7. Is Casino's very temporary reduction of commercial paper outstanding at the end of 2015 an attempt to window dress the balance sheet? Are there other ways in which Casino window dressed its 2015 financials (e.g., taking longer than usual to pay suppliers)?

The table below showing the amount of commercial paper Casino has outstanding suggests that Casino has been window-dressing its accounts.[4]

Casino Outstanding CP (€ millions)	
25-Dec-2015	757.4
1-Jan-2016	423.5
8-Jan-2016	719.2

8. Is Casino aware of two fundamental errors in S&P's leverage calculations: overstating the proportional EBITDA contribution from Via Varejo by €164 million, and overstating proportional cash by €2.6 billion (thereby understating net debt)?

We did not discuss these errors S&P made when we unveiled our short thesis because we hoped Casino in its response would point them out. Instead, Casino defended S&P without condition or caveat. Is Casino unaware of these errors; or, is Casino so intent on misleading investors that it failed to adequately caveat its defense of S&P?

First, the overstatement of Via Varejo's EBITDA contribution occurred because S&P's flawed methodology assumes CDB owns 100% of Via Varejo. S&P did not look through CBD's ownership of Via Varejo, which is only 43.3%. As Via Varejo generated €737 million of EBITDA in 2014, this error results in a €164 million overstatement of proportional EBITDA. Second, and even more substantial, S&P does not make any adjustment for the proportional cash (i.e., cash held at non wholly-owned listed subsidiaries). What this means is S&P only reduces Adjusted Net Debt by the non-controlling share of Adjusted Debt without regard to the cash that is not owned by Casino. In other words, S&P erroneously assumes Casino has access to 100% of the surplus cash, and adjusted only for the gross debt at the listed subsidiaries – not the net debt. Had S&P made an adjustment for proportional cash, Casino's proportional adjusted debt would be €2.6 billion more than it used for its proportional leverage calculations.

We expect Casino management would be aware of these material errors. If management is aware of these errors, we do not think it's appropriate to direct investors to S&P's rating as assurance of Casino's financial profile.

[4] CP Data obtained from https://www.banque-france.fr/en/monetary-policy/negotiable-debt-securities/statistical-reports-and-data-downloads.html

9. If the store leases with fewer than 2.5 years remaining were not renewed, by how much would proportional EBITDA decrease?

We stated that S&P's operating lease adjustment methodology greatly understated the proportional debt because Casino's contracted future lease obligations do not realistically reflect the lease payments Casino should expect to make in order to substantially maintain its existing business profile, revenue, EBITDA, profits, etc. Our point is that while the S&P methodology might work well for understanding the effective debt of many retailers, due to Casino's idiosyncrasies, it understates the debt. Answering this question will help investors compare Casino to other retailers.

S&P's 2014 lease expense was €801 million, which divided into S&P's operating lease adjustment of €1.9 billion equals a remaining average term of Casino's leases of just under 2.5 years.

10. Given that the Fitch Group's chairman has sat on Casino's board since 2003, and that Mr. Naouri is on the board of the controlling shareholder of Fitch, how is it appropriate that Fitch rates Casino?[5]

As we discuss supra, fundamental errors and questionably applicable methodology underpin S&P's rating of Casino. The Fitch rating poses another question: How easily could a ratings analyst find the courage to downgrade a company when the chairman of her ratings agency is a long serving board member of the company she rates? We're not sure there are a lot of fiercely independent personalities found among ratings analysts. Mr. Naouri's service on the board of Fimalac Group, which exercises significant control over the Fitch Group compounds this problem.

[5] The Fimalac Group 2014 AR, p. 5 reads "We continue to hold a 20% stake in this very successful business and to play a significant role in its governance."