and data processing in the face of a possible major incident, whether accidental or due to acts of malfeasance, the entire system is secured by the following:

- a system providing authorization and protected access to the network;
- data backup procedures;
- physical site protection.

Controlling

This department reports to the administration and finance department and takes part in the preparation of accounting and financial data. The department's duties are to:

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

Financial communications

All employees sign an appendix in their work contracts relating to ethics. This appendix includes, in particular, an obligation of confidentiality and an obligation to observe a blackout period in order to avoid finding themselves, or placing the Company, in a situation which constitutes a stock market offense.

The administration and finance department is in charge of fulfilling all obligations for periodic dissemination of financial information to the market and to stock market regulatory agencies. All financial communication is examined by Executive Management, the Board of Directors and/or its Chairman and the Statutory Auditors.

Since January 20, 2007, in accordance with Article L. 451-1-2 of the French Monetary and Financial Code, which results from transposition of the so-called EU "Transparency" Directive (Directive 2004/109/EC), Rallye has a "Regulatory Information" section available on its website <http://www.rallye.fr/fr/investisseurs/information-reglementee> and transmits this information electronically to a professional news distributor that meets the requirements set forth in the FMA's general regulations. In this section, documents pertaining to the distributed regulatory information are published and archived for five years.

The internal control system is not set in stone and changes in order to allow Executive Management to take into account significant risks to the Company in an appropriate manner. The Board of Directors is informed of any changes to this system and can monitor its functioning based on information provided to it by Executive Management.

STATUTORY AUDITORS' REPORT,

*established pursuant to Article L. 225-235 of the French Commercial Code,
on the report of the Chairman of the Board of Directors of Rallye*

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Year ended December 31, 2013

Dear Sir, Madam,

In our capacity as Rallye's Statutory Auditors, and pursuant to Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2013.

The Chairman is responsible for preparing and submitting to the Board of Directors for approval a report on the internal control and risk management procedures in place at the Company, and for providing the other information required by Article L. 225-37 of the French Commercial Code related especially to corporate governance measures.

Our responsibility is to:

- inform you of our observations concerning the information contained in the Chairman's Report with respect to the internal control and risk management procedures relating to preparation and processing of accounting and financial information, and
- certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, without however being required to verify that such other information is fairly presented.

We carried out our work in accordance with the professional standards applicable in France.

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

Professional standards require us to implement procedures designed to assess the fairness of the information set out in the Chairman's Report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information. These procedures consist, in particular, of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information supporting the information set out in the Chairman's Report as well as of the existing documentation;
- obtaining an understanding of the work performed to prepare this information and the existing documentation;
- determining whether any major weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information, which we may have found as part of our assignment, have been appropriately disclosed in the Chairman's Report.

On the basis of these procedures, we have no matters to report in connection with the information on the internal control and risk management procedures relating to preparation and processing of financial and accounting information contained in the Chairman of the Board's report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

OTHER INFORMATION

We certify that the report of the Chairman of the Board of Directors includes the other information required by Article L. 225-37 of the French Commercial Code.

Paris-La Défense, April 9, 2014
The Statutory Auditors

KPMG Audit
A KPMG S.A. division
Catherine Chassaing

ERNST & YOUNG ET AUTRES
Pierre Bourgeois