Paris, December 21, 2015

RALLYE

Rallye reaffirms the strength of its business model, strategic plans and financial structure

On December 15th, 2015, Casino Group announced a plan to strengthen its balance sheet and enhance its financial flexibility with a deleveraging plan of more than €2bn through real estate transactions and disposal of non-core assets.

On December 17th, after having acquired significant short positions on Casino and its parent company Rallye, Muddy Waters Capital issued a report questioning Casino Group's strategy, financial strength and long term value.

Muddy Waters Capital's report contains a number of false and misleading allegations, intended to negatively impact the trading prices of Casino's and Rallye's stock and debt, for the benefit of the report's author who, in his own words, should be assumed to have "a short position in all stocks (…) and bonds covered [in the report], and therefore stands to realize significant gains in the event that the price of either declines."[1]

Rallye highlights the following important elements:

1. **Casino Group has solid business dynamics, with its performance driven in particular by the accelerating recovery of its French operations**
2. **Commercial Real Estate development and monetization is a structural, value-creating component of Casino Group's operations**
3. **Casino Group's deleveraging plan is entirely consistent with its long-term strategy**
4. **Casino's liquidity is strong and comfortably covers all its upcoming debt repayments beyond 2017**
5. **Casino Group's financial structure is solid; S&P and Fitch very recently reiterated Casino's investment grade status**
6. **S&P's rating methodology relies on analyses and adjustments commonly applied to all issuers**
7. **Casino Group strictly applies international accounting standards and the Group's financial accounts are certified by its external auditors. In addition most of its large subsidiaries are listed with additional scrutiny from their respective regulators and market authorities.**
8. **Rallye's policy is not to issue opinions on external valuations. However, Rallye notes that the average target price derived from the consensus of 23 analysts covering Casino amounts to €55 per share as of December 18th, 2015**
9. **Rallye has ample liquidity to face its debt repayments in the coming years**

[1] Muddy Waters reduced its short position on December 17th, 2015. *Compare* Muddy Waters Capital LLC, Public disclosure of significant net short positions in shares, AMF filing reference 2015E405494 (Dec. 18th, 2015) (reflecting a net short position of 0.66% in Casino Guichard-Perrachon) *with* Muddy Waters Capital LLC, Public disclosure of significant net short positions in shares, AMF filing reference 2015E405173 (Dec. 17, 2015) (reflecting a net short position of 0.92% in Casino Guichard-Perrachon). The VWAP of Casino stock was €49.39 on Dec. 16th, 2015 and €43.42 on Dec. 17th, 2015 (source: Bloomberg).

1. **Casino Group has solid business dynamics, with its performance driven in particular by the accelerating recovery of its French operations**

The turnaround of retail activities of Group Casino in France has accelerated during the second half of 2015 and translates into good results in terms of market position, revenues and profitability:

- Market position: Casino is the only integrated retailer to achieve market share gain year-on-year in France (as measured by the independent Kantar Worldpanel). This momentum has been confirmed again in the most recent period (Group market share in France up by 0.2 point in period 12[2]).
- Revenues: The Group's French Retail segment achieved Q315 year-on-year sales growth of +2.6% on an organic basis and +2.4% on a same-store basis.
- Profitability: competitive price positioning for hypermarkets and discount stores is currently driving volume growth and is expected to generate a strong rebound in profitability in H2 2015. Recently announced purchasing agreements with Intermarché and Dia will generate additional benefits in 2016. The Group's visibility as to French earnings is therefore solid (French EBITDA in H2 2015 should significantly exceed French EBITDA in H2 2014, driven by the retail business), with a clearly improving margin trend from 2016 onwards. In 2016, for French operations, Casino expects to generate an EBITDA of around €900m and an EBIT above €500m.
- Free cash flow generation: in 2015, free cash flow in France (after working capital variations and capex) is expected to fully cover financial expenses as well as dividends. In 2016, Casino expects a solid generation of free cash flow after financial expenses and dividends above €200m in France.
  In summary, free cash flow (post financial expenses) is expected to fully finance the dividend in 2015 and to be in excess of €200m post payment of dividend in 2016.

2. **Commercial Real Estate development and monetization is a structural, value-creating component of Casino Group's operations**

Casino has built its strategy around a dual business model, both in France and in its international subsidiaries. This model, a combination of retail activities and commercial real estate, aims at increasing the attractiveness of commercial areas and consumers' traffic while creating real estate value. This value is created through (i) the rental business of commercial units located in the galleries adjacent to the stores and (ii) the property development revenues.

As a fully-fledged operational activity, real estate development generates results, which have constantly been reflected in the EBITDA according to the Group's accounting principles, and in compliance with IFRS standards.

This activity is consistent with a sound policy of recurring reallocation of capital employed and generates a sustained EBITDA contribution:

- The policy of active asset turnover is a key pillar of value creation for the Group. Casino acquires new property assets every year with potential for value enhancement, in order to keep a significant pipeline of projects, and conducts disposals when appropriate.
- As a result of this asset turnover policy, the value of property assets fully owned by Casino in France, determined on the basis of third party appraisals, has remained stable since 2011 at more than €4bn.

Finally, these operations are carried out in compliance with a strict governance framework both at Casino and at Mercialys.

[2] Period from 2/11/2015 to 29/11/2015

3. **Casino Group's deleveraging plan is entirely consistent with the company's long-term strategy**

Casino's deleveraging plan is designed to deliver long-term shareholder value:

- The plan to monetize part of the Group's Thai and Colombian real estate assets furthers Casino's dual retail real estate strategy, which has proven value creating for shareholders.
- In the last 5 years, Casino has implemented an investment strategy aimed at reinforcing its leadership position in its four key markets (France, Brazil, Colombia and Thailand): acquisition of Carrefour's assets in Thailand in 2011; taking full control of GPA in 2012; acquisition of the remaining 50% in Monoprix in 2013; and development of a Latam platform around Exito over the last three years.
- After these significant investments, the disposal of non-strategic assets will allow the Group to enhance financial flexibility.
- The execution risk of this €2bn deleveraging plan is low given the high quality of the assets to be monetized, such as Big C Vietnam.
- Overall, proceeds from the deleveraging plan will reduce the Group's consolidated indebtedness. A significant part of these proceeds will contribute to reduce the indebtedness of Casino holding company. More than half of the total proceeds of the plan are expected to be generated by the disposal of assets fully owned by Casino.
- In the last 10 years, Casino has always delivered on its announced deleveraging plans.

4. **Casino's liquidity is strong and comfortably covers all its upcoming debt repayments beyond 2017**

Casino's[3] liquidity is strong. At year-end 2015, Casino will report a significant cash position, well above its outstanding commercial paper program, and will have undrawn credit facilities exceeding €3.5bn with an average maturity close to 4 years. Casino's resources comfortably cover all its upcoming repayments beyond 2017.

The only debt repayments of the parent company for the next two years are its bond redemptions (€386m in 2016 and €552m in 2017) as well as its outstanding commercial paper program (this amount being at any point in time significantly lower than the amount of undrawn confirmed credit lines).

The €500m mandatory convertible bonds issued by Monoprix will mature in December 2016. There is no disbursement associated, unless Casino exercises its call options on these bonds.

Based on its existing financial resources, Casino expects to have ample undrawn committed credit facilities at any point in time for the next 2 years, even before taking into account the deleveraging plan.

5. **Casino Group's financial structure is solid; S&P and Fitch very recently reiterated Casino's investment grade status**

Casino's debt structure reflects the Group's history:

- Casino has mostly funded its acquisitions in France and abroad via debt raised at the holding company level. These acquisitions have enabled the Group to become a large global player, with leading positions in key markets.
- As a result, most of the Group's debt is located at the holding level: €7.6bn at the end of 2014 (vs. a consolidated net debt position of €5.9bn) and €5.9bn pro forma the Latam

[3] Casino Guichard Perrachon and 100% owned French subsidiaries

reorganization completed this summer, which reduced the holding company net debt by €1.7bn.

- Holding company net debt will be further reduced significantly in 2016 as a result of:
    - Positive Free Cash flow generation, expected to be above €200m post payment of financial expenses and dividends; and
    - The impact of the deleveraging plan, with more than half of the total proceeds expected to be generated by the disposal of assets fully owned by Casino.

In addition, Casino and all its major international subsidiaries are self-financed and can cover the payment of dividends to their respective shareholders.

Casino is strongly committed to maintaining its investment grade status: the Group is rated BBB- by both S&P and Fitch since 2005.

Both agencies very recently reaffirmed the BBB- rating, stable outlook of Casino.

Credit agencies assessments are not only based on leverage metrics but on multiple qualitative and quantitative indicators that capture both business risk and financial risk profiles. In that respect, both S&P and Fitch qualify Casino's business risk profile as strong.

Rating agencies have a dynamic and forward-looking approach, taking a medium term view on the issuer's prospects. S&P expects that Casino will reduce its proportionate adjusted net debt/EBITDA ratio from 3.5-4.0x in 2015 to 3.3x-3.6x in 2016.

6. S&P's rating methodology relies on analyses and adjustments commonly applied to all issuers

S&P's lease methodology consists of adding back the net present value of non-cancellable future lease payments to the net debt of the issuer:

- This methodology has not changed recently and is being applied to all issuers.
- Casino discloses its operating lease commitments in its annual report (section 7.3 of the 2014 consolidated financial statements), which is used as a basis for S&P's adjustment.

In addition, the expected evolution of IFRS standards (implementation of IFRS 16 expected in the coming years) will require companies to reflect in their balance sheets an amount for operating lease commitments very close to S&P's methodology.

Casino enters into lease agreements that are in line with market standards in its countries of operation:

- In France, the typical lease agreement has a term of 9 years with the lessee being able to exit the contract after every 3-year period.
- In Thailand, the typical lease agreement for a hypermarket is between 25 and 30 years with usually no possibility of exit.
- In Brazil, the typical lease agreement for a hypermarket is a 10-year contract renewable for an additional 10 years with a yearly exit option.
- Colombia: average tenor of 10 years with tacit renewal for the same duration at the end of the period with usually an exit option after 5 to 10 years.

The amount of the minimum future lease payments of the Group properly reflects these different market standards.

7. **Casino Group strictly applies international accounting standards and the Group's financial accounts are certified by its external auditors. In addition most of its large subsidiaries are listed with additional scrutiny from their respective regulators and market authorities.**

   Casino's financial statements are prepared under IFRS and the Group strictly applies all the provisions of the standards under the supervision of its audit committee. Financial statements are audited and certified without any reserve and subject to the supervision of the AMF (French market regulator). Accounting policies and key management estimates are disclosed in financial statements notes.

   IFRS 10 requires that Casino consolidates all material subsidiaries that it controls. IFRS does not allow for any alternative as regards to controlled entities, regardless of the percentage of economic interest. Extensive information on non-controlling interests is provided, as required by IFRS 12, in note 12.8 in Group's 2014 consolidated financial statements.

   Casino and its listed subsidiaries provide extensive financial information. In addition most of Casino Group subsidiaries are listed and therefore under scrutiny of local regulators and market authorities.

   Group accounting policies have been consistently applied over time.

8. **Rallye's policy is not to issue opinions on external valuations. However, Rallye notes that the average target price derived from the consensus of 23 analysts covering Casino amounts to €55 per share as of December 18th, 2015**

   As of December 18th, 2015, 23 analysts covering Casino indicate an average target price of €55.

   11 research analysts covering Casino develop a "Sum of the parts" analysis with an average value per share of €50.

   Rallye notes that market standard methodology is that "Sum of the parts" valuations are computed based on, inter alia:

   - Projected financial metrics (as opposed to historical financials)
   - Multiples reflecting the characteristics of each business
   - Normalized indebtedness with adjustments to neutralize business seasonality

   Using LTM EBITDA as a valuation reference (at end of June for French operations, which was a low point in profitability given the price investments) does not reflect the current financial situation of the Group and the ongoing recovery of the French profitability.

   As an illustrative reference, it is noted that Casino Group's fully owned French property assets alone were valued by third parties at €4.1bn (equivalent to €36 per share) as of December 31, 2014.

   Besides, due to the cyclicality of the operations, the reference to the net financial debt as of June 30th, 2015 does not provide a vision of normalized indebtedness situation, nor does it capture the impact of the expected strong cash flow generation in H2 2015.

9. **Rallye has ample liquidity to face its debt repayments in the coming years**

As of end June 2015, Rallye's net debt was made of €1,864m of bonds (average maturity of 4.0 years), €470m of drawn bank debt (average maturity of 5.2 years) and €448m of short term net debt (mainly commercial paper). At that same date, Rallye had €1.9bn of undrawn confirmed credit lines (average maturity of 4.9 years).

The only debt repayments of Rallye in 2016 are its short-term debt as well as €389m of bonds maturing in November 2016. There is no debt repayment in 2017.

The only covenants existing on Rallye's bank debt (drawn and undrawn) are the following:

- Consolidated Ebitda/Consolidated cost of net financial debt > 2.75: the ratio stood at 3.96 at year end 2014 and was 4.02 at June 30th, 2015 on a rolling 12 months basis.
- Rallye shareholders equity (French GAAP statutory accounts) > €1.2bn: Rallye shareholders equity stood at €1.75bn as at year end 2014. Rallye shareholders equity is not impacted by currency translation nor by the share price of Casino, as Casino shares are valued at cost and are not marked-to-marked in Rallye's statutory accounts.

There are no covenants on Rallye's bond documentation nor on Rallye's commercial paper program.

Part of Rallye's bank debt and confirmed credit lines (when drawn) are subject to pledges on Casino shares (€1.5bn of credit lines and €310m of drawn bank debt). The collateralization ratio is 1.3x. As an illustration, for €310m of drawn bank debt, Rallye pledges Casino shares for a value of €403m (310 x 1.3). Based on Casino's closing share price as of December 18, 2015, this represents 9.2 million of Casino shares out of the 56.7 million shares owned by Rallye.

As a conclusion, Rallye strongly rejects all arguments put forward by Muddy Waters Capital.

Casino Group benefits from both solid business dynamics and sound financial structure.

The Group remains confident on its business outlook and its capacity to create value for all its stakeholders.

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