

# RALLYE

## PRESS RELEASE

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### **Rallye Exchange Offer for A Share Subscription Warrants**

At its 7 October 2003 meeting, the Rallye Board of Directors examined the company's financial structure in light of the outlook for the exercise of Rallye A share warrants issued in February 2002, which must take place by 30 November 2003, given the current exercise price of 42 euros.

The A warrants were intended to provide partial financing for Casino A share purchase or subscription warrants issued by Casino in January 2001 with an expiry date of 15 December 2003. Given current market conditions, the Casino A share purchase or subscription warrants held by Rallye will not be exercised. As a result, Rallye will not have the immediate use of the resources that would have resulted from the exercise of the A warrants (about 100 million euros).

The Board of Directors thus decided to file for a simplified exchange offer for the A warrants in order to optimize the group's current and projected financial structure.

It should be kept in mind that, according to the contractual terms under which the A warrants were issued, Rallye reserved the right to purchase these warrants at any time, including through an exchange offer.

### **Main Features of the Exchange Offer**

Rallye is offering holders of Rallye A warrants an opportunity to exchange these warrants for Rallye C share subscription warrants at a ratio of five Rallye A warrants for four Rallye C warrants to be issued for this purpose. The offer pertains to all outstanding A warrants, i.e. a total that is likely to come to an offer of 33,430,292 A warrants for 26,744,233 C warrants.

C warrants have the following characteristics:

- The C warrants can be used to purchase new Rallye shares. 14 C warrants convey the right to purchase ONE new Rallye share with a par value of 3 euros, at an exercise price as set out below:
  - o 58 euros from 1 January 2004 to 31 May 2006.
  - o From 1 June 2006 until 30 November 2006, 90% of the average of the first price quoted during the 20 sessions preceding the 25th of the month prior to the exercise of the warrant, with an exercise price thus defined at neither above 58 euros nor below 48 euros.
- Bearers of C warrants may claim the right to exercise their warrants at any time from 1 January 2004 to 30 November 2006 inclusive. Any C warrants that have not been exercised as of 30 November 2006 will be null and void and lose all value.
- An application for admission to trading on the Euronext Paris second market will be filed for the C warrants.

Based on the respective theoretical values of the A and C warrants, the premium being offered to holders of A warrants comes to:

Volatility (%)	C warrants	A warrants	Theoretical ratio	Exchange offer ratio	Premium of the exchange offer ratio (1)
25.0%	0.29	0.17	1.74x	1.25x	39.0%
30.0%	0.38	0.17	2.27x	1.25x	81.9%

(1) (Theoretical ratio/exchange offer ratio) -1

Based on these same volatility hypotheses, the premium being offered to A warrants holders relative to the stock market value of the A warrants as of 6 October 2003 is between 108% and 174%.

This offer will be carried through regardless of the number of Rallye A warrants presented. This offer and the public distribution of the informational note are subject to the approval of the market authorities.

### Objectives and Intentions of Rallye

This exchange offer takes place in a context where the current and projected financial structure of Rallye is being optimized in light of the eventual exercise of the A warrants, which is to take place prior to 30 November 2003. The maximum increase in Rallye's capital that could result from the exercise of the A warrants (based on a hypothetical exercise price of 42 euros) during the months of October and November 2003 is about 100 million euros.

The A warrants had been allocated in 2002 to Rallye shareholders with a view to partially financing the exercise of Casino A share purchase or subscription warrants with an expiry date in December 2003. Under current market conditions, the Casino A warrants are out of the money. Rallye thus does not envisage exercising the Casino A warrants it holds. As a consequence, Rallye will not have the immediate use of the resources that would have resulted from the exercise of the A warrants.

Rallye is thus proposing that A warrant holders exchange them for C warrants whose maturity will be consistent with the group's medium-term financial needs, including any exercise of Casino B warrants (investment of about 359 million euros) in 2005 and the arrival of the maturity of bond financings in 2006.

This exchange offer will allow Rallye to avoid an operation that would be immediately dilutive without the use of the corresponding resources and, in the future, to expand its capital step by step in order to help finance its growth.

As for the shareholders and the holders of B warrants and Rallye "OCEANE" bonds (bonds exchangeable or convertible to new or existing shares), this exchange offer will make it possible to reduce the dilution of their capital holdings and to reduce the dilution in terms of net revalued assets per Rallye share that would result from the exercise of all A warrants:

- The exchange offer would result in a maximum number of new shares issued by the eventual exercise of all C warrants (1,910,302 underlying shares) that would be less than the number of new shares that would have resulted from the exercise of all A warrants (2,387,878 underlying shares).
- Based on a hypothesis of the exercise of all warrants, the exchange offer would result in a weaker dilution of net revalued assets per Rallye share following the exercise of the warrants, as a result of 1) the remittance of a number of warrants giving access to a maximum number of new shares that would be less than the current situation and 2) the remittance in exchange for C warrants with a subscription price (58 euros) higher than that for A warrants (currently 42 euros).

The companies in the Rallye group will present all of the 1,174,824 A warrants they hold for the exchange offer.

This exchange offer gives A warrant holders an opportunity to obtain an instrument giving access to Rallye capital until November 2006 while enjoying a substantial premium.

### **Intentions of the Principal Rallye Shareholders**

Foncière Euris, which as of 6 October 2003 holds - directly and through its direct subsidiary, Matignon Corbeil Centre - 24,306,377 Rallye shares, i.e., 65.3% of the company capital and 81.5% of the latter's voting rights, has declared its intention to present all of the 24,192,359 A warrants it holds for the exchange offer.

### **Schedule of the offer**

The basic schedule of the operation is as follows:

- 15 October 2003: decision of the French financial markets committee (CMF) on the acceptability of the offer.
- 20 October 2003: launch of the offer.
- 10 November 2003: last day of the exchange offer.
- 21 November 2003: notice on the result of the exchange offer, following centralization.
- 24 November 2003: settlement - stock market listing of the C warrants.
- 30 November 2003: expiration of the A warrants.

**Investor contact:** Didier Carlier - Rallye - Phone: +33 (0)1 44 71 13 73

