



*la livraison
à domicile*



la rôtisserie



*le pain cuit
sur place*

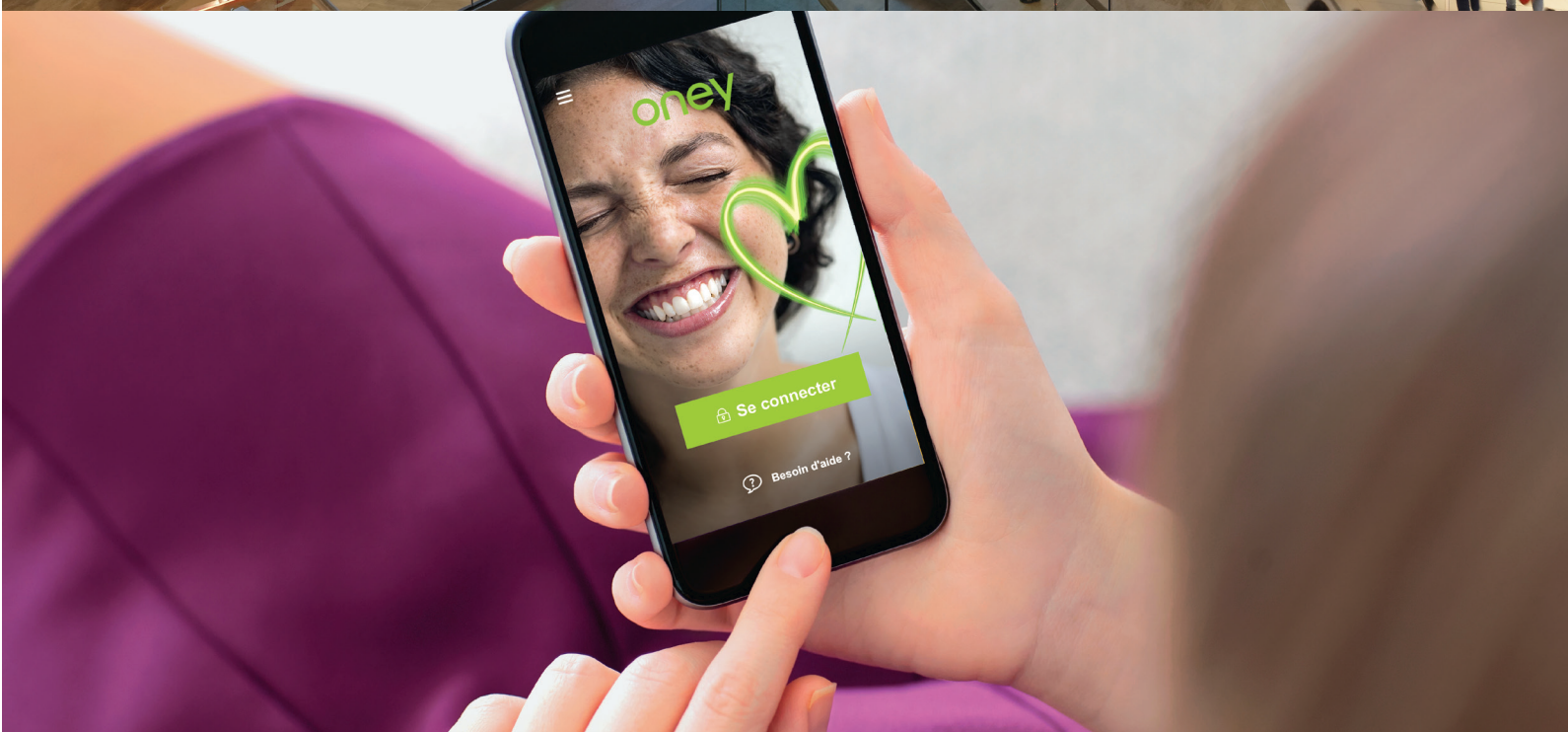


*les oranges
pressées*

2017 ANNUAL FINANCIAL REPORT



Auchan Holding



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**DECLARATION BY THE
PERSON RESPONSIBLE**
FOR THE FINANCIAL
REPORT

1

CROIX, 12 MARCH 2018



I certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards, and give a true view of the assets, financial situation and results of operations of the company and of all of the companies included in the consolidation scope. The management report provides an accurate description of the business trends, results of operations and financial situation of the company and all of the companies included in the consolidation scope, as well as a description of the main risks and uncertainties that they face.



Régis Degelcke

Chairman of the Management Board of Auchan Holding SA

MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AUCHAN HOLDING

2

FOR FINANCIAL YEAR 2017
(€Bn = Billions of euros, €M = Millions of euros)

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A management report on Auchan Holding S.A.'s annual financial statements is also prepared.

2.1 SIGNIFICANT EVENTS IN 2017 AND MAIN CHANGES IN THE SCOPE

CHANGES IN THE STORE NETWORK

The number of points of sale operated by Auchan Retail changed as follows in 2017:

- in Western Europe, the number of points of sale grew by a net 20 units, with most notably 11 new units in Spain and 7 in Portugal;
- in Central and Eastern Europe, the number of points of sale grew by a net 37 units, with most notably 15 new units in Romania, 13 in Ukraine and 10 in Russia;
- in Asia and Africa, the store network grew by 102 units, including 79 new units in China, 11 in Vietnam and 11 in Senegal.

CHANGE IN THE CONSOLIDATION SCOPE

- In 2016, negotiations began in respect of the disposal of all shares in Alinéa. At 31 December 2016, since the IFRS 5 "Non-current assets held for sale and discontinued operations" criteria were met, the contributions by Alinéa to the income statement and statement of financial position were classified under specific headings in Auchan Holding's consolidated financial statements.

The disposal of shares by Auchan Holding to Holdinéa (an entity owned by the Mulliez family) was completed on 26 April 2017.

This transaction was reflected in the consolidated financial statements at 31 December 2017 as net proceeds of €40 million, recognised under "Net profit from assets held for sale and discontinued operations". This amount includes the following principal amounts: the consolidated capital gain on disposal, Alinéa's profits for the period from 1 January 2017 to the date of disposal and the impairment on a receivable.

- On 9 June 2017, Auchan Retail Ukraine signed an agreement to acquire 99% of the shares in the Ukrainian company Atlant Finance. This company holds and operates the leases on 9 supermarkets in Kiev, Kharkiv, Dnieper, Zhytomyr and Chernivtsi. The acquisition was carried out in the second half of 2017.

PARTNERSHIPS

Partnership between Alibaba Group, Auchan Retail and Ruentex in China

On 20 November 2017, Alibaba Group Holding Limited, Auchan Retail S.A. and Ruentex Group announced a strategic alliance combining their physical (offline) and digital (online) expertise to explore new phygital opportunities in China's food retail sector. As part of this strategic alliance, Alibaba Group acquired a stake (direct and indirect) of 36.16% in the capital of Sun Art Retail Group Limited by purchasing shares previously owned

by Ruentex. This transaction gave Auchan Retail, Alibaba Group and Ruentex (directly or indirectly) interests of 36.18%, 36.16% and 4.67%, respectively, in the capital of Sun Art. Auchan Holding continued to consolidate its subsidiary Sun Art in its financial statements for the year ended 31 December 2017.

Retail Romania – Commercial partnership with OMV Petrom

In April 2017, Auchan Retail Romania signed a commercial partnership agreement with OMV Petrom to operate the shops of the leading Romanian service station network under the My Auchan banner.

OTHER SIGNIFICANT EVENTS

Auchan Retail France – Roll-out of the single brand and reorganisation of the support services

On 2 March 2017, Auchan Retail France revealed its project to roll out a single brand across France. The project aims to bring together all stores (hypermarkets, supermarkets and ultra-convenience stores) and shopping websites under the Auchan banner, based on a new, more flexible and more efficient structure, and on an investment plan for France worth more than €1.3 billion over 3 years.

At the same time, Auchan Retail France has begun a reorganisation of its support services, which will see them brought together at its historic site at Villeneuve d'Ascq. This reorganisation will lead to a reduction in headcount as teams of the different formats will be consolidated.

The Group incurred costs in relation to this reorganisation (including provisions recorded at 31 December 2017) in the amount of €36 million, net of the impact of provision reversals on retirement obligations, which is recognised in the consolidated income statement under "Other operating profit and expenses".

Sun Art Retail Group – Exceptional income from prepaid cards

Prepaid gift cards issued by the group companies are recorded under "Other current liabilities" in the consolidated statement of financial position. The related prepayments are held under liabilities in the statement of financial position until they are used by customers in our stores.

Sun Art Retail Group Limited has sold cards of this sort since 2004. Customers who purchase these cards may use them in the store network with no time limit. At 31 December 2016, the related liability (credits in respect of sold cards as yet unused by customers) stood at €1,232 million (RMB 9,018 million). As there is no legal expiry date, all credits unused since the launch of this business had, until that date, been held under liabilities in the statement of financial position.

During fiscal year 2017, studies carried out by an actuarial firm that used data on the historic use of issued cards to project future practices in card usage, allowed us to statistically estimate credit amounts that have a high probability of never being used.

At 31 December 2017, the revenue recognised under Other operating profit and expenses (see note 3.4 in the notes to the consolidated financial statements) resulting from this estimation change amounted to €40 million, corresponding to credits in existence for more than 5 years with a very low probability of being used in stores in the future. Furthermore, in accordance with this new method of recognising unused credit amounts, income of €19 million (see note 3.1 in the notes to the consolidated financial statements) was recognised under "Revenue" for fiscal year 2017 corresponding to credit on cards issued during y-5, i.e. 2012. This estimate will be regularly reviewed in the light of discernible changes in the way in which customers of the Chinese brands use prepaid and of any new information and experience in this area.

Bond issue

On 31 January 2017, Auchan Holding issued a bond under the Euro medium-term note (EMTN) programme for an amount of €600 million over 5 years at the nominal interest rate of 0.625%.

Immochan France - Acquisition of the Promenade de Flandre retail park

On 27 September, Immochan acquired Altarea Commerce's 50% stake in Promenade de Flandre. After this acquisition, Immochan owns 100% of this retail park located in the Petit Menin urban development area of Neuville en Ferrain in France's Nord department. Since it gave rise to Immochan assuming control of SCI Petit Menin, the acquisition entailed a revaluation of the share previously owned.

Retail Senegal – Agreement for the acquisition of the CityDia stores

On 22 September 2017, Auchan Senegal signed an agreement for the acquisition of the CityDia stores from Diagonal SA. The agreement covers 9 points of sale with a surface area ranging from 260 m² to 660 m², located in Dakar. The 9 businesses will be acquired individually between November 2017 and February 2018.

2.2 ACTIVITIES AND RESULTS

2.2.1 AUCHAN RETAIL'S ACTIVITY

At 31 December 2017, Auchan Retail operated in 14 countries through 942 hypermarkets, 1,065 convenience stores and 247 ultra-convenience stores.

The consolidated store network at 31 December 2017, excluding the drive outlets, breaks down as follows:

Country	Hypermarkets	Convenience stores	Ultra-convenience stores	Notes
France	119	416	9	
Italy	48	247	83	
Spain	60	82	44	
Portugal	29	5	6	
Luxembourg	1	5		
Poland	75	32	1	
Hungary	19	1		
Romania	31	2	15	
Ukraine	18	2	4	
Russia	62	240	8	
Senegal		7	10	
Mainland China	461	1	63	141 Auchan and 384 RT Mart
Vietnam		16	3	
Taiwan	19	9	1	
TOTAL	942	1,065	247	

Auchan Retail generated revenue in 2017 of €52 billion (up 0.5% in relation to 2016), including the sale of goods to franchisees.

Auchan Retail's activities outside of France accounted for 66% of total revenue.

Auchan Retail's operating profit from continuing operations decreased by 29.8% to €621 million in 2017.

2.2.2 RETAIL PROPERTY MANAGEMENT ACTIVITY

At 31 December 2017, Immochan and its subsidiaries managed 393 shopping centres (shopping malls and retail parks) in 12 countries, of which 342 fully-owned or leased and 51 under management contracts.

The revenue from this activity came to €667 million in 2017, up 5.3%, of which 60.1% was generated outside France.

Immochan's operating profit from continuing operations increased by 15.4% to €229 million.

2.2.3 CUSTOMER CREDIT ACTIVITY (ONEY BANK)

At 31 December 2017, Oney Bank operated in 11 countries (France, Spain, Italy, Portugal, Poland, Hungary, Romania, Ukraine, Russia, mainland China and Malta). Oney Bank had a total of 9.7 million customers at the end of 2017.

Oney Bank's consolidated financial statements (drawn up according to banking IFRS) showed net banking income of €416 million, up by 2.4%. The cost of risk stood at €58 million. Operating profit decreased by 49.6% to €53 million.

2.2.4 OTHER ACTIVITIES

Until 2016, other activities included Little Extra and Alinéa, which were consolidated fully.

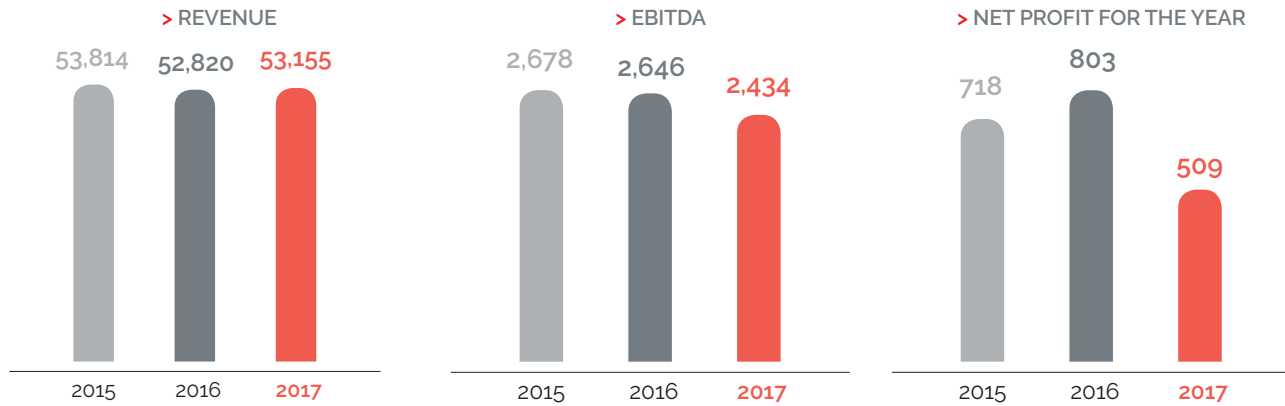
Auchan Holding sold Little Extra on 2 December 2016. The company was removed from the consolidation scope on that date.

In 2016, the contribution by Alinéa to Auchan Holding's consolidated financial statements was reclassified under "non-current assets held for sale".

2.2.5 COMMENTS ON THE 2017 FINANCIAL YEAR

Comments on the income statement

The revenue of consolidated entities amounted to €53.2 billion, up 0.6% in relation to 2016.



At constant exchange rates, revenue increased by 0.2%.

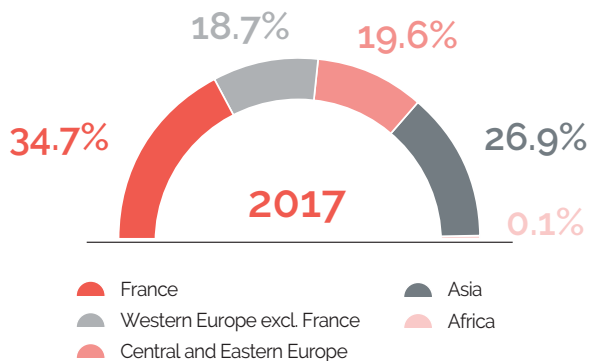
Auchan Retail accounted for 97.8% of revenue while the other core businesses accounted for 2.2%.

In geographic terms, France accounted for 35% of revenue, Western Europe excluding France (Spain, Italy, Portugal and Luxembourg) contributed 19% and the rest of the world (Poland, Hungary, Romania, Ukraine, Russia, mainland China and Taiwan) contributed 46%. In 2016, the geographic breakdown was identical (35%, 19% and 46%, respectively).

> BREAKDOWN IN REVENUE BY COMPANY



> BREAKDOWN IN REVENUE BY GEOGRAPHICAL AREA



Gross profit increased by 0.8% to €12,645 million while the margin remained stable at 23.8%.

Current operating expenses (payroll expenses, external expenses, depreciation, amortisation and impairment, other recurring operating profit and expenses) increased by 3.3%.

Operating profit from continuing operations decreased by 19.3% to €935 million. EBITDA, or operating profit from continuing operations excluding other recurring operating profit and expenses and depreciation, amortisation and impairment⁽¹⁾, fell by 8.0% to €2,434 million versus €2,646 million in 2016.

After taking into account "Other operating profit and expenses", operating profit fell by €319 million.

(1) Excluding provision and impairment expenses net of reversals, other than on inventories.

The non-recurring items recorded under "Other operating profit and expenses" include:

In 2017

Impairment of non-current assets (€102 m) and store closure costs (€24 m)	(126)
Impairment of goodwill and receivables	(118)
Reorganisation costs of Auchan Retail France support services	(36)
Revaluation gain related to the assumption of control and full consolidation of real estate assets	44
Exceptional income from prepaid cards	40
Other exceptional income, principally reversals of provisions for disputes	23
TOTAL	(173)

In 2016

- Impairment of non-current assets	(47)
Capital gains (net of capital losses and sale expenses) linked to the sale of property assets in France (including "Alliages et Territoires"), net of the capital loss on the sale of Little Extra primarily	52
Recognition of 2016 "Tascom" retail space tax (relating to 2015 revenue) pursuant to the amending Finance Law for 2015 concerning IFRIC 21	(67)
Contract termination costs	(18)
Other exceptional income	2
TOTAL	(78)

The net cost of financial debt rose to €39 million (versus €35 million in 2016). Other financial revenue and expenses came to €15 million and €12 million, respectively.

Profit before tax came to €727 million (versus €989 million in 2016), down 26.5%.

The effective tax rate rose by 18.9 points to 35.1% in 2017 versus 16.2% in 2016. This 18.9-point increase was mainly attributable to:

- the recognition in 2016 (under tax income) of the reimbursement of taxes paid in relation to the share of expenses and charges on dividends received from European subsidiaries between 2010 and 2014. This reimbursement followed the "Stéria" ruling by the Court of Justice of the European Union. The total amount of €41 million owed by the administration in connection with this dispute was paid in July 2016. This income helped to lower the effective tax rate.

The consolidated financial statements for 2017 include other elements that had a significant impact on the effective tax rate, but they cancel each other out. These notably concern:

- the consequences of the ruling by the Constitutional Court on 6 October 2017 that the 3% surtax on dividends is unconstitutional, and
- the tax recognised in relation to the capital gain generated on the exchange of Sun Art Retail Group shares for A-Rt Retail Holding shares following signature of the partnership agreement between Alibaba Group, Auchan Retail and Ruentex (see note 1.2).

- the increase in unrecognised tax losses for the subsidiaries.

The share of net profit or loss of associates was a loss of €2 million compared with a loss of €5 million in 2016.

Net profit from continuing operations came to €470 million.

Profit for the year attributable to owners of the parent came to €275 million.

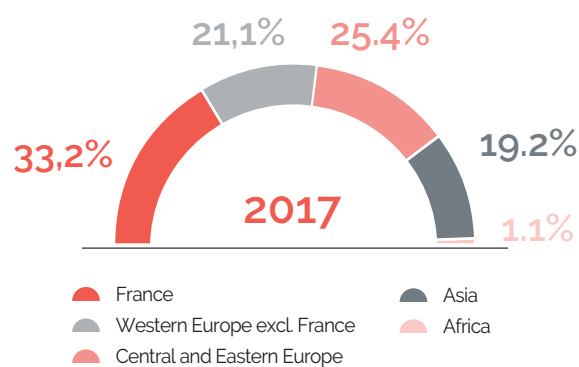
Cash flows from operations decreased by 5.3% to €2,070 million compared with €2,185 million in 2016.

Comments on the statement of financial position as at 31 December 2017

Assets

Current investments excluding business combinations (acquisitions of intangible assets, property, plant and equipment and investment property) amounted to €1,721 million. The volume of current investments decreased by 4.0% in relation to 2016.

> BREAKDOWN IN CURRENT INVESTMENT BY GEOGRAPHICAL AREA



> BREAKDOWN IN CURRENT INVESTMENT BY COMPANY



The breakdown of investments was 33% in France (31% in 2016), 21% in Western Europe excluding France (17% in 2016) and 46% in Central and Eastern Europe and Asia (52% in 2016).

Liabilities

Total equity amounted to €13,281 million at 31 December 2017 compared with €12,902 million at 31 December 2016 (up €379 million).

Equity attributable to owners of the parent fell by €132 million to €9,912 million. The main changes were as follows (in €m):

● profit 2017	275
● capital decrease and treasury shares	(59)
● dividends paid	(350)
● exchange differences (mainly on the Russian and Chinese subsidiaries)	(204)
● change in debt linked to put options granted and repurchase commitments (see consolidated statement of changes in equity)	194
● employee benefits	15
● other	(3)

Non-controlling interests amounted to €3,369 million compared with €2,858 million at 31 December 2016.

Net financial debt, as defined in note 10.1 of the notes to the consolidated financial statements, amounted to €2,470 million at 31 December 2017 versus €2,192 million at 31 December 2016. It represented 18.6% of equity compared with 17.0% at 31 December 2016, 1.2 years of cash flows from operations, and 1.02 years of EBITDA.

2.3 EVENTS AFTER THE REPORTING PERIOD

GOVERNANCE ADJUSTMENT AT AUCHAN HOLDING

On 2 January 2018, Auchan Holding announced that Barthélémy Guislain would replace Régis Degelcke as chairman of the Supervisory Board. Since that date, the Management Board has comprised the chairmen of the boards of directors of Auchan Holding's three core businesses, Régis Degelcke for Auchan Retail, Vianney Mulliez for Immochan and Xavier de Mézerac for Oney. Auchan Holding's Management Board is chaired by Régis Degelcke.

BOND ISSUE

On 25 January 2018, Auchan Holding issued a bond under the Euro medium-term note (EMTN) programme for an amount of €350 million over 2 years at the 13-month Euribor rate + 15bp (coupon floor level of "0").

2.4 OUTLOOK

Régis Degelcke, Chairman of the Management Board, said:

«2017 represents a year of transition for rolling out the transformation plans of the three increasingly independent companies that make up Auchan Holding. Auchan Holding has supported the profound and rapid transformations of its 3 companies while maintaining a strong financial position; transformations to become the global player in urban development and open new fields of investment for

Immochan, human and digital transformations and to accelerate international development for Oney, transformations to become a multi-format phygital retailer, a campaigner for good, healthy and local products for Auchan Retail. These transformations are a unique experience in the history of Auchan and they benefit from the daily efforts of teams and employees. The first results of these transformations will be reflected in 2019 figures.»

2.5 FINANCIAL RISK MANAGEMENT

During the usual course of their business, Auchan Holding and its subsidiaries are exposed to interest rate, foreign exchange, credit and liquidity risks. They use derivative financial instruments to mitigate these risks.

Auchan Holding and its subsidiaries have put in place an organisation that enables centralised management of market risks (liquidity, interest rate and foreign exchange risk).

See note 10.4 of the notes to the financial statements for a fuller description of financial risk management, which is summarised below.

2.5.1 CREDIT RISK

Operating activity

Auchan Holding and its subsidiaries work solely with a list of banks authorised by the management of Auchan Holding for financing and interest rate and foreign exchange derivative transactions.

With regard to financial investments, the policy of Auchan Holding and its subsidiaries is to invest cash surpluses with authorised counterparties in amounts and for maturities which are decided by the Finance Committee, based on a rating scale.

Trade receivables and other receivables excluding the credit activity do not involve any significant risk.

Activity specific to Oney Bank and its subsidiaries: credit and customer risk management

The risk rate (cost of risk / total gross outstandings) has been decreasing significantly for several years. Despite a persistently weak economic environment, loan production continues to be of good quality and satisfactorily managed.

Thanks to the implementation of highly effective action plans for the loan approval and risk management systems, Oney Bank has continued to meet its credit risk reduction targets.

2.5.2 LIQUIDITY RISK

The policy of Auchan Holding and its subsidiaries is to maintain adequate medium and long-term funding at all times to cover their needs at the bottom of the seasonal cycle and provide themselves with a safety margin.

Auchan Holding and its subsidiaries adopts a refinancing policy aimed at diversifying sources of refinancing (bond issuance, bank loans, etc.) and their counterparties to ensure an adequate distribution of funding.

In the framework of this diversification of refinancing sources, in September 2009 Oney Bank set up a captive securitisation programme giving it access to European Central Bank repo refinancing. In 2015, Oney Bank restructured this securitisation programme to extend it until September 2019.

Auchan Holding and its subsidiaries also have confirmed refinancing lines with other banks to guarantee refinancing in the event of a liquidity crisis.

The medium and long-term bank financing facilities contain the usual commitments and default clauses for this type of contract, i.e. undertaking to maintain the loan at its initial level of seniority

(pari passu), limits on the collateral provided to other lenders (negative pledge), limits on substantial asset sales, and cross-default and material adverse change clauses.

Auchan Holding SA and Oney Bank SA's Euro medium-term note (EMTN) programme, under which bonds are issued, contains an undertaking limiting collateral provided to other bond holders (negative pledge) and a cross-default clause.

Some medium and long-term bank financing facilities (confirmed credit lines not used as at 31 December 2017) and private bond placements in the United States contain a 'callability' clause in the event of non-compliance with certain ratios at the balance sheet date, including the following ratio: consolidated net financial debt/consolidated EBITDA < 3.5.

The Group complied with these ratios at 31 December 2017.

None of the financial borrowings includes any commitment or default clause linked to a downgrade of Auchan Holding's ratings.

Oney Bank must comply with a single covenant in the context of the refinancing facilities extended by the Club Deal (€500m confirmed syndicated credit line) and certain other confirmed lines. Under this covenant it must comply with the following ratio: Total credit outstandings > Net financial debt, i.e. where net financial debt refers to debt held with credit institutions plus debt in the form of securities minus the credit balances of bank accounts including cash accounts, central bank and postal accounts, investments and receivables from credit institutions, and the gross value of high quality liquid assets (HQLA) held in accordance with Basel III liquidity requirements, except for BNP for which it is defined as Total credit outstandings > financial debt (where net financial debt refers to debt held with credit institutions plus debt in the form of securities minus the credit balances of bank accounts including cash accounts, central bank and postal accounts, and receivables from credit institutions).

Oney Bank complied with this ratio at 31 December 2017.

2.5.3 INTEREST RATE RISK

Auchan Holding and its subsidiaries use interest rate derivatives with the sole aim of reducing their exposure to the impact of changes in interest rates on their debt. Transactions on the derivative markets are undertaken solely for hedging purposes.

Excluding the credit activity

Interest rate transactions designated as fair value hedges concern transactions designed to change bond debt into floating-rate debt.

Macro-hedging transactions, recorded as instruments held for trading, are aimed at protecting earnings against a possible rise in interest rates over the short term. They consist of swaps in which Auchan is a fixed-rate borrower and a floating-rate lender, or of caps or swaptions.

Interest rate transactions designated as cash flow hedges concern caps and swaps involving fixed-rate borrowing and floating-rate lending. The purpose of these hedges is to fix the interest rate on a portion of the floating-rate debt taken out to finance assets, and thus secure future financial income.

For the credit activity

Interest rate transactions designated as cash flow hedges concern swaps in which Oney Bank is a fixed-rate borrower and a floating-rate lender. The purpose of these hedges is to fix the interest rate on part of the forecast floating-rate debt, and thus secure future financial income (Y+1 to Y+5 maximum) by limiting possible volatility. The horizon of these hedges does not exceed 5 years. Interest rate and currency transactions (comprising caps and cross-currency swaps) recorded as instruments held for trading are aimed at protecting earnings against a possible rise in interest rates.

2.5.4 FOREIGN EXCHANGE RISK

Auchan Holding and its subsidiaries are exposed to foreign exchange risk on:

- purchases of goods (transaction exposure);
- internal and external financing denominated in a currency other than the euro (translation risk);
- the value of subsidiaries' net assets in foreign currencies (net asset hedging).

At 31 December 2017, the main currencies concerned were the US dollar, Polish zloty, Hungarian forint, Russian rouble and Romanian leu.

Foreign exchange transactions that qualify as cash flow hedges consist of foreign exchange swaps and forward foreign currency purchases or sales. These transactions are used to hedge projected goods purchasing and rental flows denominated in foreign currencies.

Transactions to hedge translation risk concern foreign currency loans granted to foreign subsidiaries (outside the eurozone).

At 31 December 2017, no derivative instrument was qualified as a hedge of a net investment.

2.5.5 FINANCIAL RISKS LINKED TO THE IMPACT OF CLIMATE CHANGE

Auchan Holding's companies are exposed to the effects of climate change in the majority of countries in which they operate. Their activities, assets and employees may be directly or indirectly impacted. As such, financial consequences are possible. The main risk identified in relation to climate change is

the increase in the number of extreme climatic events: drought in areas already subject to water scarcity, storms, flooding and heavy snowfall. Such events can hamper the stores' sales activities and supply operations.

They may also give rise to an increase in raw material prices over the short, medium (poor harvests) or long (fall in farm yields) term. Given this, Auchan Retail is developing avenues and diversifying its sourcing.

Failure to anticipate or take into account legislative measures arising from the incorporation of international commitments on the reduction of greenhouse gas emissions into local legislation could give rise to exceptional unplanned expenditure. Active monitoring of the various technical issues has therefore been organised to anticipate as much as possible future regulatory developments.

Auchan Holding's companies undertake voluntary commitments to help combat global warming. For example, during the One Planet Summit, Auchan Retail confirmed the goal expressed at COP 21 in 2015 to reduce the energy intensity of its stores by 20% in 2019, compared to 2014. This energy efficiency drive will help to significantly reduce the company's carbon footprint in countries in which it operates where the energy mix is highly carbon intensive. It is further completed by measures to reduce leakage of refrigerants and the gradual replacement of fluids that have the most harmful climate effects. Immochan France is actively working on the implementation of a carbon strategy which will be communicated shortly.

This initiative complements the commitment made by Immochan in 2011 to systematically incorporate BREEAM certification in its major development projects in all countries in which it operates.

Auchan Retail is also helping to limit food waste through the development of a bulk products offering, rigorous monitoring of its inventory markdown rate, and the reuse of waste from its stores through recycling, methanation and energy recovery.

2.5.6 OTHER RISKS

Auchan Holding and its subsidiaries do not enter into hedging transactions other than foreign exchange and interest rate derivatives transactions.

2.6 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED FOR ALL OF THE CONSOLIDATED COMPANIES CONCERNING THE PREPARATION AND TREATMENT OF ACCOUNTING AND FINANCIAL INFORMATION

2.6.1 PROCEDURES RELATED TO THE PRODUCTION OF FINANCIAL STATEMENTS

2.6.1.1 Management and structure of Auchan Holding's Finance Division

The General Secretary relies on the Accounting, Consolidation, Legal and Tax departments of Auchan Retail for the production of the financial statements.

The Treasury Department reports directly to the General Secretary.

The Finance Division, which is made up of the aforementioned departments, sets out a calendar of:

- month-end closures;
- monthly cash flow reports;
- quarterly, half-yearly and annual closures;
- condensed half-yearly pre-closure meetings;
- pre-closure meetings for the annual and consolidated financial statements.

The annual targets and business plans for all of the core businesses are managed by the Retail Plan team.

The Core Business Management Control and Performance (for Retail) departments produce analytical information for the purpose of operational management. They play a key role within the Company.

A chief financial officer and/or management controller (performance controller for Retail) is assigned to each company activity and each country, to whom an accounts manager and accounting team report. The chief financial officers are appointed jointly by the Country Operational Department and Core Business Finance Division; the country management controllers (performance controllers for Retail) are appointed jointly by the Country Operational Department and Core Business Management Control Department (Performance Department for Retail).

The Company employs qualified accounting personnel who ensure appropriate accounting practices in line with generally accepted accounting standards. These employees are trained in the accounting systems used.

2.6.1.2 Computerised accounting systems

Accounting operations and events are entered either directly in the standard accounting software applications or via upstream applications (in-house or standard applications). This input generates accounting entries which are automatically or manually entered in the standard accounting applications. These interfaces and entries are subject to automatic or manual controls.

The standard accounting applications are implemented and set up by functional and technical administrators, who define

the functionalities, the accounting policies and the financial statements that may be created.

2.6.1.3 Accounting policies

Auchan Holding's consolidated financial statements are established in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board and approved by the European Union on 31 December 2017. These statements are prepared based on the information communicated by the core businesses' finance divisions. In this regard, a reporting and consolidation framework (manual of principles and accounting rules, chart of accounts) has been established and distributed to the core businesses. It is updated regularly and can now be consulted on the intranet, including by the statutory auditors.

An accounting framework also exists for each country. It is linked to the consolidation chart of accounts and featured in the accounting system, and contains mandatory accounting rules. The accounting framework for each country is defined, updated and documented by the country or international methodology department.

An international department which reports to Auchan Retail is responsible for the functional administration of the shared accounting application Oracle Financials (general ledger and sub-ledger accounting).

2.6.1.4 Procedures for approving the individual and consolidated financial statements

Auchan Holding and its subsidiaries prepare both quarterly individual and quarterly consolidated financial statements. The 30 June and 31 December closure dates are subject to a limited review and audit by the statutory auditors. They are presented to the Auchan Holding Audit Committee before being published. The statements dated 31 March and 30 September are sent to the members of the Management Board, the Audit Committee and the statutory auditors, but they do not undergo an audit or limited review.

Since 1 January 2016, specific audit committees have been established for Auchan Retail International and Immochan. Oney Bank's Audit Committee existed prior to this. The role of the audit committees is to review the accounts and accounting closure options specific to each of the 3 core businesses.

A report of the statutory auditors' audit observations and findings is prepared and distributed to the local finance division initially and subsequently in a more centralised manner to the General Secretariat of Auchan Holding and the audit committees of Auchan Holding and the 3 core businesses.

The main procedures to be carried out are as follows:

A) Concerning the individual financial statements

The interim statements are prepared using the same valuation and presentation methods as the annual statements closing on 31 December. All statements are finalised before the end of the month that follows the quarter end.

B) Concerning the consolidated financial statements

The accounts are consolidated using the shared application Hypérior (HFM), which is implemented at all of Auchan Holding's subsidiaries. It uses the shared consolidation chart of accounts, a methodology that is updated every quarter and IFRS-compliant accounting rules and methods. The chart of accounts is defined and documented by Auchan Holding's Consolidation Department, which configures the consolidation tool accordingly.

The subsidiaries transmit their data using a mandatory pre-defined format via the shared consolidation tool Hypérior (HFM), which prepares the financial information for all phases of consolidation, thus ensuring that it is coherent and homogeneous.

The half-yearly and annual consolidation and reporting process incorporates, via the same shared tool, the compilation of information for the notes to Auchan Holding's consolidated financial statements (for instance, the commitments of Auchan Holding and its subsidiaries).

C) Pre-closure meetings

The accounting closure process described above is completed by pre-closure meetings with the main activity scopes concerned in June (for the 30 June closure), November (for the 31 December closure) and on 30 November for the hard close. The main finance division heads of the core businesses concerned attend these meetings along with the finance team of the country and core business concerned.

The pre-closure meetings, hard close and interim closures are used to prepare for the annual closure by anticipating the treatment of significant events and specific operations such as acquisitions/disposals, mergers, valuation of the Company's assets and investment property, and identification and measurement of risks.

D) Accounts closure meetings

The annual and consolidated financial statements are audited and are presented to the Audit Committee in February.

2.6.2 PROCEDURES WITH AN IMPACT ON THE ACCOUNTING AND FINANCIAL INFORMATION**2.6.2.1 Procedures related to the management and monitoring of inventories**

An inventory of "fresh products" is carried out physically at all stores every month, and adjustments are made where necessary.

A full physical inventory is carried out on all other products twice a year or on a rolling basis, at all stores and warehouses. These inventories, along with the impairment entries, are monitored on a sample basis by the statutory auditors and internal audit departments.

2.6.2.2 Procedures for monitoring inventories and valuing non-current assets

There is a procedure in place setting out the rules for approving investments for all projects of a significant value. Agreement is given based on the internal rate of return (IRR) and the return on capital employed. A control on the actual profitability of key projects is requested after 3 years. It is carried out by the management control department (or performance department in the Retail activity).

The management control or performance division of each entity oversees budget monitoring of all major investment projects.

The non-current assets related to the stores are classified under standard headings to allow comparability.

The recoverable value of property, plant and equipment and intangible assets is tested for impairment as soon as there is any indication of a loss of value. This test is carried out once a year for assets with an indefinite life span.

Investment property is valued on an annual basis by experts to establish its fair value. These valuations are exhaustive where Immochan is concerned but carried out on a sample basis for each country where Auchan Retail is concerned.

Brand management is centralised at the head office.

2.6.2.3 Procedures for monitoring and documenting benefits granted to employees

The Company lists and records all benefits granted to employees. Each core business participates in the setting up of retirement plans for employees in accordance with the laws and practices of each country. The larger plans are assessed each year by independent actuaries and other plans are assessed regularly.

2.6.2.4 Procedures for monitoring cash

A report on Auchan Holding's financial debt and financial revenue is created with a view to consolidating the actual data and the 3-monthly forecast data. This is done using the same software application as that used by Auchan Retail International's Consolidation Department and Performance Department (management control and plan) and Immochan's Management Control Department. The report enables Auchan Holding's Treasury Department to monitor and respond quickly to changes in the financial debt and financial revenue in relation to the budget. The report is communicated at the middle of each month to Auchan Holding's Management Board. At the start of 2013, the treasury charter setting out in precise detail the roles and responsibilities of the different entities was reviewed by the Finance Committee and distributed to all subsidiaries. The list of authorised products and counterparties is reviewed every year by Auchan Holding's Finance Committee and communicated to the subsidiaries.

Moreover, at the end of each quarter, the subsidiaries send Auchan Holding's Treasury Department a standardised treasury report showing details of all credit facilities authorised, used and available, and investments. This data is consolidated and a quarterly liquidity report is prepared and sent to Auchan Holding's Management Board.

Lastly, a quarterly treasury report is prepared, taking into account all market risks (interest rate, foreign exchange and counterparty). It is sent on D+25 after the end of each quarter to Auchan Holding's General Secretary.

2.6.2.5 Legal and tax policies

The legal and tax policies and key related operations are presented on a regular basis either to the Finance Committee or the Management Board.

The validation of legal structures is overseen by the Legal and Tax Department in collaboration with the core business finance divisions, and is updated quarterly.

Each year in January, all of the legal organisational structures are presented on a country-by-country and core business-by-core business basis to the finance divisions, statutory auditors, valuation experts, the Chairman of the Supervisory Board, and shareholder representatives.

2.7 CSR POLICY

2.7.1 PRELIMINARY INFORMATION

Since the coming into force of Article 225 of the Grenelle 2 law, Auchan Holding is required to communicate qualitative and/or quantitative data, certified by an accredited external expert, on all consolidated companies.

The certified conclusions concerning the 2017 financial year show no significant anomaly that would raise a question concerning the accuracy of the CSR information as a whole.

To ensure the quality and reliability of the data reported by each Auchan Holding activity, a software package has been in place since 2015 which consolidates the CSR KPIs and ensures that alerts are triggered when there are unusually high changes in data. All of the information input and all qualitative and quantitative corrections made in the software are durably traceable.

2.7.2 CORPORATE SOCIAL INFORMATION

As employers, Auchan Retail, Immochan and Oney take seriously their social responsibility to their 355,107 employees. In order to constantly improve workplace security and quality of life as well as individual involvement in an environment of trust, for all their employees, all of Auchan Holding's entities capitalise on their employees' diverse profiles to foster growth as part of a culture of responsibility and sharing.

Auchan, Oney and Immochan carried out a commitment and satisfaction survey at international level in 2016. The majority of companies were already familiar with this type of exercise which provides information on employee commitment as well as their perception of major themes such as work content, relationships within the team, quality of management, etc. The results were distributed in all countries in 2017, at national level initially and then locally at each entity. The managers appropriated, analysed and shared the results with their teams, in order to implement action plans to improve performance and simplify operations.

On 17 March 2017, Auchan Retail signed a global corporate social responsibility agreement with the union federation UNI Global Union. This 4-year agreement applies to all fully-owned Auchan Retail stores in all 14 countries in which this core business operates. It confirms Auchan Retail's commitments concerning respect for human rights and the recognition of the International Labour Organisation's fundamental principles and rights at work, including the freedom of association. This agreement further seals and extends Auchan Retail's commitment to combining operational performance with ethical behaviour in terms of employment, diversity, equal opportunities, health and safety in the workplace, relations with suppliers, risk control and respect for the environment.

2.7.3 ENVIRONMENTAL INFORMATION

During the COP 21 meeting in Paris in December 2015, Auchan Holding joined a pledge for climate action signed by 39 major French companies, and set a target to reduce its energy consumption by 20% over the 4-year period between the end of 2014 and the end of 2018. Despite a slight delay in implementing its country projects, this goal remains in place. It was restated in detail by the company on 11 December 2017 during the One Planet Summit.

Urban agriculture is a subject that Auchan Retail and Immochan are working on together. Their aims in this respect are to produce foodstuffs and preserve biodiversity in the area concerned while at the same time contributing to the circular economy, notably through the use of organic household waste, local resellers, etc., in order to exploit unused urban spaces.

Several projects have already been developed, including the "green ring" shopping centre in Volgograd, Russia. This project involved the recovery of buildings not used for sales and re-planting on and around them, and includes a garden with an orchard and vegetable patch created specifically for employees, who share the harvested products at team meals. Another green area was created for customers, comprising a path lined with fruit trees and a rose garden located at the entrance to the shopping centre.

2.7.4 SOCIETAL INFORMATION

After celebrating its 20-year anniversary in 2016, the Auchan Youth Foundation underwent several changes in 2017. Its aims were adjusted to bring them fully into line with Auchan Retail's new business plan and its commitment to promoting good, healthy and local products. From now on, the foundation will support solidarity projects that promote healthy eating and lifestyles among young people in need.

Created in 2014 under the aegis of the Fondation de France, the WOF Foundation provides support through local NGOs for projects that contribute to improving the working and living conditions of workers and their families in textile and retail discount industries in developing countries. In Bangladesh for example, a pilot health insurance project has been implemented which benefits 10,000 workers in northern Dhaka, thanks to assistance and financial support provided by WOF to the NGO GK Savar. WOF's support along with contributions by the factory owners and a small contribution by the workers enables them to benefit from free healthcare for common illnesses, eye and dental care, etc.

The 5 foundations attached to Auchan Holding companies supported a total of 186 projects in 2017, for a total allocated budget of €2,225,000.

2.8 VIGILANCE PLAN

2.8.1 INTRODUCTION

Law no. 2017-399 on the duty of vigilance of parent companies and contracting companies was published in March 2017. Under this law, the companies concerned must adopt measures to ensure that their supply chain does not entail breaches of human rights or fundamental liberties, or impinge on preservation of the environment and the health and safety of people in the short, medium and long term.

Over the last 20 years, Auchan Holding's companies have been working to continuously improve their supply chains in all countries in which they operate. As part of this policy, in 2017 Auchan Retail initiated a process involving systematic identification, mapping and measurement of its CSR risks across its entire supply chain. This process will be followed by procedures to ensure regular risk measurement and updating. This comes as part of the company's commitment to incorporate CSR criteria, as illustrated in particular by the progressive adhesion by certain country subsidiaries to the UN Global Compact since 2002. Since 2016, Auchan Retail has been looking to broaden this commitment across all of the countries in which it operates.

2.8.2 SCOPE RETAINED FOR THE VIGILANCE PLAN

a) Company scope

Auchan Holding groups together the following principal activities: Auchan Retail's retail distribution business, Immochan's property management business and Oney Bank's customer lending business.

Risk management in each of these core businesses is subject to global and specific procedures that are closely correlated with the activity concerned. In addition to their CSR and audit activities, these core businesses also implement compliance programmes, notably to combat corruption. The Auchan Holding ethics charter, which was reviewed in 2017, reasserts the core businesses' stance concerning fundamental subjects such as human rights, responsible consumption and respect for the environment.

Against this backdrop, Auchan Holding decided to focus on the vigilance plan implemented within Auchan Retail.

b) Scope of suppliers concerned

Auchan Retail uses different sources to supply all of its activities: local purchasing, its purchasing centre and a dedicated subsidiary responsible for the design and supply of Auchan-brand products. Initially, all of these different categories of products are potentially included in the risk evaluation procedures. Nevertheless, certain product categories or supply zones are deemed to be of lower priority due to their lower exposure to the various risks included in the vigilance plan.

c) Scope of the risk universe

The law on the duty of vigilance proposes a very general framework for defining the universe of risks to be taken into account. On this basis and taking into account recognised international frameworks such as the United Nations Guiding Principles (UNGP), Auchan Retail worked on a definition of a universe of risks appropriate to the diversity of its activities in order to assess the real risks to which the Group is potentially exposed.

The risks taken into account as part of Auchan Retail's application of the law on the duty of vigilance are as follows:

- human rights and fundamental liberties: child labour, forced labour, failure to comply with the freedom of association and to strike, discrimination and intolerance of diversity, failure to comply with the rights of indigenous peoples, failure to comply with the laws governing migrant workers, excessive working hours, wages below legal thresholds, harassment and abuse, wage inequality, failure to comply with animal rights;
- health and safety: safety of buildings, accidents in the workplace, toxic substances in the workplace, industrial accidents, health and safety of consumers;
- environment: water, land and air pollution, destruction of biodiversity, climate change, water shortage, inappropriate use of land, potential consequences of the use of chemical inputs.

Although Auchan Retail is aware it is not directly exposed to all of these risks, it nevertheless decided to check the exposure of its own activities and operations all along its supply chain.

2.8.3 REGULAR EVALUATION OF THE SITUATION OF SUBSIDIARIES, SUBCONTRACTORS AND SUPPLIERS

To assess the level of application of its social requirements in particular in its supply chain, Auchan Retail conducts audits on the production sites of its suppliers. 1,046 social audits were carried out in 2017, mainly at suppliers of non-food products.

Aware of the risk it raises in terms of breaching human rights and fundamental liberties, the health and safety of people, and the environment, the dedicated Corporate teams also carry out several audits each year with a view to detecting opaque outsourcing.

Auchan Retail also closely monitors emerging risks through its ethics committees and HR bodies in all countries in which it operates.

These audits are also used to provide information for risk mapping purposes. As risk mapping by nature requires constant adjustment, it is updated in the event of a notable change in the company's activity or the identification of an emerging risk that was previously not identified.

2.8.4 ACTION IMPLEMENTED TO MITIGATE RISKS AND PREVENT SERIOUS HARM

The social audits conducted at the suppliers, regardless of the framework used, ensure that there are no breaches of human rights or fundamental liberties – child labour or forced labour, discrimination, disciplinary practices, or serious shortcomings in the protection of health and safety. They also help to spread best practices, raise awareness among suppliers, and subsequently reduce all breaches of individual rights, however minor, in the short, medium and long term.

In Bangladesh, Auchan Retail is also a signatory to the Accord on Fire and Building Safety, the aim of which is to ensure that buildings are safe and healthy and basic safety measures for the prevention of risks in the textile industry are applied. This accord covers half of all textile plants in Bangladesh, whose safety levels have improved significantly thanks to regular inspections and controls.

Lastly, unannounced audits to combat opaque outsourcing have helped to raise awareness among suppliers of the issues concerned and the risks the practice raises across the entire supply chain; in certain cases, contractual relationships are immediately cut with the offending supplier.

In addition to these audits, the Auchan Holding companies have defined an ethics policy which is set out in an ethics charter, a commercial code of ethics and ethics guidelines for day-to-day use. This policy is distributed among the employees and coordinated by country ethics committees. The principles of the policy are adapted for all partners of Auchan Holding's three core businesses, whose suppliers, in signing this charter, must agree to comply with the principles of the UN Global Compact.

Auchan Retail also includes a clause in its contracts with suppliers requiring that they comply with human rights.

Its purchasers, who are at the first level of effective vigilance over the supply chain, are trained in responsible purchasing in all countries to ensure they are fully aware of the issues concerned and their responsibilities in this area.

2.8.5 RISK MAPPING

Auchan Retail has begun a process of risk mapping to ensure appropriate risk measurement and mitigation measures for its most significant risks. Action plans can be adjusted according to the priorities identified through these risk maps. Initiated in 2017, the risk mapping was being finalised as this vigilance plan went to print. Its main conclusions will be recapped at the same time as the report on the vigilance plan in the 2019 financial report.

a) Risk mapping methodology

The risk mapping methodology distinguishes between inherent risk i.e. gross risk before any mitigation measures, and residual risk, i.e. the risk remaining after the implementation of mitigation

measures. There are two stages in the risk mapping process: evaluation of inherent risks, and subsequently evaluation of residual risks.

b) Mapping of inherent risks

The mapping of inherent risks involves an in-depth analysis using information that is internal and external to the company. The risks are assessed based on meetings with the most qualified internal teams (Purchasing, Sourcing, Quality, Internal Audit, Risks, HR, Product Design), an in-depth examination of the existing documentation and a review of the material concerning each stage and component of Auchan Retail's supply chain.

c) Mapping of residual risks

Each mitigation tool implemented by the Auchan Holding companies (Group commitments, pre-existing policies and Group corporate social responsibility audits) is assessed for its effectiveness and reach. The residual risk areas highlighted in this manner are those for which an action plan must be implemented as a priority.

2.8.6 ACTION PLAN

Auchan Retail adopted an action plan for 2018 as follows:

- complete the mapping of inherent risks, the list of mitigation methods and the mapping of residual risks so that new priority action plans can be defined for 2019;
- compare the results of the risk mapping with selected internal or external stakeholders;
- complete implementation of the system for triggering alerts and compiling reports on the existence or realisation of risks linked to the law on the duty of vigilance, open to internal and external stakeholders;
- implement ethics committees in the 2 remaining countries;
- develop, in a targeted manner initially, environmental audits of suppliers based on the audit conducted in December 2017, primarily to limit risks related to water pollution.

2.8.7 SYSTEM FOR MONITORING MEASURES IMPLEMENTED

Auchan Retail has set up a steering committee responsible for subjects related to its duty of vigilance. This committee comprises various functions, including the CSR Department in particular, the Compliance Department and the Human Resources Department.

The committee is responsible for steering the action plan and ensuring it is correctly executed. It will also be responsible for presenting the progress made in 2018.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED 31 DECEMBER 2017 AND 2016

3

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3.1 CONSOLIDATED ASSETS

Assets (in €m)	Notes	2017	2016
Goodwill	6.1	3,692	3,700
Other intangible assets	6.2	1,052	1,078
Property, plant and equipment	6.3	11,636	12,105
Investment property	6.4	4,627	4,427
Investments in associates	7	184	195
Customer loans - credit activity	11.1	1,265	1,192
Other non-current financial assets	10.5	504	542
Non-current derivative financial instruments	10.4	129	203
Deferred tax assets	12.1	350	318
NON-CURRENT ASSETS		23,439	23,761
Inventories	3.5	4,910	5,265
Customer loans - credit activity	11.1	1,647	1,630
Trade receivables	10.5	526	489
Current tax assets	12.1	113	175
Other current receivables	10.5	2,339	2,459
Current derivative financial instruments	10.4	52	118
Cash and cash equivalents	10.1	2,619	2,381
Assets classified as held for sale			263
CURRENT ASSETS		12,206	12,780
TOTAL ASSETS		35,645	36,541

3.2 CONSOLIDATED EQUITY AND LIABILITIES

Equity and liabilities (in €m)	Notes	2017	2016
Share capital	8.1.3	604	613
Share premiums		1,914	1,914
Reserves and net income attributable to owners of the parent		7,394	7,517
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		9,912	10,044
Non-controlling interests	8.1.7	3,369	2,858
TOTAL EQUITY		13,281	12,902
Provisions	9.1	282	345
Non-current borrowings and other financial liabilities	10.6	3,728	3,713
Debts financing the credit activity	11.2	928	984
Non-current derivative financial instruments	10.4	22	34
Other non-current liabilities	10.6	341	1,274
Deferred tax liabilities	12.1	627	654
NON-CURRENT LIABILITIES		5,927	7,005
Provisions	9.1	247	223
Current borrowings and other financial liabilities	10.6	1,487	1,102
Debts financing the credit activity	11.2	1,387	1,299
Current derivative financial instruments	10.4	52	48
Trade payables	10.6	8,799	9,312
Current tax liabilities	12.1	140	132
Other current liabilities	10.6	4,325	4,396
Liabilities classified as held for sale			121
CURRENT LIABILITIES		16,436	16,634
TOTAL EQUITY AND LIABILITIES		35,645	36,541

3.3 CONSOLIDATED INCOME STATEMENT

(in €m)	Notes	2017	2016
Revenue	3.1	53,155	52,820
Cost of sales	3.1	(40,510)	(40,259)
Gross profit		12,645	12,561
Payroll expenses	5.1	(6,295)	(6,043)
External expenses		(3,833)	(3,735)
Depreciation, amortisation and impairment	3.3	(1,593)	(1,633)
Other recurring operating profit	3.3	12	10
Other recurring operating expenses			
OPERATING PROFIT FROM CONTINUING OPERATIONS		935	1,159
Other operating profit and expenses	3.4	(173)	(78)
OPERATING PROFIT		762	1,081
Income from cash and cash equivalents		59	50
<i>Gross cost of financial debt</i>		(98)	(85)
<i>Net cost of financial debt</i>	10.2	(39)	(35)
Other financial revenue	10.3	15	33
Other financial expenses	10.3	(12)	(91)
PROFIT BEFORE TAX		727	989
Share of net profit (loss) of associates	7	(2)	(5)
Income tax expense	12.2	(255)	(160)
NET PROFIT FROM CONTINUING OPERATIONS		470	824
Net profit from assets held for sale and discontinued operations ⁽¹⁾	2.6	40	(21)
PROFIT FOR THE PERIOD		509	803
• of which attributable to owners of the parent		275	590
• of which attributable to non-controlling interests		234	213
EARNINGS PER SHARE FROM CONTINUING OPERATIONS, ATTRIBUTABLE TO OWNERS OF THE PARENT (in €)			
• basic	8.2	7.81	19.96
• diluted	8.2	7.81	19.94
EBITDA⁽²⁾	3.2	2,434	2,646

(1) Net profit from assets held for sale and discontinued operations comprises Alinéa's net profit in 2016 and net proceeds from sale in 2017 (see note 2.6).

(2) Operating profit from continuing operations less other operating profit and expenses and excluding depreciation, amortisation and impairment expenses (including those recognised under cost of sales, payroll expenses and other external expenses).

3.4 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in €m)	2017			2016		
	Gross amount	Income tax	Net	Gross amount	Income tax	Net
Net profit for the year			509			803
Revaluation of net liability in respect of defined benefits	20	(5)	15	(19)	5	(14)
TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	20	(5)	15	(19)	5	(14)
Exchange differences on translating foreign operations	(348)		(348)	6		6
Change in fair value						
• of available-for-sale financial assets	1		1	(13)	1	(12)
• of instruments hedging net investments in foreign operations						
• of cash-flow and forex hedges	(26)	18	(8)	(26)	(5)	(31)
Share of other components of comprehensive income of associates						
TOTAL ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	(373)	18	(355)	(33)	(4)	(37)
OTHER COMPONENTS OF COMPREHENSIVE INCOME	(353)	13	(340)	(52)	1	(51)
Total comprehensive income			169			752
Attributable to:						
• Owners of the parent			87			668
• Non-controlling interests			82			84

3.5 CONSOLIDATED STATEMENT OF NET CASH FLOWS

(in €m)	Notes	2017	2016
Consolidated profit for the year (including non-controlling interests)		509	803
Share of net profit (loss) of associates		2	5
Dividends received (non-consolidated investments)		(5)	(3)
Net cost of financial debt		39	37
Income tax expense (including deferred taxes)		263	148
Net depreciation, amortisation and impairment expenses (other than on current assets)		1,709	1,597
Income and expenses on share-based payment plans		1	
Other non-cash items			
Capital gains/losses net of tax and negative goodwill		(92)	(39)
Cash flows from operations before net cost of financial debt and tax		2,426	2,548
Income tax paid		(317)	(326)
Interest paid		(151)	(154)
Other financial items		112	117
Cash flows from operations after net cost of financial debt and tax		2,070	2,185
Changes in working capital requirement	13	94	(72)
Changes in items relating to the credit activity	13	(59)	(104)
Net cash generated by operating activities		2,105	2,009
Acquisition of property, plant and equipment, intangible assets and investment property		(1,700)	(1,703)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		109	105
Acquisition of shares in non-consolidated companies including associates accounted for by the equity method		(14)	(16)
Proceeds from sale of shares in non-consolidated companies including associates accounted for by the equity method		22	38
Acquisition of subsidiaries net of cash acquired ⁽¹⁾		(151)	(29)
Sales of subsidiaries net of cash disposed of ⁽²⁾		57	
Dividends received (non-consolidated investments)		12	7
Changes in loans and advances granted	13	71	(101)
Net cash from (used in) investing activities		(1,594)	(1,699)
Amounts received from shareholders on capital increases	13		
Purchases and sales of treasury shares ⁽³⁾		(50)	(268)
Dividends paid during the period	13	(537)	(351)
Acquisitions and disposals of interests without change of control ⁽⁴⁾	13	(41)	57
Changes in net financial debt	13	442	(68)
Net cash from (used in) financing activities		(186)	(630)
Effect of changes in foreign exchange rates ⁽⁵⁾		(68)	(53)
Net increase (decrease) in cash and cash equivalents		257	(373)
Cash and cash equivalents at beginning of period	13	2,047	2,420
Cash and cash equivalents at end of period	13	2,304	2,047
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		257	(373)

(1) Acquisitions relating to business combinations net of cash acquired mainly comprise the SCI Petit Menin (Promenade de Flandres) transaction by Immochan France in the amount of €55 million, the acquisition of Atlant by Retail Ukraine in the amount of €48 million and the acquisition of Coresi Business Park by Immochan Romania in the amount of €26 million.

(2) Sale of Alinéa shares (see significant events in note 2.6).

(3) In 2016, the acquisition of treasury shares involved the buyback of Auchan Holding SA shares from Valauchan and Valsuper net of the sale of Auchan Holding SA shares to Valaccord, Valfrance and companies under the employee share ownership plan outside of France.

(4) Principally the purchase of Sun Art shares by Retail Holding in the amount of €(31) million.

(5) The impact in 2017 of fluctuations in the Chinese yuan for €(76) million and in the Polish zloty for €(24) million. This impact is partly offset by the positive impact of changes in the Russian rouble in the amount of €24 million.

3.6 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (BEFORE APPROPRIATION OF PROFIT)

(in €m)	Share capital	Share premiums ⁽¹⁾	Treasury shares ⁽²⁾	Currency translation, financial instrument revaluation, and actuarial gains and losses reserves ⁽³⁾	Consolidated reserves and profit for the period	Equity		Total
						Attrib. to owners of the parent	Non-controlling interests	
At 1 January 2016	633	1,914	(438)	(556)	8,146	9,699	2,848	12,547
Net profit for the year					590	590	213	803
Other components of comprehensive income				78		78	(129)	(51)
Total comprehensive income				78	590	668	84	752
Capital reduction	(20)		407		(407)	(20)		(20)
Treasury shares			(250)			(250)		(250)
Dividend distributions					(196)	(196)	(153)	(349)
Changes in consolidation scope					75	75	67	142
Changes in put options granted to non-controlling interests					134	134	27	161
Other					(66)	(66)	(15)	(81)
AT 31 DECEMBER 2016	613	1,914	(281)	(478)	8,276	10,044	2,858	12,902
At 1 January 2017	613	1,914	(281)	(478)	8,276	10,044	2,858	12,902
Net profit for the period					275	275	234	509
Other components of comprehensive income				(188)		(188)	(152)	(340)
Total comprehensive income				(188)	275	87	82	169
Capital reduction	(9)		179		(179)	(9)		(9)
Treasury shares			(50)			(50)		(50)
Dividend distributions					(350)	(350)	(187)	(537)
Changes in consolidation scope					(7)	(7)	(24)	(31)
Changes in put options granted to non-controlling interests ⁽⁴⁾					194	194	637	831
Other					3	3	3	6
AT 31 DECEMBER 2017	604	1,914	(152)	(666)	8,212	9,912	3,369	13,281

(1) Share premiums include premiums paid for stock issued, mergers and other capital contributions.

(2) See note 8.1.4.

(3) See note 8.1.6.

(4) The change principally corresponds to the lapse of the put option granted to Ruentex, following the partnership agreement entered into by Alibaba Group, Auchan Retail and Ruentex in China (see notes 1.2 and 10.6.2).

3

CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 GENERAL DESCRIPTION OF THE CONSOLIDATION SCOPE AND SIGNIFICANT EVENTS

1.1 GENERAL DESCRIPTION OF THE CONSOLIDATION SCOPE

Auchan Holding SA, the holding company of the consolidated entities, is a French company with its registered office at 40, Avenue de Flandre, Croix, France.

The world's 13th largest retailer, Auchan Holding and the companies included in the consolidation scope operate in 14 countries and employ a headcount of 341,399.

Since 2 December 2015, Auchan Holding has been organised around 3 core activities, which at 31 December 2017 comprised:

- Auchan Retail which groups together the food retail activities. This activity includes operation of the hypermarkets (942 stores which are fully consolidated), convenience stores (1 065 stores which are fully consolidated) and ultra-convenience stores (247 stores which are fully consolidated). It also includes the E-Commerce (Auchandirect and Auchan.fr, mainly) and drive outlets (Chronodrive and Auchan Drive);
- Retail property management by Immochan and its subsidiaries (393 shopping centres with shopping malls and retail parks, managed by Immochan);
- The banking activity carried out by Oney Bank, which specialises in consumer credit, insurance, electronic payments and payment card management. Oney Bank has a portfolio of 9.7 million customers.

In 2017, all the entities in the consolidation scope generated revenue excluding taxes of €53.2 billion, 66% of which was generated outside France and 97.8% of which was generated by Auchan Retail.

1.2 SIGNIFICANT EVENTS IN 2017 AND MAIN CHANGES IN THE CONSOLIDATION SCOPE

Partnership between Alibaba Group, Auchan Retail and Ruentex in China

On 20 November 2017, Alibaba Group Holding Limited, Auchan Retail S.A. and Ruentex Group announced a strategic alliance combining their physical (offline) and digital (online) expertise to explore new phygital opportunities in China's food retail sector. As part of this strategic alliance, Alibaba Group acquired a stake (direct and indirect) of 36.16% in the capital of Sun Art Retail Group Limited by purchasing shares previously owned by Ruentex. This transaction gave Auchan Retail, Alibaba Group and Ruentex (directly or indirectly) interests of 36.18%, 36.16% and 4.67%, respectively, in the capital of Sun Art. Auchan Holding continued to consolidate its subsidiary Sun Art in its financial statements for the year ended 31 December 2017.

Retail Romania – Commercial partnership with OMV Petrom

In April 2017, Auchan Retail Romania signed a commercial partnership agreement with OMV Petrom to operate the shops of the leading Romanian service station network under the My Auchan banner.

Auchan Retail France – Roll-out of the single brand and reorganisation of support services

On 2 March 2017, Auchan Retail France revealed its project to roll out a single brand across France. The project aims to bring together all stores (hypermarkets, supermarkets and ultra-convenience stores) and shopping websites under the Auchan banner, based on a new, more flexible and more efficient structure, and on an investment plan for France worth more than €1.3 billion over 3 years.

At the same time, Auchan Retail France has begun a reorganisation of its support services, which will see them brought together at its historic site at Villeneuve d'Ascq. This reorganisation will lead to a reduction in headcount as teams at the different formats will be consolidated.

The Group incurred costs in relation to this reorganisation (including provisions recorded at 31 December 2017) of €36 million, net of the impact of retirement obligations, which is recognised in the consolidated income statement under "Other operating profit and expenses".

Sun Art Retail Group – Exceptional income from prepaid cards

Prepaid gift cards issued by the group companies are recorded under "Other current liabilities" in the consolidated statement of financial position. The related prepayments are held under liabilities in the statement of financial position until they are used by customers in our stores.

Sun Art Retail Group Limited has sold cards of this sort since 2004. Customers who purchase these cards may use them in the store network with no time limit. At 31 December 2016, the related liability (credits in respect of sold cards as yet unused by customers) stood at €1,232 million (RMB 9,018 million). As there is no legal expiry date, all credits unused since the launch of this business had, until that date, been held under liabilities on the statement of financial position.

During fiscal year 2017, studies carried out by an actuarial firm that used data on the historic use of issued cards to project future practices in card usage allowed us to statistically estimate credit amounts that have a high probability of never being used.

At 31 December 2017, the revenue resulting from this change of estimate amounted to €40 million, corresponding to credits in existence for more than 5 years with a very low probability of being used in stores in the future. Furthermore, in accordance with this new method of recognising unused credit amounts, income of €19 million was recognised under "Revenue" for fiscal year 2017 corresponding to credit on cards issued during y-5, i.e. 2012. This estimate will be regularly reviewed in the light of discernible changes in the way in which customers of the Chinese brands use prepaid cards and any new information and experience in this area.

Bond issue

On 31 January 2017, Auchan Holding issued a bond under the Euro Medium-Term Note (EMTN) programme for an amount of €600 million over 5 years at the nominal interest rate of 0.625%.

Immochan France – Acquisition of the Promenade de Flandre retail park

On 27 September, Immochan acquired Altarea Commerce's 50% stake the SCI Petit Menin (Promenade de Flandre). As a result of this acquisition, Immochan owns 100% of this retail park located in the Petit Menin urban development area of Neuville en Ferrain in Northern France. Since it led to Immochan assuming control of SCI Petit Menin, the acquisition required the shareholding held prior to the acquisition to be revalued.

Retail Senegal – agreement for the acquisition of the CityDia stores

On 22 September 2017, Auchan Senegal signed an agreement for the acquisition of the CityDia stores from Diagonal SA. The agreement covers 9 points of sale with a surface area ranging from 260m² to 660m², located in Dakar. The 9 businesses will be acquired individually between November 2017 and February 2018.

Changes in the store network

The number of points of sale operated by Auchan Retail changed as follows in 2017:

- in Western Europe, the number of points of sale grew by a net 20 units, most notably 11 in Spain and 7 in Portugal;
- in Central and Eastern Europe, the number of points of sale grew by a net 37 units, with 15 in Romania, 13 in Ukraine and 10 in Russia;
- in Asia and Africa, the store network grew by 102 units, with 79 in China, 11 in Vietnam and 11 in Senegal.

Change in the consolidation scope

In 2016, negotiations began in respect of the disposal of all shares in Alinéa. At 31 December 2016, since the IFRS 5

"Non-current assets held for sale and discontinued operations" criteria were met, the contributions by Alinéa to the income statement and statement of financial position were classified under specific headings in Auchan Holding's consolidated financial statements.

The disposal of shares by Auchan Holding to Holdinéa (an entity owned by the Mulliez family) was completed on 26 April 2017.

This transaction was reflected in the consolidated financial statements at 31 December 2017 as net proceeds of €40 million, recognised under "Net profit from assets held for sale and discontinued operations". This amount includes the following principal amounts: the consolidated gain on disposal, Alinéa's profits for the period from 1 January 2017 to the date of disposal and the impairment on a receivable.

On 9 June 2017, Auchan Retail Ukraine signed an agreement to acquire 99% of the shares in the Ukrainian company Atlant Finance. This company holds and operates the leases on 9 supermarkets in Kiev, Kharkiv, Dnieper, Zhytomyr and Chernivtsi. The acquisition completed in the second half of 2017.

1.3 EVENTS AFTER THE REPORTING PERIOD

Governance adjustment at Auchan Holding

On 2 January 2018, Auchan Holding announced that Barthélémy Guislain would replace Régis Degelcke as chairman of the Supervisory Board. Since that date, the Management Board has comprised the chairmen of the boards of directors of Auchan Holding's three core businesses, Régis Degelcke for Auchan Retail, Vianney Mulliez for Immochan and Xavier de Mezerac for Oney. Auchan Holding's Management Board is chaired by Régis Degelcke.

Bond issue

On 25 January 2018, Auchan Holding issued a bond under the Euro Medium-Term Note (EMTN) programme for an amount of €350 million over 2 years at the [3-month Euribor rate +15bp (coupon floor level of "0")].

NOTE 2 GENERAL ACCOUNTING PRINCIPLES AND CONSOLIDATION SCOPE

2.1 BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Auchan Holding's consolidated financial statements were approved by the Management Board on 7 March 2018. They will not be finalised until they have been approved by the Ordinary General Meeting of Shareholders scheduled for 24 May 2018.

2.1.1 Statement of compliance

Pursuant to European regulation no. 1606/2002 of 19 July 2002, Auchan Holding's consolidated financial statements have been prepared in accordance with international accounting standards comprising IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards) and interpretations thereof issued by the IASB (International Accounting Standards Board) and by the IFRS IC (International Financial Reporting Standards Interpretations Committee) and as adopted by the European Union at 31 December 2017 and of mandatory application at that date.

2.1.2 Application of standards

The international standards, amendments to existing standards and interpretations adopted by the European Union and effective from 1 January 2017, and which have a significant impact on Auchan Holding's consolidated financial statements, are detailed in note 2.2.

The presented financial statements do not take account of new standards, revisions to existing standards and interpretations that have been published by the IASB but are not yet applicable. Their potential impact on the consolidated financial statements is currently under review, save where otherwise stated:

IFRS 9 – Financial instruments

The Group has made the necessary arrangements to implement this standard within the required deadlines, involving all concerned countries. It has been working since 2015 on an assessment of the main impacts of IFRS 9.

Its analysis mainly concerned changes around:

- the new criteria for classifying and measuring financial assets;
- overhauling the credit risk impairment model with provisioning for expected credit losses (ECLs) rather than incurred credit losses. At this stage of the project, the Group has finalised its new IFRS 9 impairment model, which notably provides for the recognition of 12-month ECLs as soon as they have been included in the balance sheet;
- hedge accounting which provides for broader conditions for qualification as hedging instruments and hedged items, less restrictive effectiveness-testing criteria, and reduced volatility in terms of recognition under profit or loss.

The standard whose application is not mandatory at 1 January 2017 has not been anticipated.

The final impact will be recognised at the time of effective transition to the new standard on 1 January 2018.

IFRS 15 – Revenue from contracts with customers

IFRS 15 is the new standard governing the principles for revenue recognition. It replaces IAS 11 - Construction contracts, IAS 18 - Revenue, and the various existing interpretations, notably IFRIC 15 - Agreements for the construction of real estate.

The Group has begun work on identifying the potential impact of IFRS 15 on each of its core activities: Auchan Retail, Immochan and Oney Bank. The results of its analyses confirm that the new provisions of IFRS 15 do not require changes to be made to its current revenue recognition model. Consequently, it does not expect the first-time application of this standard to have a material impact.

At Immochan, the latest market conclusions on the incorporation of property into the calculation of sales before completion confirm the viability of its current revenue recognition treatment, which includes the land item in the calculation of progress of completion. Consequently, no impact is expected.

At Auchan Retail International, the Group has identified no material impact on its revenue recognition method.

IFRS 15 will be effective as of 1 January 2018. With regard to the non-significant impacts of first-time application of the standard, the Group could opt for the cumulative catch-up method without restatement of the 2017 comparative period. Consequently, the equity stated on the opening balance sheet at 1 January 2018 may eventually be adjusted, with no material impact, during the application of this new standard.

During the first half of 2018, the Group will finalise its work on incorporating all the new requirements of the standard on disclosures in the notes to the financial statements.

IFRS 16 – Leases will apply from 1 January 2019

The application of IFRS 16 from 1 January 2019 will have a significant impact on Auchan Holding's financial statements due to the pre-eminence of the Retail activity within the consolidation scope and the high number of real estate leases signed by the entities in the consolidation scope. The Group has accordingly put together a project team, and during 2017 it began work on:

- listing all leases as required by IFRS 16;
- implementing a methodology for calculating interest rates.

The main difficulty for Auchan Holding in interpreting and therefore applying IFRS 16 relates to the calculation of the term of leases.

- on the one hand, because of the different nature of property leasing practices in the various markets and countries in which it operates; and
- on the other hand, because the criteria specified under the standard tend to be subjective and require a judgement call.

Since it is not always easy to establish the term that is to be taken into account under IFRS 16 due to the specific nature of certain leases, a constructive approach that takes into account the economic reality of the operations underlying these leases is being established in order to ensure the standard can be applied homogeneously by all subsidiaries and to reflect the level of financial commitment by type of lease based on Auchan's management policies.

The modified retrospective method will be used in the transition to this standard.

At 31 December 2017, the minimum financial commitment relating to leases was €4,926 million (€5,115 million at 31 December 2016), and is detailed in note 6.5.2.

2.1.3 Use of estimates

The preparation of consolidated financial statements requires management to make judgements and estimates and use assumptions that could affect the carrying amounts of certain assets and liabilities and revenue and expenses as well as the information provided in the notes to the financial statements.

In preparing the consolidated financial statements, the following items were the subject of significant judgements and estimates made by management in applying Auchan Holding's accounting methods:

- the period over which non-current assets are depreciated (see note 6.3);
- the measurement of provisions and amounts due from suppliers (see notes 9 and 3.1);
- the measurement of retirement benefit obligations (See note 5.2);
- the values used for testing impairment of property, plant and equipment, intangible assets and goodwill, (see note 6.6);
- the measurement of deferred tax assets (including those relating to tax losses carried forward) (see note 12.1);
- the fair value measurement of identifiable assets and liabilities in the context of business combinations (see note 2.1.5);
- the measurement of customer loans (see note 11.1);
- the information on the fair value of investment property provided in the notes to the financial statements (see note 6.4).

These estimates assume the business is a going concern and are based on past experience and other factors considered reasonable in the circumstances and using the information available at the time. These estimates may be revised if the circumstances on which they were based change or as the result of new information. The actual values may be different from the estimated amounts.

2.1.4 Consolidation scope and methods

The financial statements of companies directly or indirectly controlled by Auchan Holding are consolidated using the full consolidation method. Control is considered to exist when Auchan Holding has the power to govern, directly or indirectly, the company's strategy and operating and financial policies so as to obtain a benefit from its assets. The existence and effect of potential voting rights that are substantively exercisable or convertible are taken into account for determining control.

The companies over which Auchan Holding directly, indirectly or jointly exercises significant influence on management and financial policies, without exercising control, are accounted for

using the equity method. Auchan Holding's share of the profit or loss of associates is recognised in the income statement under the heading "Share of net profit of associates". The share of other components of associates' comprehensive income is recorded on a separate line in the consolidated statement of comprehensive income. If Auchan Holding's share of the losses of an associate is equal to or exceeds its shareholding, in its consolidated financial statements, Auchan Holding ceases to recognise its share of the losses unless it has a legal or implicit obligation to do so, or must make payments on behalf of the associate.

Consolidation is based on the financial statements for the year to 31 December for all the entities included in the consolidation scope. The consolidated financial statements include the financial statements of acquired companies from the date on which control is transferred to Auchan Holding. Companies that are sold are consolidated up to the date control ceases.

Transactions and balances between companies that are members of the consolidation scope are eliminated on consolidation.

2.1.5 Consolidation of the financial statements of the credit activity

The financial statements of Oney Bank and its subsidiaries and of Comfactor Commercio Factoring SpA, a captive factoring company operating in Italy, are fully consolidated in the consolidated financial statements of Auchan Holding as follows:

- assets and liabilities are allocated, according to their nature, to the relevant lines in the consolidated statement of financial position, with customer loans recorded in a separate line on the asset side and the financing of customer loans in a separate line on the liabilities side;
- in the income statement, banking revenues are included in "Revenue", banking expenses in "Cost of sales", and net banking income in "Gross profit".

2.1.6 Business combinations

In accordance with the provisions of Amended IFRS 3 "Business Combinations", Auchan Holding applies the purchase method for business combinations completed after 1 January 2010.

Under this method, all identifiable assets acquired and liabilities and contingent liabilities assumed are measured and recognised at their fair value on the date control is acquired. The consideration transferred (purchase cost) is measured at the fair value of the assets, equity and liabilities at the acquisition date. The costs arising directly from the business combination are recorded as an expense for the period.

The excess of the consideration transferred over Auchan Holding's share of the fair value of identifiable assets, liabilities and contingent liabilities of the acquired entity are recognised as an asset under goodwill on the statement of financial position. At the date of acquisition of control and for each business combination, Auchan Holding can opt either to record partial goodwill (corresponding to the share acquired by Auchan Holding and its subsidiaries) or full goodwill in its consolidated financial statements. In the latter case, the non-controlling interests are measured at fair value and Auchan Holding records goodwill on the totality of the identifiable assets and liabilities in its consolidated financial statements.

Goodwill is measured on the date control is acquired and is not adjusted after the end of the valuation period. Subsequent changes in percentage interests in a subsidiary without change of control are recorded directly in group equity.

In the case of step acquisitions, the share previously held by Auchan Holding and its subsidiaries is re-measured at fair value. The difference between the fair value and the net carrying amount of the interest is recognised in the income statement when a step results in the acquisition of control. If control is already established, the difference is recognised as the net difference. In the case of loss of control of an entity, any interest retained directly or indirectly by Auchan Holding is measured at fair value as a counter-entry in the income statement.

Goodwill relating to an associate accounted for using the equity method is recorded under "Investments in associates".

Any negative goodwill is recognised immediately in the income statement.

In its consolidated financial statements, Auchan Holding has a period of one year from the date of acquisition of control to finalise the initial assessment of identifiable assets, liabilities and contingent liabilities, the consideration transferred and non-controlling interests on condition that the elements used to adjust these amounts correspond to new information that has come to the acquiring company's knowledge but arising from events and circumstances prior to the acquisition date.

Subsequent price adjustments are included in the acquisition cost at their fair value as at the date of acquisition of control, even if they are of a conditional nature, and charged against equity or debt (depending on the payment method). During the valuation period, subsequent adjustments to these additional payments are recognised in goodwill when they relate to events and circumstances prior to the acquisition date; otherwise they are recognised in the income statement unless they had an equity instrument as a counter-entry.

Any deferred tax assets of the acquired entity not recognised as at the date control was acquired or during the assessment period are subsequently recognised in the income statement without any adjustment to goodwill.

2.1.7 Foreign currency transactions

Auchan Holding's functional currency and the currency in which the consolidated financial statements are expressed is the euro.

Translation of the financial statements of foreign subsidiaries

Auchan Holding has no subsidiary operating in a hyperinflationary economy. The financial statements of all entities whose operating currency is not the euro are therefore translated into euro using the following method:

- assets and liabilities, except for equity, which is maintained at the historical exchange rate, are translated at the exchange rate applicable on the accounts closing date;
- income and expense items are translated at the average exchange rate for the period;
- cash flows are translated at the average exchange rate for the period.

The translation differences resulting from application of this method are recognised under "Exchange differences on translating foreign operations" in other comprehensive income in the consolidated statement of comprehensive income and are recognised in the income statement on disposal of the investment concerned.

Goodwill and fair value adjustments resulting from a business combination with an activity whose operating currency is not the euro are considered as part of the subsidiary's assets and liabilities. They are expressed in the operating currency of the acquired entity and translated into euro at the exchange rate applicable on the accounts closing date. Any resulting currency translation differences are recognised under Exchange differences on translating foreign operations in the consolidated statement of comprehensive income.

Recognition of foreign currency transactions

Transactions denominated in foreign currencies are translated into euro at the exchange rate on the transaction date.

Monetary assets and liabilities denominated in a foreign currency, whether hedged or not, are translated into euro at the exchange rate on the accounts closing date and the resulting exchange differences are recognised in profit or loss for the period.

Foreign currency denominated non-monetary assets and liabilities valued at historical cost are translated at the exchange rate prevailing on the initial transaction date.

Foreign currency denominated non-monetary assets and liabilities valued at fair value are translated at the exchange rate prevailing on the date the fair value was determined.

2.1.8 Presentation of financial information

The amounts shown in the consolidated financial statements are rounded up or down to the closest million and include data which have been rounded up or down individually. As a result, there may be differences between the arithmetical totals and the aggregates or sub-totals shown.

Statement of financial position

Assets and liabilities involved in the normal cycle of operations are classified as current items. Other assets and liabilities are classified as current or non-current depending on whether their expected date of recovery or payment is within twelve months from the accounts closing date.

Statement of cash flows

Auchan Holding's statement of cash flows is prepared in accordance with IAS 7, using the indirect method, based on the net profit of all companies in the consolidation scope, and is broken down into three categories:

- cash flows from operations (including taxes);
- cash flows from investing activities (in particular the purchase and sale of equity investments, and non-current assets excluding finance leases);
- cash flows from financing activities (in particular debt issuance and redemptions, share buybacks, dividend payments).

2.2 MAIN CHANGES DURING THE PERIOD

The amendments to IAS 7 requiring an analysis of changes in financial debt to be presented are applicable as of 1 January 2017. These changes are shown in note 10.1.

2.3 MAIN CHANGES IN THE CONSOLIDATION SCOPE

The main changes in the consolidation scope in 2017 were as follows:

- Alinéa was sold on 26 April 2017 (see significant events in note 1.2);
- on 9 June 2017, Auchan Retail Ukraine signed an agreement to acquire 99% of the shares in the Ukrainian company Atlant Finance (see significant events in note 1.2);

2.4 TRANSACTIONS WITH RELATED PARTIES

Auchan Holding has relationships with its subsidiaries (fully consolidated) and with joint ventures and associates (consolidated using the equity method).

Related parties with control over Auchan Holding

No material transactions were carried out with the reference shareholders of Auchan Holding S.A. save for the dividend paid to all shareholders (see note 8.1) and the disposal of Alinéa (see notes 1.1 and 2.6).

Remuneration of corporate officers

The total expense recognised in respect of the remuneration of corporate officers (members of the Management Board and Supervisory Board) amounted to €3.3 million in 2017, and broke down as follows:

- short-term benefits (including directors' fees): €2.3 million;
- share-based payments: €0.8 million ;
- post-employment benefits: €0.2 million.

Joint ventures/Associates

Information on jointly-controlled ventures and associates consolidated using the equity method is provided in note 7.

Transactions with these companies are carried out on arm's length conditions. No significant commitments have been entered into with these companies.

Joint arrangements

No agreements that meet the characteristics of joint arrangements within the meaning of IFRS 11 have been identified.

2.5 OFF-BALANCE SHEET COMMITMENTS RELATING TO THE CONSOLIDATION SCOPE

Off-balance sheet commitments correspond to commitments given or received by entities within the consolidation scope of Auchan Holding which were not recorded in the balance sheet.

At 31 December 2017, the Finance Division was not aware of any off-balance sheet commitments likely to have a material impact on the financial situation of Auchan Holding's consolidated companies.

Details of financing-related off-balance sheet commitments are provided in note 10.7 and those of off-balance sheet commitments relating to the lending activity are provided in note 11.4.

Details of share call options

Oney Bank and Immochan Luxembourg have commitments relating to call options on shares linked to the minority holdings of certain of their subsidiaries. These amounted to €25 million at 31 December 2017. At 31 December 2016, these commitments stood at €22 million.

2.6 DISCONTINUED ACTIVITIES, ACTIVITIES BEING OR ALREADY DISPOSED OF AND ASSETS HELD FOR SALE

The furniture and decoration banner Alinéa operates 26 stores in France. It was fully consolidated in Auchan Holding's consolidated financial statements until it was sold on 26 April 2017.

In 2016, negotiations began in respect of the disposal of all shares in Alinéa. Given the level of progress in these negotiations and pursuant to the criteria set out in IFRS 5, the company was classified under "non-current assets held for sale". The criteria for application of IFRS 5 include the condition that the shares must be available for immediate sale in their current state and that a sale is "highly probable".

The non-Group assets and liabilities of this activity were classified under "assets held for sale" and "liabilities classified as held for sale" on 31 December 2016.

The negotiations continued at the beginning of 2017 and the sale of the shares held by Auchan Holding was completed on 26 April 2017 (see significant events in note 1.2).

A breakdown by type of the assets and liabilities classified as held for sale as at 31 December 2016 is set out in the annual financial report as at 31 December 2016 (note 2.6).

In accordance with IFRS 5, for the half-year and annual financial statements for financial year 2016, all items of Alinéa's income statement are presented under the single line item "Net profit from assets held for sale and discontinued operations".

Breakdown of Alinéa's net profit in the annual financial statements for financial years 2016 and 2017:

(in €m)	31/12/2017	31/12/2016
Revenue	98	408
Gross profit	34	146
Operating profit from continuing operations	(13)	(29)
Other operating profit and expenses		(1)
OPERATING PROFIT	(13)	(30)
Net cost of financial debt	(1)	(3)
Other financial revenue and expenses		
PROFIT BEFORE TAX	(14)	(33)
Tax income	2	12
PROFIT FOR THE YEAR	(12)	(21)
<ul style="list-style-type: none"> • Attr. to owners of the parent • Attr. to non-controlling interests 	(12)	(21)
EBITDA	(9)	(10)

The change in cash and cash equivalents relating to assets held for sale included in the Group's statement of cash flows breaks down as follows:

(in €m)	31/12/2017	31/12/2016
Net cash from (used in) operating activities	1	(19)
Net cash from (used in) investing activities	(1)	(12)
Net cash from (used in) financing activities	10	30
Net change in cash from activities sold	(10)	(1)

NOTE 3 OPERATING DATA

3.1 REVENUE/GROSS PROFIT

Accounting Principles

Revenue includes sales of goods and services by the stores and E-commerce sites, rental revenues from shopping malls and retail parks, and banking revenues from the credit activity.

Other revenue includes franchise fees, lease premiums collected by the shopping malls and retail parks, commissions for the sale of services and warranty extension premiums.

Cost of sales comprises the cost of purchases net of rebates and commercial cooperation fees, received by the group changes in inventories net of any impairment loss, logistics costs, cash discounts obtained, exchange gains and losses on the purchase of goods, and banking expenses for the credit activity.

Rebates and commercial cooperations, recognised as a deduction from the cost of sales, result from contractual

agreements signed by the group companies with their suppliers. These agreements, which are specific from one supplier to another, include rebates calculated according to the volume of purchases of goods made, as well as rebates for commercial cooperation actions invoiced to suppliers. These commercial cooperation actions are the subject of contractual agreements.

Rebates are obtained when the related performance conditions are met. These performance conditions generally require the Group to respect certain volume thresholds. Rebates under commercial cooperation agreements are recognised during their period of implementation. They are recorded in accordance with the terms and conditions set out in the contractual agreements concluded with the Group's suppliers until their completion.

The gross profit is the difference between revenue and the cost of goods sold.

(in €m)	2017	2016
Sales ⁽¹⁾	52,684	52,582
Other revenue	471	238
Revenue	53,155	52,820
Purchases net of discounts, commercial cooperation services and ancillary and logistics costs	40,321	40,701
Change in inventories (net of impairment)	189	(442)
Cost of sales	40,510	40,259
Gross profit	12,645	12,561

(1) Of which €19 million relating to prepaid cards in China in 2017 (see note 1.2).

3.2 EBITDA

Accounting Principles

EBITDA corresponds to operating profit from continuing operations excluding other recurring operating profit and expenses and after depreciation, amortisation and impairment

(including that recognised under cost of sales, payroll expenses and other external expenses).

(in €m)	2017	2016
Operating profit from continuing operations	935	1,159
• Other recurring operating profit and expenses	(12)	(10)
• Depreciation, amortisation and impairment ⁽¹⁾	1,511	1,497
EBITDA	2,434	2,646

(1) Including that recognised under cost of sales, payroll expenses and other external expenses for €82 million in 2017 and €138 million in 2016.

3.3 OPERATING PROFIT FROM CONTINUING OPERATIONS

3.3.1 Other recurring operating profit

(in €m)	2017	2016
Net gains on disposals (including reversals of provisions on sold assets)	25	8
Other	(13)	2
TOTAL OTHER RECURRING OPERATING PROFIT	12	10

3.3.2 Auditors' fees

As required by Regulation no. 2016-09 issued by the French accounting standards authority (Autorité des Normes Comptables), the following table shows the pre-tax amount of fees (excluding disbursements) paid by Auchan Holding and its French subsidiaries under auditing mandates:

(in €m)	PricewaterhouseCoopers Audit	KPMG Audit
Auditing services	1	1.3
Non-audit services (NAS)	0.1	0.1

Non-audit services include fees for work required by law, in particular the authorisation of the award of bonus shares, capital decrease, as well as certificates, comfort letters and agreed procedures.

3.3.3 Depreciation, amortisation and impairment

(in €m)	2017	2016
Depreciation and amortisation expenses, net of reversals ⁽¹⁾	1,488	1,503
Provisions and impairment expenses, net of reversals of unused provisions	105	130
NET AMOUNT IN INCOME STATEMENT	1,593	1,633

(1) Of which €83 million related to the amortisation of other intangible assets in 2017 (€62 million in 2016) (see note 6.2).

3.4 OTHER OPERATING PROFIT AND EXPENSES

Accounting Principles

Non-recurrent transactions involving significant amounts and which could diminish the readability of operating performance are recorded under "Other operating profit and expenses" in accordance with French accounting standards authority (Autorité des Normes Comptables) recommendation no. 2013-R.03.

This item includes in particular significant impairment recognised on goodwill, significant and exceptional impairment losses recognised on property, plant and equipment, and items that are exceptional, unusual and material and which are unrelated to ordinary operations, such as expenses for major restructuring or exceptional indemnities on contract termination.

(in €m)	2017	2016
Re-estimated profit from taking control and full consolidation of property assets/ Profit from the sale of property assets:	44	52
<ul style="list-style-type: none"> • 2017: In France, re-estimated profits from taking control of property assets (in particular, SCI Petit Menin (Promenade de Flandre)) • 2016: Mainly in France (capital gains on the sales of Nogent and Alliages et Territoires offset by the capital loss on the sale of Little Extra, in particular). 		
Impairment of non-current assets (€102 million) and store closure costs (€24 million):	(126)	(47)
<ul style="list-style-type: none"> • 2017: Mainly in France for €(7) million, China for €(44) million, Russia for €(17) million, Poland for €(48) million and Taiwan for €(5) million, of which €(56) million in respect of investment property. • 2016: Mainly in France for €(19) million, China for €(12) million, Spain for €(9) million and Hungary for €(7) million, of which €(29) million in respect of investment property. 		
Impairment of goodwill and depreciation of receivables ⁽¹⁾	(118)	
Exceptional profit on prepaid cards in China ⁽²⁾	40	
Provision for reorganisation costs of Auchan Retail France support services ⁽²⁾	(36)	
Tascom 2016 ⁽³⁾		(67)
Badwill on Fia-Net (Oney Bank)		2
Other revenue and expenses:		
<ul style="list-style-type: none"> • 2017: Reversal of a provision for disputes following a favourable court decision in 2016: Contract termination costs • 2016: Indemnities on contract terminations 	23	(18)
TOTAL OTHER OPERATING PROFIT AND EXPENSES	(173)	(78)

(1) Retail Italy: Various events that occurred during the first half of 2017, gave rise to a change in the assessment of control for this company, as required by IFRS, with the result that it was fully consolidated from 30 June 2017. Also, an agreement in December enabled Auchan to acquire the partner's 49% shareholding and to hold now 100% of the securities of SCS Cambria. Based on the assessment at the end of December of the risk resulting from the company's economic and financial situation, an expense of €118 million was also recognised in the fiscal year, consisting of a full impairment of goodwill for €94 million and of receivables from SCS Cambria towards its partner Cambria for €24 million.

For the record, from 30 June 2016, the financial receivables (advances in current account) assigned to SCS Cambria had shown an impairment of €30 million. This impairment was written-off on 30 June 2017 due to the full consolidation of the company (see note 10.3).

(2) See note 1.2. to the consolidated financial statements.

(3) In 2016, an amendment to the tax laws gave rise to a change in the conditions for the payment of the "Tascom" retail space tax. This led to the recognition at 31 December 2016 of Tascom in respect of 2015 (expense of €67 million) and Tascom in respect of 2016. The expense relating to Tascom 2015 had been recognised under "Other recurring operating profit and expenses" to avoid a charge being made twice under "other operating profit from continuing operations" for 2016.

3.5 INVENTORIES

Accounting Principles

Inventories are measured at the lower of cost and net realisable value. Cost is net of annual rebates and commercial cooperation fees and includes handling and warehousing costs directly attributable to the acquisition of the products, and the transport costs incurred in bringing the products to the stores. Inventories

are valued either on the basis of the last purchase price, a method similar to the FIFO ("First in, First out") method for rapidly moving stocks, or at the weighted average unit cost, or at the selling price less the profit margin. Inventories are written down if their net realisable value is below cost.

<i>(in €m)</i>	2017	2016
Gross amount	5,046	5,395
Impairment	(136)	(130)
NET AMOUNT	4,910	5,265

Change in impairment

<i>(in €m)</i>	2017	2016
At 1 January	(130)	(146)
Provisions for impairment, net of reversals	(9)	14
Changes in the consolidation scope and exchange differences	3	2
AT 31 DECEMBER	(136)	(130)

No inventory amounts have been pledged to secure liabilities

NOTE 4 OPERATING SEGMENTS

Accounting principles

Pursuant to IFRS 8 "Operating Segments", the operating segments are determined based on the information provided to management for assessing the activities and performances of the group made up by Auchan Holding and its subsidiaries and those of the various segments it comprises. The segments presented are operating segments or groups of similar operating segments.

An operating segment is a component within the consolidation scope that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity.

The measurement of each operating segment's performance, used by the main operational decision-makers, is based on operating profit from continuing operations.

Segment assets comprise goodwill, other intangible assets and property, plant and equipment, investment property, investments in associates, customer credits, inventories, trade receivables and other current receivables.

Segment liabilities comprise provisions, debt financing the credit activity, trade payables and other current liabilities.

Segment investments correspond to acquisitions of property, plant and equipment and intangible assets, including goodwill and finance leases but excluding the impact of deferred payments.

4.1 SEGMENT INFORMATION BY BUSINESS ACTIVITY

Segment data (in €m)	Auchan Retail		Immochan		Oney Bank		Other Activities		Holding companies and eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External revenue	52,002	51,718	667	634	486	461		8			53,155	52,820
Inter-segment revenue	9	9	6	9	14	15			(30)	(33)		
REVENUE	52,011	51,727	673	643	500	475		8	(30)	(33)	53,155	52,820
Operating profit from continuing operations	621	887	229	199	59	86		(6)	27	(6)	935	1,159
Other operating profit and expenses											(173)	(78)
Operating profit											762	1,081
Net cost of financial debt											(39)	(35)
Other financial revenue											15	33
Other financial expenses											(12)	(91)
Income tax expense											(255)	(160)
Share of net profit (loss) of associates											(2)	(5)
Net profit from continuing operations											470	824
Net profit from assets held for sale and discontinued operations											40	(21)
PROFIT FOR THE YEAR											509	803
Segment assets	24,271	25,397	4,636	4,339	2,914	2,787			57	18	31,878	32,541
Segment liabilities	12,843	13,595	493	408	2,595	2,531			38	27	15,969	16,560

Other information (in €m)	Auchan Retail		Immochan		Oney Bank		Other Activities		Holding company and eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Investments (gross)	1,342	1,450	365	317	13	14	1	12			1,721	1,793
Depreciation and amortisation expenses	1,269	1,276	208	218	10	8		1			1,488	1,503
Impairment losses, net of reversals ⁽¹⁾	(185)	(40)	(64)	(37)							(249)	(77)
Other non-cash operating profit and expenses ⁽¹⁾⁽²⁾	(60)	(97)	(13)	(4)	(18)	(16)			(8)	(1)	(99)	(118)

(1) ()=expenses.

(2) Significant expenses: provision and impairment expenses/reversals other than impairment on intangible assets, property, plant and equipment and investment property (mainly relating to impairment of current assets and customer loans and provisions for risk and contingent liabilities).

4.2 SEGMENT INFORMATION BY GEOGRAPHIC AREA

(in €m)	France		Western Europe excluding France		Central and Eastern Europe		Rest of the World: Asia and Africa		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	19,270	19,219	9,977	9,887	10,411	9,896	14,355	14,535	(858)	(718)	53,155	52,820
Non-current segment assets, excluding tax and financial assets	5,744	5,402	4,018	4,008	4,211	4,187	7,034	7,714			21,007	21,311

4.3 RECONCILIATION OF SEGMENT ASSETS AND LIABILITIES

Total segment assets are reconciled in the total assets of Auchan Holding and its subsidiaries as follows:

<i>(in €m)</i>	2017	2016
Goodwill	3,692	3,700
Other intangible assets	1,052	1,078
Property, plant and equipment	11,636	12,105
Investment property	4,627	4,427
Non-current segment assets excluding tax and financial assets	21,007	21,311
Investments in associates	184	195
Non-current customer loans – credit activity	1,265	1,192
Inventories	4,910	5,265
Current customer loans – credit activity	1,647	1,630
Trade receivables	526	489
Other current receivables	2,339	2,459
Segment assets	31,878	32,541
Other non-current financial assets	504	542
Non-current derivative financial instruments	129	203
Deferred tax assets	350	318
Current tax assets	113	175
Current derivative financial instruments	52	118
Cash and cash equivalents	2,619	2,381
Assets classified as held for sale		263
TOTAL ASSETS	35,645	36,541

Total segment liabilities are reconciled in the total liabilities of Auchan Holding and its subsidiaries as follows:

<i>(in €m)</i>	2017	2016
Non-current provisions	282	345
Non-current debts financing the credit activity	928	984
Current provisions	247	223
Current debts financing the credit activity	1,387	1,299
Trade payables	8,799	9,312
Other current liabilities	4,325	4,396
Segment liabilities	15,969	16,560
Equity	13,281	12,902
Non-current borrowings and other financial liabilities	3,728	3,713
Non current derivative financial instruments	22	34
Other non-current liabilities	341	1,274
Deferred tax liabilities	627	654
Current borrowings and other financial liabilities	1,487	1,102
Current derivative financial instruments	52	48
Current tax liabilities	140	132
Liabilities classified as held for sale		121
TOTAL EQUITY AND LIABILITIES	35,645	36,541

NOTE 5 PAYROLL EXPENSES AND EMPLOYEE BENEFITS

5.1 PAYROLL EXPENSES

(in €m)	2017	2016
Wages and salaries including social security costs and external labour	6,146	5,844
Employee incentives and profit-sharing	236	274
French competitiveness and employment tax credit (CICE)	(103)	(91)
Employee benefits and share-based payments ⁽¹⁾	16	17
NET AMOUNT IN INCOME STATEMENT	6,295	6,043

(1) Including expenses booked in 2017 in respect of defined benefit schemes, including a net reversal of provision of €(13) million and other long-term employee benefits of €3 million, compared with €16 million in 2016.

The average "full-time equivalent" headcount of the consolidated companies was 341,349 in 2017, compared with 342,709 in 2016.

5.2 EMPLOYEE BENEFITS

Accounting Principles

As required under IAS 19 "Employee Benefits", all entities in the consolidation scope list and record all benefits granted to employees. Auchan Holding and its subsidiaries have set up retirement plans for employees in accordance with the laws and practices of each country.

Company employees receive long-term or post-employment benefits, based on the rules and practices in each country.

These supplementary benefits take the form of defined contribution or defined benefit plans.

Defined contribution plans

Under defined contribution plans, regular contributions are made to external bodies that are responsible for the plans' administrative and financial management. Contributions to these plans are expensed as incurred. Defined contributions amounted to €450 million in 2017 (€443 million in 2016).

Defined benefit plans

The obligations arising from defined benefit plans are determined using the projected unit credit method. The larger plans are assessed each year by independent actuaries and other plans are assessed regularly. The actuarial assumptions used to determine the obligations vary according to the specific characteristics of each company (staff turnover rate, wage increases) and the economic conditions in the countries where the plans are operated (discount rate and inflation).

These plans can be funded, in which case their assets are managed separately and independently from those of Auchan Holding and its subsidiaries, or non-funded.

For non-funded defined benefit plans, the liability recognised in the statement of financial position corresponds to the present value of the obligations. Past service costs, i.e. the change in the obligation resulting from changes to or the reduction of a plan, are expensed immediately at the date of these changes.

For funded defined benefit plans, the deficit or surplus of the fair value of the assets compared with the present value of the obligations is recognised as a liability or asset in the statement of financial position. However, a surplus can only be recognised in the statement of financial position to the extent that it represents future economic benefits that are effectively available to Auchan Holding and/or one of its subsidiaries. If these surplus assets are not available, or do not represent future economic benefits, the amount of assets recognised in the statement of financial position is limited.

Revaluations of the net liability in respect of defined benefits comprise actuarial gains and losses, the return on plan assets (excluding amounts included when calculating net interest on the net liability) and any change in the impact of the defined benefit asset limit (excluding amounts included when calculating the net interest on the net liability, where relevant). Auchan Holding recognises them immediately in other comprehensive income, while all other expenses incurred in respect of defined benefit plans are recognised under employee benefits in the income statement.

The expense recognised in the income statement for defined benefit plans comprises the current service cost (recognised in payroll expenses), the net interest expense (recognised in other financial revenue and expenses) and the past service costs for the financial year. In the consolidated financial statements, Auchan Holding and its subsidiaries calculate the net interest expense on the net liability in respect of defined benefits for the period by applying the discount rate used at the beginning of the financial year to calculate the net liability.

Defined benefit plans primarily concern retirement indemnities in France and statutory retirement compensation in Italy (TFR).

In France, the plans are funded and the assets are managed by a French mutual insurance company, AG2R La Mondiale, which has an A- rating. AG2R La Mondiale has set up a dual mechanism to protect its customers from counterparty risk, by isolating the retirement benefit activity in a dedicated insurance subsidiary, Arial Assurance, on the one hand, and by granting to Arial Assurance a pledge of securities held as part of La Mondiale's general assets at the level of the funded commitments, on the other.

The commitments of consolidated companies in Italy mainly concern statutory retirement compensation (TFR – Trattamento di Fine Rapporto). This system underwent a major reform in 2007, since when employers are obliged to pay a contribution to an independent pension fund in full discharge of their liabilities; as a result, the commitment of Auchan Holding's Italian subsidiaries extends only to rights acquired before this date.

Provisions (non-current and current) for employee benefits amounted to €188 million on 31 December 2017 compared with €210 million on 31 December 2016, of which €12 million for other long-term benefits and €176 million for post-employment benefits.

The main actuarial assumptions used to estimate the obligations are as follows:

Actuarial assumptions	2017		2016	
	France	Italy	France	Italy
Discount rate at 1 January	2.00%	1.50%	2.50%	2.50%
Discount rate at 31 December	1.80%	1.80%	1.80%	1.30%
Expected rate of salary increases	2.00%	2.00%	2.00%	1.50%

In France and Italy the discount rate is based on rates for leading AA-rated bonds on the market with a duration equivalent to that of the commitments.

The assumptions relating to salary increases correspond, for each country, to the forecast inflation rate plus projected individual salary increases. The assumption for the end of 2017 is an increase in inflation of 2% in France and in Italy.

The mortality and staff turnover assumptions take into account the economic conditions of each country and each company consolidated by Auchan Holding.

Sensitivity to assumptions

A 50 basis point fall in the discount rate would increase the amount of the obligation by 6% in France and by 4% in Italy (impact on other comprehensive income).

The change in the present value of the obligation in respect of defined benefit plans is as follows:

Change (in €m)	2017	2016
Present value of obligation at 1 January	385	353
Interest expense	7	8
Current service cost	16	14
Past service cost	2	2
Curtailments and settlements ⁽¹⁾	(5)	
Benefits paid	(6)	(17)
Actuarial gains and losses	(28)	16
Exchange differences		
Other	1	9
Changes in consolidation scope		
PRESENT VALUE OF OBLIGATION AT 31 DECEMBER	372	385
• Of which funded obligations	270	279

(1) "Curtailments and settlements" mainly comprises a reversal of the provision for retirement bonuses associated with the reorganisation of Auchan Retail France support services.

Estimated contributions to be paid in respect of 2018 amount to €8 million.

The change in the fair value of defined benefit plan assets was as follows:

(in €m)	2017	2016
Fair value of assets at 1 January	185	174
Expected return on plan assets	3	3
Contributions paid	15	19
Benefits paid		(9)
Actuarial gains and losses	(7)	(2)
FAIR VALUE OF ASSETS AT 31 DECEMBER	196	185

Defined benefit plan assets in France break down by main asset class as follows:

	2017	2016
Assets in euro	51%	51%
Fonds Club 3	47%	47%
Equities	2%	2%

Assets in euro are essentially invested in government or investment grade bonds (81.50%), international blue chip shares (11.00%) and office real estate (7.50%).

Fonds Club 3 is invested for 70% minimum in assets in euro and for 30% maximum in a diversified portfolio offering wider exposure to growth assets.

The equity portfolio is invested entirely in multi-strategy UCITS. The strategic equity allocation is 70% Europe and 30% the rest of the world.

The financial management of the retirement indemnities contract of Auchan Holding and its subsidiaries is based on euro-denominated assets (general and Fonds Club 3 assets made up of equities and bonds) with a guaranteed floor rate for the general assets and a capital guarantee for Fonds Club 3, and equity units of account recognised at fair value. The gross return in respect of 2017 has been set at 3.00% for assets in euro and 2.74% for Fonds Club 3. The gross floor rate expected for 2018 is 0.50% for assets in euro and 0% for Fonds Club 3.

Statement of financial position data can be reconciled with the actuarial obligation in respect of defined benefit plans as follows:

(in €m)	2017			2016		
	Total	Of which France	Of which Italy	Total	Of which France	Of which Italy
Present value of the obligation	372	264	99	385	273	104
Fair value of assets	(196)	(190)		(185)	(179)	
Deficit/(surplus)	176	74	99	200	94	104
NET LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION	176	74	99	200	94	104

The change in the net provision recognised in the statement of financial position is as follows:

(in €m)	2017	2016
Provision recognised in the statement of financial position at 1 January	200	179
Actuarial gains and losses recognised in other comprehensive income	(21)	18
• of which actuarial gains and losses on plan liabilities	(28)	16
• of which actuarial gains and losses on plan assets	7	2
Net expenses for the period	17	21
Contributions paid	(15)	(19)
Benefits paid	(6)	(8)
Other	1	9
Changes in consolidation scope		
PROVISION RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER	176	200

The aggregate actuarial loss recognised in other comprehensive income at 31 December 2017 amounted to €(75) million net of tax compared with €(60) million at 31 December 2016.

The expenses recorded in respect of defined benefit plans breaks down as follows:

<i>(in €m)</i>	2017	2016
Current service cost	16	14
Interest expense	4	5
Past service cost	2	2
Curtailments and settlements	(5)	
EXPENSES RECOGNISED	17	21
• of which recognised in payroll expenses	13	16
• of which recognised in other financial revenue and expenses	4	5

5.3 SHARE-BASED PAYMENTS

Accounting Principles

As a reward for service, Auchan Holding SA has allocated share purchase option and long-term bonus plans to certain members of its staff.

Share purchase option and bonus share plans

In accordance with IFRS 2 "Share-Based Payments", Auchan Holding recognises a payroll expense in respect of these benefits. This expense is spread over the beneficiary's vesting period. A corresponding amount is recorded under liabilities (re-estimated at each accounts closing date with a corresponding amount recorded under profit and loss) if Auchan Holding SA or one of its subsidiaries has undertaken to repurchase the shares.

This expense is calculated as follows:

- calculation of the options' fair value at the accounts closing date using a valuation model;
- use of a probability coefficient based on the relevant specific presence conditions.

The fair value of the options corresponds to the fair value of the services rendered by the beneficiary. It is equivalent to the value of a call calculated using the binomial model, with the following inputs:

- option's residual life;
- option's exercise price;
- interest rate (risk-free interest rate);
- annual valuation of the share by a body of independent experts;
- observed historical volatility.

The value of the underlying shares includes the impact of dividends paid.

The Group's bonus share plans are subject to presence and in some cases performance conditions. The performance condition is dependent on the average annualised increase in

the Auchan Holding share price. The value of Auchan Holding's shares is assessed annually by a body of independent experts.

In order to benefit definitively from allocation of all or part of the related bonus shares, the beneficiary must first achieve a minimum performance threshold. Once this threshold has been reached, the beneficiary must reach a series of levels set based on a percentage of the annualised average performance over the vesting period, based on which the number of bonus shares finally allocated will depend.

The value of the services rendered by the beneficiaries of bonus share plans is assessed using the Merton extension of the Black and Scholes model.

Long-term bonus plans

Auchan Holding has two types of long-term bonus plans for certain employees:

- long-term bonuses conditional upon presence;
- long-term bonuses conditional upon presence and performance.

Long-term bonuses, which are paid in cash, result in the recognition of a payroll expense spread over the vesting period and an offsetting liability.

The fair value of the plans, which expire after 4 years, corresponds to the fair value of the services rendered by the beneficiaries. It is measured on the date of allocation by an independent actuary, and is revised each year with a distinct mathematical method for each plan:

- long-term bonus conditional upon presence: use of the binomial model including a probability coefficient based on the relevant specific presence conditions;
- long-term bonus conditional upon presence and performance: use of a Black & Scholes model (Merton formula). The performance condition is based on the change in value after one year of a specified scope linked to the beneficiary, for which there is a minimum and a maximum incentive bonus. The reference scope is assessed annually by a body of independent experts.

5.3.1 Share option purchase plans allocated by Auchan Holding SA⁽¹⁾**Change in number of options and weighted average exercise price for 2017 and 2016**

	2017		2016	
	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)	Number of options
Options outstanding at 1 January	413.24	20,876	409.23	27,316
Adjustment of number of options ⁽²⁾		403		
Options granted during the year				
Options exercised during the year	397.61	10,064	391.03	5,374
Options cancelled or lost	407.75	615	391.03	1,066
Options expired				
Options outstanding at 31 December	413.11	10,600	413.24	20,876
• Price range	408.04/426.34		391.03/435.94	
• Weighted average contractual duration	17 months		32 months	
Options exercisable at 31 December				

(1) The option plans allocated by Oney Bank subsidiaries are not material at consolidation scope level.

(2) Adjustment of the number of options after transactions impacting equity.

Calculation of fair value of existing plans at 31 December 2017

	Year allocated			
	2017	2016	2015	2014
Fair value of options	NA	NA	23.64	7.95
Share price (2017)	NA	NA	428.02	428.02
Exercise price	NA	NA	408.04	426.34
Expected volatility	NA	NA	3.96%	3.96%
Residual duration of the option	NA	NA	20 mois	8 mois
Expected dividends	NA	NA	1,520%	1,520%
Risk-free interest rate	NA	NA	0,000%	0,000%
Type of model	NA	NA	binomial	binomial

Volatility was calculated based on an analysis of the share's historical yield volatility over 8 years.

5.3.2 Bonus share plans of Auchan Holding SA**Change in the number of bonus shares**

	2017 ⁽¹⁾
	Number of shares
Bonus shares at the beginning of the year	7,622
Adjustment to the number of bonus shares ⁽²⁾	174
Bonus shares granted during the year	
Bonus shares returned during the year	
Bonus shares cancelled or lost	
Bonus shares at the end of the year	7,796

(1) The option plans allocated by Oney Bank subsidiaries are not material at consolidation scope level.

(2) Adjustment of the number of options after transactions impacting equity.

Characteristics of the bonus share plans

- 2016/2018 plan inception date: 31 August 2016.
- Value of the underlying share: €428.01.
- Definitive grant date: 1 September 2018.
- End of lock-up period: 1 September 2020.
- 2016/2018 plan inception date: 31 August 2016.
- Value of the underlying share: €428.01.
- Definitive grant date: 1 September 2020.
- End of lock-up period: 1 September 2022.

The bonus share plans put in place are subject to presence conditions. One of the two plans is also subject to performance conditions.

Bonus plans:

Plan name	Condition	Plan	Start date	Underlying	Allocation date	Length
ILT*	Presence	2013/2017	01/07/2013	Auchan Holding share price, mainly	30/06/2017	48 months
ILT*	Presence	2014/2018	01/05/2014	Auchan Holding share price, mainly	30/04/2018	48 months
RCV*	Presence	2015/2019	01/10/2015	Value of each reference scope established by a body of independent experts	30/04/2019	43 months
RCV*	Presence	2016/2020	01/10/2016	Value of each reference scope established by a body of independent experts	30/04/2020	43 months
RCV*	Presence	2017/2021	01/10/2017	Value of each reference scope established by a body of independent experts	30/04/2021	43 months
ILT*	Presence and performance	2014/2018	01/05/2014	Value of each reference scope established by a body of independent experts	30/04/2018	48 months
ILT*	Presence and performance	2015/2019	01/10/2015	Value of each reference scope established by a body of independent experts	30/04/2019	43 months

* *ILT: intéressement long terme (long-term bonus).*

RCV: rémunération création de valeur (value creation remuneration).

The performance conditions depend on yearly changes in the scope in respect of which each beneficiary's bonus is determined. A minimum and maximum bonus is defined.

Impact of share-based payments on liabilities (other liabilities) and the income statement (payroll expenses)

For share option purchase plans allocated by Auchan Holding SA:

- the liability (including buyback commitments to beneficiaries of stock option or bonus share plans) came to €0.9 million at 31 December 2017 compared with €2 million at 31 December 2016;
- the total impact of plans recorded in the income statement amounted to €0.6 million in 2017 versus €0.3 million in 2016.

This performance condition is dependent on the average annualised increase in the Auchan Holding share price. The beneficiary must first achieve a minimum performance threshold. After this, they must reach a series of percentage levels in order to be eligible for some or all of the bonus shares.

5.3.3 Long-term bonus plans

Since 2012, the share-based plans have mainly involved long-term bonus plans paid in cash and no longer in shares.

As from 2015, bonus plans with presence conditions have been replaced by "value creation remuneration" plans, the features of which are described below.

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 GOODWILL

Accounting Principles

The accounting principles for goodwill are described in note 2.1.5.

Goodwill is not amortised but is tested for impairment at each year-end and more often if events or circumstances indicate that it may be impaired. Such events or circumstances relate to significant, adverse and lasting changes with an impact on

economic conditions or on the assumptions and objectives adopted at the acquisition date.

Any significant impairment loss is recognised in the income statement under "Other operating profit and expenses".

The methods used to test for impairment are described in note 6.6.

Change in gross carrying amount

(in €m)	Gross amount	
	2017	2016
Gross carrying amount at 1 January	4,708	4,648
Change linked to business combinations ⁽¹⁾	148	
Other acquisitions	13	
Disposals		(4)
Exchange differences ⁽²⁾	(69)	67
Other movements and transfers		
Non-current assets held for sale and discontinued operations ⁽³⁾		(3)
GROSS CARRYING AMOUNT AT 31 DECEMBER	4,801	4,708

(1) Principally goodwill relating to SCS Cambria and to Karavan – see note 3.4.

(2) Exchange differences mainly in Russian roubles for €(24) million and the Chinese yuan for €(37) million.

(3) In 2016, goodwill relating to Alinéa reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations" – see note 2.6.

Change in impairment

(in €m)	Impairment
Impairment loss at 1 January 2016	1,001
Impairment loss for the year ⁽¹⁾	2
Disposals	
Exchange differences	5
Other movements and transfers	
IMPAIRMENT LOSS AT 31 DECEMBER 2016⁽²⁾	1,008
Impairment loss at 1 January 2017	1,008
Impairment loss for the year ⁽¹⁾⁽³⁾	105
Disposals	
Exchange differences	(4)
Other movements and transfers	
IMPAIRMENT LOSS AT 31 DECEMBER 2017⁽²⁾	1,109

(1) Impairment losses were recorded under "Other operating profit and expenses" in the amount of €7 million in 2017 (Retail China), compared with €2 million in 2016 (see note 3.4).

(2) See details by country/business line below.

(3) Principally goodwill relating to SCS Cambria – see note 3.4.

Net carrying amount

(in €m)

At 1 January 2016	3,647
At 31 December 2016	3,700
At 1 January 2017	3,700
AT 31 DECEMBER 2017	3,692

Information on the sensitivity analysis of goodwill impairment tests is provided in note 6.6.

The net amount of goodwill by country/business line was as follows:

(in €m)	2017	2016
Retail Holding	3	3
Retail France	1,438	1,441
Retail Spain	178	178
Retail Italy (including impairment of €94 m in 2017, €3 m in 2016)	371	368
Retail Portugal	178	177
Retail Poland	282	267
Retail Russia ⁽¹⁾	407	439
Retail China ⁽¹⁾	566	610
Retail Taiwan	54	57
Other Retail	111	76
Property Management France ⁽²⁾	25	5
Property Management Italy	19	19
Property Management Taiwan	29	31
Other Property Management	4	2
Other Activities (Oney Bank, and Auchan Holding)	27	27
TOTAL	3,692	3,700

(1) Exchange difference in Russia for €(32) million and in China for €(37) million.

(2) Change for €19 million in the goodwill of Immochan France linked to the acquisition of Promenade de Flandre (see note 1.2).

6.2 OTHER INTANGIBLE ASSETS

Accounting Principles

Other intangible assets mainly comprise software applications acquired or developed internally, and acquired leasehold rights and brands. Intangible assets acquired separately by consolidated companies are recognised at their cost price and those acquired through business combinations are recognised at their fair value. Brands that are created and developed internally are not recognised in the balance sheet.

Intangible assets with an indefinite life (mainly leasehold rights in France and acquired brands) are therefore not amortised and are tested for impairment when events suggest a risk of impairment and in all cases at least once a year. When their recoverable amount based on criteria applied at the time of acquisition falls below their carrying amount, an impairment loss is recognised (see note 6.6).

Other intangible assets with a defined useful life are amortised using the straight-line method over their expected useful lives.

Accordingly, acquired software and licences and internally developed software that meet all the criteria set out in IAS 38 are capitalised and amortised over a useful life of 3 years. As an exception, ERP software is amortised over 5 years as it has a highly structuring role for the business and a functional and technical architecture with a longer probable useful life.

Change in gross carrying amount

(in €m)	Licences, brands and leaseholds	Internal IT development costs	Total
Gross carrying amount at 1 January 2016	1,306	148	1,454
Acquisitions and internal development	37	39	76
Acquisitions linked to business combinations			
Assets sold or scrapped	(6)		(6)
Exchange differences	(33)	8	(25)
Other movements and transfers	2		2
Non-current assets held for sale and discontinued operations ⁽¹⁾	(20)		(20)
GROSS CARRYING AMOUNT AT 31 DECEMBER 2016	1,286	195	1,481
Acquisitions and internal development	52	45	97
Acquisitions linked to business combinations			
Assets sold or scrapped	(8)	(10)	(17)
Exchange differences	(59)		(59)
Other movements and transfers	18	2	20
Non-current assets held for sale and discontinued operations			
GROSS CARRYING AMOUNT AT 31 DECEMBER 2017	1,289	233	1,521

(1) Non-current assets relating to Alinéa reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations".

Change in amortisation and impairment

(in €m)	Licences, brands and leaseholds	Internal IT development costs	Total
Depreciation and impairment at 1 January 2016	252	110	362
Amortisation for the year	38	24	62
Amortisation related to business combinations			
Impairment net of reversals	1		1
Assets sold or scrapped	(4)	(1)	(5)
Exchange differences	1		1
Other movements and transfers			
Non-current assets held for sale and discontinued operations ⁽¹⁾	(18)		(18)
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2016	270	133	403
Amortisation for the year	47	36	83
Amortisation related to business combinations			
Impairment net of reversals	1		1
Assets sold or scrapped	(7)	(9)	(17)
Exchange differences	(1)		(1)
Other movements and transfers			
Non-current assets held for sale and discontinued operations			
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2017	310	160	470

(1) Non-current assets relating to Alinéa reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations".

Net carrying amount

<i>(in €m)</i>	Licences, brands and leaseholds	Internal IT development costs	Total
At 1 January 2016	1,054	38	1,092
At 31 December 2016	1,016	62	1,078
AT 31 DECEMBER 2017	978	73	1,051

No intangible assets have been assigned as a guarantee for debt.

6.3 PROPERTY, PLANT AND EQUIPMENT

Accounting Principles

Property, plant and equipment acquired under a business combination are recorded at fair value (see note 2.1.5).

Property, plant and equipment acquired separately are recorded at cost less cumulative depreciation and any cumulative impairment loss. Land is stated at cost less any impairment loss. The various components of an item of property, plant or equipment are recognised separately when their estimated useful lives, and thus their depreciation periods, are significantly different. The cost of a fixed asset includes all expenditure directly attributable to the acquisition of this asset. Where relevant this will include borrowing costs (see note 11.3).

Subsequent costs are included in the carrying amount of an item of property, plant or equipment or recognised as a separate component, if appropriate, when it is probable that Auchan Holding or one of its consolidated companies will receive the future economic benefits linked to the asset and if the cost of the asset can be measured reliably. All other maintenance costs are recognised as expenses for the period in which they incurred.

With the exception of land, property, plant and equipment are depreciated over their useful lives using the straight-line method, on a components basis, from the date on which they are brought into service, generally with no residual value.

Depreciation is calculated based on the following useful lives:

- buildings (structure) -30 years;
- roof waterproofing, drainage and floor covering -20 years;
- fixtures and fittings -6 2/3 years and 8 years;
- technical facilities, machinery and equipment -3 years to 10 years;
- other fixed assets -3 years to 5 years.

Auchan Holding only records residual value – which is generally non-existent – where specific local characteristics so require.

For example, based on its experience in China and given certain local characteristics, both in terms of property (the stores are often located in city-centre buildings) and retailing aspects, Auchan Holding and its subsidiaries decided to review the depreciation periods for property, plant and equipment in China as from 1 January 2009, on a forward basis, taking residual values into account in some cases. Several assessments have been carried out internally and by an independent firm in order to assess the new useful lives of these assets.

The land use rights have been recognised as an asset under property, plant and equipment (or investment property if they correspond to assets that meet that definition – see note 6.4) and are amortised over their useful lives.

Change in gross carrying amount

<i>(in €m)</i>	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant & equipment under construction ⁽¹⁾	Total
Gross carrying amount at 1 January 2016	16,364	5,318	674	22,356
Acquisitions linked to business combinations		1		1
Other acquisitions	487	413	477	1,377
Assets sold or scrapped	(102)	(132)	(24)	(258)
Exchange differences	108	23	22	153
Transfer to investment property ⁽²⁾	(82)	(4)	2	(84)
Other movements and transfers	168	166	(401)	(67)
Non-current assets held for sale and discontinued operations ⁽³⁾	(303)	(57)	(8)	(368)
GROSS CARRYING AMOUNT AT 31 DECEMBER 2016	16,640	5,728	742	23,110
Acquisitions linked to business combinations		2	8	10
Other acquisitions	504	371	415	1,290
Assets sold or scrapped	(240)	(171)	6	(405)
Exchange differences	(286)	(172)	(34)	(491)
Transfer to investment property ⁽²⁾	(15)	4	(43)	(54)
Other movements and transfers	138	119	(243)	13
Non-current assets held for sale and discontinued operations				
GROSS CARRYING AMOUNT AT 31 DECEMBER 2017	16,741	5,881	851	23,473

1) Property, plant and equipment under construction concerned the Retail activity for €821 million at 31 December 2017 and for €697 million at 31 December 2016.

(2) Reclassification of assets meeting the definition of investment property.

(3) In 2016, non-current assets relating to Alinéa reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations".

Change in amortisation and impairment

(in €m)	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction	Total
Depreciation and impairment at 1 January 2016	7,211	2,883	23	10,117
Amortisation for the year	718	547		1,266
Reversals through business combinations		1		1
Impairment ⁽¹⁾	28		15	43
Reversals of impairment provisions	(12)	(2)	(15)	(30)
Assets sold or scrapped	(88)	(121)		(209)
Exchange differences	65	36	(2)	100
Transfers to investment property	(10)	(4)		(14)
Other movements and transfers	(26)	(25)		(51)
Non-current assets held for sale and discontinued operations ⁽²⁾	(156)	(61)		(217)
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2016	7,730	3,254	21	11,006
Amortisation for the year	705	536		1,241
Reversals through business combinations		1		1
Impairment ⁽¹⁾	68	1	8	77
Reversals of impairment provisions	(9)		(1)	(10)
Assets sold or scrapped	(222)	(159)		(381)
Exchange differences	(54)	(65)	(3)	(122)
Transfers to investment property	(8)			(8)
Other movements and transfers	34			34
Non-current assets held for sale and discontinued operations				
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2017	8,244	3,568	25	11,837

(1) Including €16 million in 2016 and €36 million in 2017 related to expenses recorded under "Other operating profit and expenses" and €27 million in 2016 and €41 million in 2017 recorded under "Depreciation, amortisation and impairment" (see notes 3.4 and 6.6).

(2) In 2016, non-current assets relating to Alinéa reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations"

Net carrying amount

(in €m)	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction ⁽¹⁾	Total
At 1 January 2016	9,153	2,435	651	12,239
At 31 December 2016	8,910	2,474	721	12,105
AT 31 DECEMBER 2017	8,497	2,313	826	11,636

(1) At 31 December 2017, net property, plant and equipment under construction mainly concerned the Retail activity for €808 million.

6.4 INVESTMENT PROPERTY

Accounting Principles

Investment property is property held as a source of rental revenue or appreciation of capital or both. Investment property is recorded, from the outset, on a separate line on the asset side of the statement of financial position.

In its consolidated financial statements, Shopping malls, retail parks and undeveloped land are classified as investment property.

It measures investment property at cost less accumulated depreciation and any impairment loss, in the same way as property, plant and equipment.

In accordance with IAS 40, a property valuation process has been put in place to estimate the fair value of investment property. The fair value measurements correspond to a level 3 hierarchy as defined in note 10.4.7. Two independent real estate experts intervene, dividing the work on the valuation of investment property in the whole group. For foreign assets, the fair value is determined by reference to external valuations based on the 10-year cash flow method ("DCF method") for shopping malls and retail parks and on the sales comparison approach or developer's balance sheet method according to ongoing development projects for property reserves according to ongoing development projects for property reserves. For assets located in France, the fair value specified in the notes corresponds to internal valuations carried out using the net rental revenue capitalisation method. The valuation then consists in applying a capitalisation rate adjusted by asset category, to the annualised net rental revenue generated by each shopping mall and retail park, by referring to the external

appraisals carried out on this country. Each category depends on the location and size of the buildings concerned.

This estimation exercise requires significant judgments to determine the appropriate assumptions, in particular the rates of return and discounting, the market rental values, the budget valuation of works to be carried out and the estimated date of completion (in particular for assets in the development phase) and any supporting measures by benefits to be granted to lessees. Specific information such as the nature of each property and/or its location is also taken into account. Given the estimated nature of this type of valuation, the gain or loss on certain assets may differ from the valuation performed.

Recognition of lease premiums received from shopping mall and retail park lessees – Leases

In accordance with IAS 17 "Leases", the financial impacts of all terms and conditions set out in leases are spread over the fixed duration of the lease agreement as from the date on which the premises are made available. This also applies to the lease premiums received.

Recognition of eviction indemnities paid to shopping mall and retail park lessees

If the lessor cancels a running lease, it must pay an eviction indemnity to the lessee concerned. This indemnity is recognised in the cost of the asset if the payment leads to a change in the asset's performance (new lease on better financial terms following recovery of the premises for extension works or the transfer of the former lessees to a new site). In all other cases, the eviction indemnities are recognised as prepaid expenses and spread over the residual term of the leases.

Change

(in €m)	Gross amount	Depreciation and impairment	Net carrying amount
At 1 January 2016	6,149	1,940	4,209
Acquisitions linked to business combinations ⁽¹⁾	170	-	170
Other acquisitions	340	-	340
Assets sold or scrapped	(29)	(35)	6
Amortisation for the year	-	264	(264)
Reversals through business combinations	-	53	(53)
Impairment ⁽²⁾	-	39	(39)
Reversals of impairment provisions	-	(13)	13
Exchange differences	(3)	22	(25)
Transfer from "Property, plant and equipment"	84	14	70
AT 31 DECEMBER 2016	6,711	2,284	4,426
Acquisitions linked to business combinations ⁽¹⁾	254	-	254
Other acquisitions	337	-	337
Assets sold or scrapped	(91)	(14)	(77)
Amortisation for the year	-	215	(215)
Reversals through business combinations	-	2	(2)
Impairment ⁽²⁾	-	74	(74)
Reversals of impairment provisions	-	(20)	20
Exchange differences	(100)	(13)	(88)
Transfer from "Property, plant and equipment"	53	8	45
AT 31 DECEMBER 2017	7,164	2,537	4,627

(1) In 2017, acquisition of Promenade de Flandre (see note 1.2), and in 2016 is the impact of the GCS partnership.

(2) Impairment losses in 2017 are recorded under "Other operating profit and expenses" for €56 million (see note 3.4).

Investment property generated rental income in 2017 of €673 million (€656 million in 2016) and direct operating expenses of €340 million (of which €54 million generated no rental income). In 2016, direct operating expenses amounted to €343 million of which €56 million generated no rental income.

At 31 December 2017, the fair value (net of transaction costs) of investment property was estimated at €9,264 million for a net carrying amount of €4,629 million (€8,565 million and €4,427 million, respectively, in 2016).

6.5 LEASES

Accounting Principles

In the consolidated financial statements, Auchan Holding records leases in accordance with IAS 17 "Leases", which makes a distinction between finance leases and operating leases, and with IFRIC 4 "Determining whether an Arrangement contains a Lease", which describes the circumstances under which

contracts that do not have the legal form of a lease must nonetheless be recognised as such, in accordance with IAS 17.

A lease is qualified as a finance lease if it transfers virtually all the risks and benefits of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets leased by consolidated entities under finance leases are recognised in property, plant and equipment at the lower of the fair value and present value of the minimum lease payments, and a liability in the same amount is recorded in debt.

The asset is then depreciated according to the depreciation rules applied to property, plant and equipment, or over the term of the lease if this is shorter. The related liability is written off according to the maturity schedule set when the lease was put in place, calculated based on a fixed effective annual interest rate applied to the outstanding balance for each period.

In parallel, assets with regard to which the risks and economic benefits incidental to ownership have been transferred by consolidated entities to a third party under a lease are considered as having been sold.

6.5.1 FINANCE LEASES**Finance leases as lessee**

Minimum future lease payments under finance lease agreements

(in €m)	2017			2016		
	Total	Interest	Principal	Total	Interest	Principal
Less than 1 year	22	8	14	28	11	17
1 to 5 years	64	29	34	83	36	47
More than 5 years	167	62	106	196	74	122
TOTAL	253	99	154	307	121	186

Conditional rents based on actual sales came to €2 million in 2017 compared with €4 million in 2016.

At 31 December 2017, total future minimum lease payments expected on non-cancellable sub-lease agreements came to €14 million.

Net value of finance lease fixed assets by country

(in €m)	Land, buildings and facilities	Materials and other property, plant and equipment	Investment property	Total
At 31 December 2016	1,119	18	922	2,058
France	3	16	6	25
Italy			21	21
Spain	14	2		16
Poland	36		40	75
Russia	109		19	128
China	953		837	1,790
Other	5		(1)	3
AT 31 DECEMBER 2017	1,036	24	847	1,907
France	1	18	6	25
Italy		1	19	20
Spain	14	5		19
Poland	35		40	75
Russia	99		17	116
China	881		765	1,646
Other	6			6

Net value of finance lease fixed assets by business line

(in €m)	2017	2016
Retail ⁽¹⁾	1,495	1,613
Property Management	411	449
Other	1	(4)
TOTAL	1,907	2,058

(1) Of which decrease of €112 million in China.

6.5.2 OPERATING LEASES

Operating leases as lessee

Minimum future lease payments on non-cancellable lease agreements correspond to payments made during the incompressible portion of the lease agreement; if a cancellation indemnity is provided for in the lease, it is included in the last payment; if the indemnity is disproportionate, the payments are calculated based on the incompressible portion of the lease.

(in €m)	2017	2016
Less than 1 year	632	664
1 to 5 years	2,014	1,936
More than 5 years	2,225	2,515
TOTAL	4,870	5,115

At 31 December 2017, total future minimum lease payments expected on non-cancellable sub-lease agreements came to €113 million.

Lease expenses and sub-leasing revenue recognised in the income statement

(in €m)	2017	2016
Minimum payments	893	867
Conditional rents (based on actual sales)	14	18
Sub-leasing revenue	(22)	(23)
TOTAL	885	861

Operating leases as lessor

Auchan Holding's consolidated entities lease out part of their investment property (owned or leased by them) under operating leases.

Minimum future lease payments to be received under non-cancellable leases

(in €m)	2017	2016
Less than 1 year	586	671
1 to 5 years	1,231	1,052
More than 5 years	735	672
TOTAL	2,553	2,395

Conditional rent included in the income statement for the year came to €22 million (€21 million in 2016).

Assets received as guarantees

Auchan Holding's consolidated entities receive guarantee deposits for investment property that they lease out. The historical value is a good estimate of fair value for guarantee deposits.

The total amount received in guarantee deposits at 31 December 2017 came to €156 million compared with €137 million at 31 December 2016.

The conditions of use are generally as follows:

- A guarantee deposit corresponds to 3 months' rent. This amount is reviewed annually. The deposit is held by the lessor until the lessee departs, and is reimbursed in full subject to payment of the receivables.

6.6 IMPAIRMENT OF NON-CURRENT ASSETS

Accounting Principles

IAS 36 "Impairment of Assets", defines the procedures to be followed by a company to ensure that the carrying amount of its property, plant and equipment, and intangible assets including goodwill, does not exceed their recoverable amount, namely the amount which will be recovered through their use or disposal.

The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtained from the sale of an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal. Value in use is defined as the present value of the future cash flows expected to be derived from continuing use of an asset and from its ultimate disposal.

Cash flows after tax are estimated based on 3-year forecasts. Cash flows beyond this period are extrapolated over 6 years by

applying a steady growth rate over a period corresponding to the asset's estimated useful life. To test the impairment of assets in a given country (including goodwill), cash flows are estimated over a period of 9 years, taking into account a terminal value calculated by discounting year-9 data to infinity. The to-infinity growth rate is determined based on International Monetary Fund data.

Cash flows are discounted using the weighted average cost of capital after tax, plus a risk premium specific to each country.

The recoverable value of property, plant and equipment and intangible assets (including goodwill) is tested for impairment as soon as there is any indication of a loss of value. This test is also performed annually (in practice on 31 December given the seasonal nature of the business) for assets with an indefinite life.

Due to the country/business line reorganisation in 2016, goodwill is tested at country level and no longer at channel level as in previous years.

Assets to be tested for impairment are grouped within cash generating units (CGUs). The CGU is a group of assets

whose continuing use generates cash inflows that are largely independent of the cash flows from other groups of assets. Auchan Holding has defined the store for Retail and shopping mall for Property management as CGUs. An impairment loss is recognised when the carrying amount of an asset, or of the CGU to which it belongs, exceeds the recoverable amount. Goodwill is tested by country and business, and the CGU assets then include property, plant and equipment, intangible assets and goodwill allocated to the country and to the business, and working capital.

Any impairment loss is allocated in priority to goodwill. Impairment losses on goodwill cannot be reversed. Impairment losses recognised for other assets are reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The increased carrying amount of an asset attributable to a reversal of impairment loss may not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised.

(in €m)	Goodwill	Other intangible assets	Property, plant and equipment	Investment property	2017	2016
Impairment:						
• expenses ⁽¹⁾	105	1	77	74	258	85
• reversal				(20)	(20)	(25)
• net	105	1	77	54	237	60
Reversal of impairment on sold assets			(10)		(10)	(18)
TOTAL	105	1	67	54	227	42

(1) Of which €210 million classified under "Other operating profit and expenses" in 2017 compared with €47 million in 2016 (see note 3.4) and €48 million in impairment on fixed assets classified under "Depreciation, amortisation and impairment" in 2017 compared with €38 million in 2016.

Cash Generating Units (CGUs) showing indications of impairment, or including goodwill, were tested for impairment in 2017.

Depending on the CGU and on the relevance of the assumptions and the comparable data available in the market, the recoverable value of the assets applied by Auchan Holding is either the value in use or the market value.

The results of the 2017 impairment tests led in particular to the recognition of impairment of €39 million on the assets of Auchan Retail and €56 million on the assets of Immochan.

Impairment (€210 million in total, of which €105 million relating to goodwill) was reported on the line "Other operating profit and expenses" in order to make the income statement clearer (see note 3.4).

In 2017, Auchan Holding calculated separate discount rates for each of its three main activities: Retail/Property Management/Banking. These rates are as follows:

	2017			2016		
	Retail	Property Management	Banking	Retail	Property Management	Banking
France	5.78%	3.85%	9.19%	5.47%	3.97%	7.95%
Luxembourg	5.84%	3.91%	9.19%	5.52%	4.00%	7.95%
Spain	6.39%	4.44%	9.99%	6.61%	5.01%	9.55%
Portugal	7.69%	5.52%	11.94%	8.52%	6.80%	12.45%
Italy	6.43%	4.43%	10.09%	6.49%	4.91%	9.45%
Poland	6.66%	4.64%	10.32%	6.67%	5.05%	9.56%
Hungary	8.15%	5.95%	12.42%	8.88%	7.11%	12.90%
Romania	7.35%	5.24%	11.31%	7.72%	6.02%	11.10%
Ukraine	13.65%	10.69%	20.74%	14.20%	12.07%	20.95%
Russia	8.07%	5.86%	12.44%	8.75%	6.99%	12.72%
China	7.15%	5.06%	11.13%	7.23%	5.59%	10.48%
Taiwan	6.35%	4.37%	9.83%	6.39%	4.78%	9.10%
Tunisia	8.56%	-	-	8.49%	-	-
Vietnam	7.28%	-	-	7.24%	-	-
Senegal	8.31%	-	-	7.94%	-	-

The sensitivity analyses conducted on the main assets tested, related to the discount rates (+50bp) and long-term growth rate (-50bp) did not reveal any likely scenario that would lead to a

lower recoverable value than the carrying amount for any assets other than those set out above.

6.7 OFF-BALANCE SHEET COMMITMENTS RELATING TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Collateral

No property, plant and equipment was assigned as security for a debt.

Commitments

(in €m)	2017	2016
	Total	Total
Land and property purchase options ⁽¹⁾	155	104
<i>of which on investment property</i>	108	63
Conditional purchase of future non-current assets ⁽²⁾	675	695
<i>of which on investment property</i>		

(1) Option commitments on land and buildings increased significantly in France by €50 million (mainly Property Management activity).

(2) Conditional commitments to purchase non-current assets in the future fell by €20 million: the falls were mainly in China (Retail activity for €51 million and Property Management activity for €29 million) and in Italy (Retail activity for €14 million) offset by an increase in Retail activity in Russia (€74 million).

NOTE 7 INVESTMENTS IN ASSOCIATES

7.1 BREAKDOWN OF INVESTMENTS IN ASSOCIATES (IN €M)

Accounting principles and methods: see point 2.1.3 "Consolidation scope and methods"

Division/business line	Company	Country	% of capital		Equity value*	
			2017	2016	2017	2016
Auchan Retail	mainly including:				25	18
	ARMA Inv	Poland	25%	49%	5	
	XIAOHEHE	China	40%	40%	2	2
	SMG ⁽¹⁾	Tunisia	10%	10%	9	11
Immochan	mainly including:				159	177
	PLAINE DU MOULIN A VENT, SCI ⁽²⁾	France		50%		22
	IMMAUCOM, SPPICAV	France	20%	20%	33	33
	ALLIAGES ET TERRITOIRES	France	50%	50%	13	10
	C.C. ZENIA, SL	Spain	50%	50%	42	44
	ALEGRO ALFRAGIDE	Portugal	50%	50%	20	21
	ALEGRO SETUBAL	Portugal	50%	50%	17	18
	GALERIE COMMERCIALE DE KIRCHBERG, SA	Luxembourg	20%	20%	21	22
	PATRIMONIO REAL ESTATE	Italy	50%	50%	8	7
TOTAL INVESTMENTS IN ASSOCIATES					184	195

(1) Although Auchan Retail International holds only 10% of the capital and voting rights of SMG, on the basis of the shareholders' agreement signed in October 2012 it has significant influence owing to its representation on the board of directors and its participation in the definition of the company's policies, notably as regards the sales and marketing and strategy.

(2) In 2017, return of capital of €20 million by Plaine du Moulin à Vent (Immochan France), after the disposal of assets in December 2016.

* No goodwill factored into the valuation of these equity interests.

7.2 MAIN FINANCIAL DATA OF ASSOCIATES (ON A 100% BASIS, IN €M)

	2017				2016			
	Total assets	Equity	Revenue	Profit for the year	Total assets	Equity	Revenue	Profit for the year
Holding company and others								
Auchan Retail	335	43	592	2	464	12	661	(2)
Immochan	1,349	514	105	(2)	1,402	556	66	(7)
Oney Bank								
TOTAL⁽¹⁾	1,683	556	697	0	1,865	568	727	(9)

(1) Data excluding Anthousa/Furshet (not provided).

Change

(in €m)	2017	2016
At 1 January	195	189
Results for the period (share of profit or loss and impairment)	(2)	(5)
Dividends paid and repayment of capital ⁽¹⁾	(29)	(2)
Acquisition of equity interests		
Acquisitions and increases in capital ⁽²⁾	17	15
Disposals (including decrease in percentage of capital held)		
Exchange differences	3	(2)
AT 31 DECEMBER	184	195

(1) In 2017, return of capital of €20 million by Plaine du Moulin à Vent (Immochan France), after the disposal of assets in December 2016.

(2) In 2017, the change primarily related to capital increases in respect of associates by Immochan France for €6 million, by Retail Poland for €5 million, by Retail France for €3 million and Retail China for €2 million. Sale of 50% of shares in Alliances et Territoires to Dalian Wanda in 2016, entailing a loss of control and a change in the consolidation method to the equity method.

NOTE 8 EQUITY AND EARNINGS PER SHARE

8.1 EQUITY

8.1.1 Equity management

Auchan Holding's policy is to maintain a sound capital base that inspires the confidence of its investors and creditors and allows it to contribute to the development of its activities.

8.1.2 Shareholders

At 31 December 2017, the majority of Auchan Holding's capital was owned by Aumarché.

The employees owned nearly 7% of the capital via the Valauchan, Valfrance and Oney Val mutual funds, and via the companies included in the employee share ownership plans

outside of France (Valauchan Sopaneer International, Val Italia SCA, Valauchanrus Sopaneer SCA, Valespaña SCA, Valpoland SCA, Valhungary International SCA, Valportugal SCA and Valrussie SCA). Only the companies included in the employee share ownership plans outside of France are fully consolidated.

The articles of association of Valauchan Sopaneer International, Val Italia SCA, Valauchanrus Sopaneer SCA, Valespaña SCA, Valpoland SCA, Valhungary International SCA, Valportugal SCA and Valrussie SCA set out the terms and conditions governing share ownership. Shares in these companies are purchased and sold by affiliates throughout the year, based on a price that is calculated annually according to a financial valuation method defined by a recognised body of valuation experts and which is used consistently over time.

8.1.3 Number of shares representing the share capital

	2017	2016
At 1 January	30,639,965	31,654,416
Issue of new shares for cash		
Capital reduction	(445,275)	(1,014,451)
AT 31 DECEMBER	30,194,690	30,639,965

At 31 December 2017, the share capital stood at €603,893,800. It was divided into 30,194,690 fully paid-up shares with a par value of €20 each. The share capital amounted to €612,799,300 at 31 December 2016, split into 30,639,965 shares with a nominal value of €20.

8.1.4 Treasury shares

All treasury shares held by Auchan Holding and the other companies within the consolidation scope are deducted from equity at cost. The gain or loss, net of tax, from any sale of treasury shares is recognised directly in equity, so that any gains or losses on disposal have no impact on profit for the period.

During 2017, as a result in particular of the settlement of share option plans and bonus share allocations, Auchan Holding SA acquired 175,826 shares for an amount of €75 million. Auchan Holding SA also cancelled 445,275 treasury shares. At 31 December 2017, the total number of treasury shares owned by Auchan Holding SA and its subsidiaries stood at 437,404 (compared with 770,452 at the end of 2016). Auchan Holding SA owns 62,566 Auchan Holding SA shares for a transaction cost of €27 million (of which 18,434 shares are allocated to cover share option plans for Auchan Holding's management

for an acquisition cost of €8 million), while 374,838 shares are owned by Valauchan Sopaneer International, Val Italia SCA, Valauchanrus Sopaneer SCA, Valportugal SCA, Valpoland SCA, Valhungary International SCA, Valespaña SCA and Valrussie SCA for an acquisition cost of €125 million, under the employee share ownership plans.

Moreover, Auchan Holding SA has made a commitment to buy back 546 treasury shares temporarily owned by the employees for €1 million.

At 31 December 2017, the treasury shares owned by Auchan Holding SA represented 0.2% of its capital.

8.1.5 Legal reserve

Auchan Holding SA's legal reserve amounted to €61 million at 31 December 2017, compared with €63 million at 31 December 2016.

8.1.6 Currency translation, financial instrument revaluation and actuarial gains and losses reserves (attrib. to owners of the parent)

(in €m)	Currency translation reserve	Available-for-sale financial assets revaluation reserve	Cash flow hedge reserve	Net foreign investment hedge reserve	Actuarial differences on defined benefit plans	Total
At 1 January 2016	(554)	13	29	2	(46)	(556)
Change	135	(12)	(31)		(14)	78
AT 31 DECEMBER 2016	(419)	1	(2)	2	(60)	(478)
At 1 January 2017	(419)	1	(2)	2	(60)	(478)
Change	(196)	1	(8)		15	(188)
AT 31 DECEMBER 2017	(615)	2	(10)	2	(45)	(666)

The currency translation reserve (attributable to owners of the parent) breaks down as follows by country:

(in €m)	2017	2016
Poland	17	(20)
Hungary	(41)	(40)
Mainland China	218	366
Taiwan	21	25
Russia	(525)	(452)
Ukraine	(152)	(145)
Hong Kong	(125)	(141)
Romania	(22)	(11)
Tunisia	(4)	(2)
Vietnam	(2)	1
TOTAL	(615)	(419)

8.1.7 Non-controlling interests

Non-controlling interests of €3,369 million mainly comprise interests in the capital of subsidiaries in Mainland China and Taiwan (Retail and Property Management activities) in the amount of €3,201 million (up by €578 million), in Valauchan Sopaneer International, Valauchanrus Sopaneer SCA, Val Italia SCA, Val Portugal SCA, Valpoland SCA, Valhungary International SCA, Valespaña SCA and Valrussie SCA in the amount of €191 million.

8.1.8 Dividends

On 7 March 2018, the Management Board proposed a dividend of €165 million, corresponding to €5.48 per share, to the Ordinary General Meeting convened to approve the financial statements for the financial year ended 31 December 2017. A total dividend of €351 million, corresponding to €11.55 per share, was paid on 9 June 2017 in respect of the 2016 financial year, €1 million of which related to treasury shares.

The appropriation of net profit for 2017 has not been recognised in the financial statements for the year ended 31 December 2017.

Pursuant to French tax law, the dividend paid in 2017 in respect of 2016 gives rise to the payment of an additional contribution to corporate income tax of 3% of the gross dividend amount as approved by the Annual General Meeting. At 31 December 2017, this expense for Auchan Holding amounted to €11 million.

8.2 EARNINGS PER SHARE

Accounting Principles

In its consolidated financial statements, Auchan Holding presents basic earnings per share and diluted earnings per share, calculated based on profit from continuing operations. This information is also presented for net profit.

Basic earnings per share are calculated by dividing net profit attributable to owners of the parent for the year by the weighted

average number of shares outstanding during the year, less treasury shares. The average number of shares outstanding during the year is the number of shares outstanding at the beginning of the year adjusted by the number of shares issued during the year.

Diluted earnings per share are calculated by dividing net profit attributable to owners of the parent for the year by the weighted average number of outstanding shares, plus potentially dilutive shares to be created. For Auchan Holding, this concerns share purchase and subscription options and bonus share plans. The dilution linked to these options or bonus shares is determined using the share purchase method.

In the event of significant exceptional elements that could distort the picture given by earnings per share, Auchan Holding calculates earnings per share based on profit from continuing operations excluding non-recurring items by adjusting net profit from continuing activities attributable to owners of the parent for other operating profit and expenses after tax and non-controlling interests.

8.2.1 Calculation of the weighted average number of shares

	2017	2016
Number of outstanding shares at 1 January	30,639,965	31,654,416
Number of treasury shares at 1 January	(770,452)	(1,149,074)
Weighted average number of treasury shares acquired	(82,368)	(460,261)
Weighted average number of treasury shares sold or cancelled	295,514	587,453
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES (EXCLUDING TREASURY SHARES) USED FOR THE CALCULATION OF BASIC EARNINGS PER SHARE	30,082,659	30,632,534
Potentially dilutive shares to be created (share purchase or subscription options, allocation of bonus shares)	11,054	15,787
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES (EXCLUDING TREASURY SHARES) USED FOR THE CALCULATION OF DILUTED EARNINGS PER SHARE	30,093,713	30,648,321

8.2.2 Calculation of earnings per share

Basic earnings per share	2017	2016
Weighted average number of outstanding shares:	30,082,659	30,632,534
Net profit attributable to owners of the parent (in €m)	275	590
Per share (in €)	9.14	19.27
Net profit from discontinued operations or activities classified as held for sale (in €m)	40	(21)
Per share (in €)	1.33	(0.69)
Net profit from continuing operations attributable to owners of the parent (in €m)	235	611
Per share (in €)	7.81	19.96

Diluted earnings per share	2017	2016
Weighted average number of diluted outstanding shares:	30,093,713	30,648,321
Net profit attributable to owners of the parent (in €m)	275	590
Per share (in €)	9.14	19.26
Net profit from discontinued operations or activities classified as held for sale (in €m)	40	(21)
Per share (in €)	1.33	(0.69)
Net profit from continuing operations attributable to owners of the parent (in €m)	235	611
Per share (in €)	7.81	19.94

NOTE 9 PROVISIONS AND CONTINGENT LIABILITIES

9.1 PROVISIONS

Accounting Principles

Provisions are recorded when, at the year-end date, Auchan Holding SA or one of its subsidiaries has an obligation to a third party as a result of a past event and this obligation is likely or certain to result in an outflow of funds representing economic benefits for the third party the amount of which can be reliably estimated. The obligation may be legal, regulatory or contractual. Provisions are estimated according to their nature based on the most probable assumptions.

Provisions for restructuring are recognised when a consolidated entity has a detailed formal plan to restructure and it has been communicated to the interested parties.

Some consolidated companies offer warranty extension contracts, for which revenue and margin are recognised over the period of the service delivered. Foreseeable expenses relating to the warranty are accrued when the corresponding sales are recorded, based on prior-year expense data.

Provisions linked directly to the normal operating cycle of the business, and the portion of other provisions that matures in less than one year, are classified as current liabilities. Provisions that do not meet these criteria are classified as non-current liabilities.

Non-current provisions

(in €m)	Tax disputes		Other disputes	Employee benefits	Other	Total
	Excluding income tax	Income tax				
At 31 December 2016	5	36	1	200	103	345
Provision expenses ⁽¹⁾	7	2		24	1	35
Reversals of used provisions ⁽²⁾	(7)		(1)	(27)	(47)	(82)
Reversals of unused provisions					(1)	(1)
Actuarial gains and losses recognised under other comprehensive income ⁽³⁾				(20)		(20)
Reclassification and other movements		1		2	2	5
AT 31 DECEMBER 2017	5	39		179	59	282

(1) Non-current provision expenses mainly relate to Auchan Retail France employee benefits of €16 million.

(2) These principally relate to Auchan Retail Spain (€36 million) following the resolution of a dispute (court decision not subject to appeal) and benefits for Auchan Retail France employees (€19 million).

(3) These losses of €20 million relate to actuarial losses on employee benefits (of which €7 million for Auchan Retail International and €6 million for Auchan Retail France).

Current provisions

(in €m)	Tax disputes	Other disputes	Provisions for guarantees	Employee benefits	Miscellaneous	Total
At 31 December 2016	1	129	10	10	73	223
Provision expenses ⁽¹⁾		28	10	1	56	95
Reversals of used provisions ⁽²⁾		(27)			(8)	(35)
Reversals of unused provisions ⁽³⁾		(26)	(10)		(5)	(40)
Actuarial differences recorded under other comprehensive income						
Reclassification and other movements	(1)	2		(3)	6	4
AT 31 DECEMBER 2017		106	10	8	123	247

(1) Other disputes: concern supplier and other third party disputes amounting to €20 million and disputes with employees amounting to €8 million. €26 million of the miscellaneous disputes of €56 million comprise a provision for the reorganisation of Auchan Retail France (see note 1.2). €9 million comprise reinsurance underwriting provisions at Oney Holding Limited (Malta).

(2) Other disputes: concern disputes with suppliers and other third parties for €26 million and disputes with employees for €7 million.

(3) Other disputes: partly correspond to the risks and disputes settled in 2017 in excess of the recognised provision. Reversals of unused provisions include disputes with suppliers and other third parties for €15 million and disputes with employees for €11 million.

The provision for guarantees is reconstituted in full at each closing date, the expense being recognised principally in "External expenses".

9.2 CONTINGENT LIABILITIES

Consolidated companies are involved in a certain number of lawsuits or disputes that arise in the normal course of business, including disputes with the tax authorities. Provisions for contingent liabilities are made for the estimated cost when considered probable by Auchan Holding and/or its subsidiaries as well as their external advisers.

To the knowledge of Auchan Holding and its subsidiaries, there is no exceptional event or litigation that could substantially affect the business, results, assets or financial situation of Auchan Holding and/or its subsidiaries, which is not adequately covered by provisions at the year-end.

NOTE 10 FINANCING AND FINANCIAL INSTRUMENTS EXCLUDING CREDIT ACTIVITY

10.1 NET FINANCIAL DEBT (EXCLUDING FINANCING OF THE CREDIT ACTIVITY)

Accounting Principles

Net financial indebtedness consists of current and non-current borrowings and other financial liabilities, the fair value of derivatives that qualify as hedging instruments for an item of net financial debt, plus related accrued interest and minus net cash and cash equivalents and positive margin calls on derivatives that qualify as hedging instruments for an item of net

financial debt. Negative margin calls (which correspond to the margins received from counterparties) are included in current borrowings and other financial liabilities.

Auchan Holding defines net financial debt as net financial indebtedness plus the fair value of derivatives that do not qualify as hedging instruments for an item of financial debt. It also includes the margin calls on derivatives that do not qualify as hedging instruments and short-term cash investments not covered by the definition of cash and cash equivalents.

Net financial debt does not include the financing of customer loans within the credit activity.

10.1.1 NET FINANCIAL DEBT

(in €m)	2017	2016
Borrowings and other financial liabilities ⁽¹⁾	5,214	4,815
<i>non-current</i>	3,728	3,713
<i>current</i>	1,487	1,102
Cash and cash equivalents	(2,619)	(2,381)
Derivative assets and liabilities qualifying as hedging instruments for an item of net financial debt	(131)	(211)
Margin call assets on derivatives qualifying as hedging instruments ⁽¹⁾		
NET FINANCIAL DEBT	2,464	2,223
Derivative assets and liabilities not qualifying as hedging instruments for an item of net financial debt ⁽²⁾	23	(26)
Margin call assets on derivatives not qualifying as hedging instruments ⁽¹⁾		
Other short-term investment assets ⁽³⁾	(17)	(5)
NET FINANCIAL DEBT	2,470	2,192

(1) A number of margin call agreements have been implemented to reduce counterparty risk. Amounts related to margin calls received (liabilities) or paid (assets) are included under net financial debt. At 31 December 2017, these represented a liability of €41 million booked under "Borrowings and other financial liabilities".

(2) Including derivative instruments linked to the credit activity (including derivative instruments covering financing issued by Auchan Holding) €(21) million in 2017 and €(7) million in 2016.

(3) Including short-term cash investment instruments not meeting the definition of "Cash and cash equivalents" owned by the Chinese entities for €17 million at 31 December 2017.

10.1.2 CHANGES IN NET FINANCIAL DEBT (excluding financing of the credit activity)

(in €m)	31 December 2016	Increase (decrease) in cash and cash equivalents	Effects of exchange rate variations	Changes in consolidation scope	Reclassifications etc.	31 December 2017
Borrowings and other financial liabilities	4,815	404	(43)	24	14	5,214
<i>non-current</i>	3,713	791	(20)	42	(799)	3,728
<i>current</i>	1,102	(387)	(23)	(18)	813	1,487
Cash and cash equivalents	2,381	314	(82)	6		2,619
Derivative assets and liabilities qualifying as hedging instruments for an item of net financial debt	(211)	37		43	1	(131)
Margin call assets on derivatives qualifying as hedging instruments						
NET FINANCIAL DEBT	2,223	126	39	61	15	2,464
Derivative assets and liabilities not qualifying as hedging instruments for an item of net financial debt	(26)	51	(1)		(1)	23
Margin call assets on derivatives not qualifying as hedging instruments	(5)	(13)	1			(17)
NET FINANCIAL DEBT	2,192	164	39	61	14	2,470

10.2 NET COST OF FINANCIAL DEBT

The net cost of financial debt includes:

- the gross cost of financial debt, which includes interest expenses and gains and losses on interest rate and foreign exchange hedges covering the debt;
- income from cash and cash equivalents, which includes income from short-term cash investments.

(in €m)	2017	2016
Income from cash and cash equivalents	59	50
Gross cost of financial debt:	(98)	(87)
• <i>interest expenses</i>	(152)	(155)
• <i>hedging results</i>	54	68
NET COST OF FINANCIAL DEBT	(39)	(35)

The net cost of financial debt amounted to €39 million (versus €35 million in 2016). The change stems mainly from a rise in the gross cost of financial debt, in particular a fall in hedging results of €14 million.

10.3 OTHER FINANCIAL REVENUE AND EXPENSES

This heading comprises financial revenue and expenses that are not included in the net cost of financial debt. It consists mainly of dividends from non-consolidated companies, gains and losses arising from the measurement at fair value of financial assets other than cash and cash equivalents, gains and losses on the disposal of financial assets other than cash and cash equivalents,

the impact of discounting adjustments and exchange gains and losses on items not included in net financial debt and cost of sales, and gains and losses on derivative instruments that do not qualify as hedging instruments for an element of net financial debt.

(in €m)	2017		2016	
	Revenue	Expense	Revenue	Expense
Disposals of other non-current financial assets ⁽¹⁾		(2)	16	
Gains and losses on financial transactions not eligible for hedge accounting ⁽²⁾	21	(63)	14	(66)
Provisions and impairment, net of reversals:	44	(2)	9	(34)
• reversal of provisions for impairment of other financial assets	31		9	(1)
• provision for impairment of other financial assets		(2)		(33)
• other provisions, net of reversals	13			
Cost of discounting retirement obligations net of the expected yield on plan assets		(4)		(5)
Income from equity interests	5		3	
Other ⁽³⁾	10	(6)	14	(8)
OTHER FINANCIAL REVENUE AND EXPENSES	80	(77)	56	(114)

(1) In 2016, this item comprised the capital gain on Oney Bank's sale of the Visa Europe shares.

(2) Gains and losses on financial transactions not eligible for hedge accounting include in particular foreign exchange gains and losses and other gains and losses on derivative instruments used to hedge foreign exchange and/or interest rate risks on intragroup loans, or to guarantee a given interest rate level for the overall debt of Auchan Holding and its consolidated companies (macro-hedging swaps).

(3) This notably includes the cost of credit lines (i.e. non-utilisation fees and amortisation of the cost of setting up facilities).

10.4 MANAGEMENT OF FINANCIAL RISKS AND DERIVATIVES

Accounting Principles

Derivatives are measured and recognised at fair value. The fair value is determined based on the market data provided by independent data providers and included in the valuation software.

Changes in the fair value of derivatives are always recognised in the income statement unless they form part of cash flow and net investment hedges.

Hedge accounting can be applied if:

- the hedging relationship is clearly defined and documented at the date when it is set up;
- the effectiveness of the hedging relationship is demonstrated from the outset, and regularly throughout the duration of the hedge.

Most of the derivatives used by Auchan Holding are eligible for hedge accounting.

For derivatives eligible for hedge accounting, recognition as hedging instruments makes it possible to reduce earnings volatility linked to changes in the value of the derivatives concerned.

There are 3 hedge accounting models according to IAS 39: fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation:

- for derivatives documented as hedges of assets or liabilities recognised in the statement of financial position (fair value hedges), hedge accounting makes it possible to recognise changes in the fair value of the derivatives through the income statement. This is offset by the impact on the income statement of changes in the fair value of the hedged item recognised in the statement of financial position, in connection with the risk hedged. These two values offset each other on the same line in the income statement and cancel each other out if the hedge is completely effective;

- for derivative instruments documented as hedges of highly probable future cash flows, changes in the value of the derivative are recognised in "Other comprehensive income" (Cash flow hedge reserve) for the effective portion of the hedge. These reserves are recycled to the income statement at the same time as the transaction. Changes in the value of the estimated ineffective portion are recognised in the income statement;
- for derivatives documented as hedges of net investments in foreign operations, the change in the value of the hedging instrument is recognised under other comprehensive income, the purpose of these hedges being to neutralise the change in value in euro of part of the net assets of foreign subsidiaries.

For derivatives that are not documented as hedging instruments, any change in the fair value is recognised in other financial revenue and expenses in the case of interest rate derivatives, or in operating profit in the case of currency options used as an economic hedge of future gross profit.

Derivative instruments with an initial maturity of more than one year are recorded in the statement of financial position as non-

current assets or liabilities. Other derivative instruments are recorded as current assets or liabilities.

The accounting date for derivative instruments is the transaction date.

During the usual course of their business, Auchan Holding and the consolidated companies are exposed to interest rate, foreign exchange, credit and liquidity risks. They use derivative financial instruments to mitigate these risks.

Auchan Holding and the consolidated companies have put in place an organisation that enables centralised management of market risks (liquidity, interest rate and foreign exchange risk).

At 31 December 2017, these derivatives were recognised in the statement of financial position at their market value under current and non-current assets and liabilities.

Market risk is controlled and monitored by the Finance Committee, which meets at least twice a year. Auchan Holding's general management is represented on the Committee, whose duties include in particular the assessment of counterparty quality, the level of the hedges put in place and their appropriateness with regard to the underlying assets, as well as the liquidity risk.

10.4.1 Income and expenses on financial instruments

Recognised in the income statement

(in €m)	2017	2016
Interest on bank deposits	52	40
Interest on loans and receivables issued by the company	2	2
Income received in respect of available-for-sale assets	8	5
Net foreign exchange gains	15	
Change in fair value of derivatives (except fair value hedge)	11	
Net profit on financial assets held for trading	2	5
Net profit on derivatives in the context of fair value hedges	75	93
Gain on available-for-sale assets	31	
Ineffective portion of the change in the fair value of cash flow hedging instruments		1
Income from financial instruments	196	146
Commitment fees	6	6
Interest on financial liabilities measured at amortised cost	64	44
Net foreign exchange losses	10	4
Change in fair value of derivatives (except fair value hedge)	54	48
Net loss on financial liabilities in the context of fair value hedges	113	137
Impairment losses on available-for-sale assets ⁽¹⁾	2	25
Ineffective portion of the change in the fair value of cash flow hedging instruments	1	
Expenses on financial instruments	250	264
NET EXPENSE ON (INCOME FROM) FINANCIAL INSTRUMENTS	(54)	(118)

(1) In 2016, of which €30 million for Retail Italy.

The above result includes the following items resulting from assets or liabilities not recognised at fair value through profit or loss and therefore recognised at amortised cost.

(in €m)	2017	2016
Total interest income	54	42
Total interest expense	71	50

Recognised in other comprehensive income (after deferred taxes)

(in €m)	2017	2016
Net change in fair value of available-for-sale financial assets		
Net change in fair value of available-for-sale financial assets transferred to profit or loss (disposal)		
Effective portion of changes in fair value of cash flow hedging instruments	(6)	2
Fair value of cash flow hedging instruments transferred to profit or loss	(2)	(33)
Effective portion of changes in fair value of instruments used to hedge a net investment in a foreign operation		
Exchange differences on translating foreign operations	(348)	6

(in €m)	2017	2016
Change in fair value reserve		
Change in hedge reserve	(8)	(31)
Change in currency translation reserve	(348)	6

10.4.2 Credit risk (excluding credit activity)

With regard to investments, the policy of Auchan Holding and the consolidated companies other than in exceptional circumstances is to invest cash surpluses with authorised counterparties and in amounts decided by the Finance Committee based on a rating grid.

Auchan Holding works solely with a list of banks authorised by Auchan Holding's general management for financing and interest rate and foreign exchange derivatives.

ISDA contracts have been signed with most of the bank counterparties to ensure that financial instrument operating rules are in place. In particular, these contracts set out the procedures for terminating transactions and for netting in the

event of a change in the initial contractual balance, including default by the counterparty.

The fair value assessment of derivatives carried by Auchan Holding and the consolidated companies includes a "counterparty risk" component (CVA) for derivative assets and an "own credit risk" component (DVA) for derivative liabilities. The credit risk is calculated using mathematical models generally used on the market which take historical data into account. At 31 December 2017, the adjustments booked in relation to counterparty risk and own credit risk were not material.

Trade receivables and other receivables correspond for the most part to receivables on franchises, participation in advertising costs and supplier commercial cooperation fees, and prepaid expenses. These transactions do not involve significant risk.

Impairment excluding credit activity:

(in €m)	Available-for-sale financial assets	Financial assets and trade receivables
At 1 January 2016	12	166
Net impairment	(5)	29
Changes in consolidation scope		(1)
Exchange difference		2
AT 31 DECEMBER 2016	6	196
At 1 January 2017	6	196
Net impairment	1	(9)
Changes in consolidation scope		(4)
Exchange difference		
AT 31 DECEMBER 2017	7	183

10.4.3 Liquidity risk (excluding credit activity)

Auchan Holding's policy is to permanently maintain adequate medium and long-term funding to cover its needs at the bottom of the seasonal cycle and provide it with a safety margin.

Risk of early call on financial debt

The medium and long-term bank financing facilities contain the usual commitments and default clauses for this type of contract, i.e. undertaking to maintain the loan at its initial level of seniority (pari-passu), limits on the collateral provided to other lenders (negative pledge), limits on substantial asset sales, and cross-default and material adverse change clauses.

Auchan Holding SA and Oney Bank SA's Euro Medium Term Note (EMTN) programme, under which bonds are issued,

contains an undertaking limiting collateral provided to other bond holders (negative pledge) and a cross-default clause.

The private bond placement carried out in the US in 2012 includes a default early redemption clause in the event that certain ratios are not complied with, including:

Consolidated net financial debt/consolidated EBITDA < 3.5.

On 31 December 2017, all of the ratios were complied with.

None of the financial borrowings includes any commitment or default clause linked to a downgrade of Auchan Holding's ratings.

Exposure to liquidity risk

The residual contractual maturities of financial liabilities break down as follows (including payment of interest).

(in €m) Amounts at 31 December 2017	Carrying amount	Contractual cash flow			
		Total	< 1 year	1 - 5 years	> 5 years
Bonds & private placements	3,702	3,878	592	2,567	719
Bank borrowings	618	618	232	309	77
Finance lease liabilities	155	155	13	41	101
Other financial liabilities	383	383	350	29	4
Trade payables	8,714	8,714	8,484	230	
Other current liabilities	4,163	4,164	3,997	156	12
Other non-current liabilities	337	337		309	28
Current tax liabilities	128	128	128		
Current bank credit facilities	315	315	302	13	
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	18,515	18,692	14,098	3,653	940
Interest rate derivatives not eligible for hedge accounting	16	16	12	3	
Interest rate derivatives used as hedges	6	4	(1)	5	
Forward foreign exchange contracts used as hedges:	33				
• Cash outflow		833	833		
• Cash inflow		(800)	(800)		
Other forward foreign exchange contracts:	14				
• Cash outflow		862	862		
• Cash inflow		(848)	(848)		
TOTAL DERIVATIVE FINANCIAL LIABILITIES	70	67	58	8	0

The carrying amount of derivative financial liabilities corresponds to the value excluding accrued interest not yet due, and the cash flows expected from these liabilities correspond to contractual flows (no early repayment anticipated).

(in €m) Amounts at 31 December 2016	Carrying amount	Contractual cash flow			
		Total	< 1 year	1 - 5 years	> 5 years
Bonds & private placements	3,475	3,669	264	1,803	1,602
Bank borrowings	325	325	82	243	
Finance lease liabilities	159	159	11	29	119
Other financial liabilities	450	449	430	17	2
Trade payables	9,237	9,237	9,233	4	
Other current liabilities	4,239	4,240	4,190	29	21
Other non-current liabilities	1,269	1,268	14	1,177	77
Current tax liabilities	122	123	123		
Current bank credit facilities	334	334	334		
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	19,611	19,803	14,680	3,302	1,821
Interest rate derivatives not eligible for hedge accounting	12	7	5	2	
Interest rate derivatives used as hedges	4	5	(1)	5	1
Forward foreign exchange contracts used as hedges:	30				
• Cash outflow		286	286		
• Cash inflow		(256)	(256)		
Other forward foreign exchange contracts:	29				
• Cash outflow		1,057	1,057		
• Cash inflow		(1,028)	(1,028)		
TOTAL DERIVATIVE FINANCIAL LIABILITIES	75	71	63	7	1

The carrying amount of derivative financial liabilities corresponds to the value excluding accrued interest not yet due, and the cash flows expected from these liabilities correspond to contractual flows (no early repayment anticipated).

10.4.4 Interest rate risk (excluding credit activity)

Auchan Holding uses interest rate derivatives with the sole aim of reducing its exposure to the impact of changes in interest rates on its debt.

Transactions on the derivative markets are undertaken solely for hedging purposes. However, some macro-hedging transactions used to hedge interest rate risk do not qualify for hedge accounting. These instruments are therefore recognised in "Financial assets held for trading".

10.4.4.1 Interest rate hedges

Fair value hedges

Interest rate transactions designated as fair value hedges concern transactions designed to change bond debt into floating rate debt.

10.4.4.2 Exposure to interest rate risk (after management)⁽¹⁾

(in €m)	2017	2016
Fixed rate financial assets	50	150
Fixed rate financial liabilities	3,287	3,849
Floating rate financial assets	2,846	2,591
Floating rate financial liabilities	1,925	966

(1) Excluding operating debt and receivables.

The currencies of these transactions are the euro, the Swiss franc and the US dollar.

The net fair value (excluding accrued interest not yet due) of these instruments in the statement of financial position was €115 million at 31 December 2017 compared with €188 million at 31 December 2016.

Macro-hedging transactions recorded as instruments "held for trading"

These transactions are aimed at protecting earnings against a possible rise in interest rates. They consist of swaps in which Auchan is a fixed rate borrower and a floating rate lender, or of caps or swaptions. These transactions are carried out in euro, Hungarian forint, Polish zloty, Russian rouble and Romanian leu. The fair value of these instruments was €(4) million at 31 December 2017 compared with €(4) million at 31 December 2016.

10.4.4.3 Sensitivity analysis

The analysis of the sensitivity of cash flows on floating rate instruments takes into account all the variable income flows on derivative and non-derivative instruments. The analysis is carried out based on the assumption that the amount of debt and derivatives at 31 December remains constant over one year. For the purpose of this analysis, all other variables, notably foreign exchange rates, are assumed to remain unchanged. Auchan Holding has stressed the curves for the euro and other currencies at -0.5%/+0.5%.

Impact on the income statement and equity

A 0.5% increase in the interest rate curve would result in:

A €41 million decrease in the cost of financial debt until maturity based on the financial situation at 31 December 2017, of which €4 million relates to 2018. As in 2016, it would also give rise to stable equity.

It represented an increase of €67 million at 31 December 2016, of which €2 million related to 2017. Short-term financial assets and liabilities are not included in the scope of this analysis.

A 0.5% decrease in the interest rate curve would result in:

A €41 million increase in the cost of financial debt until maturity based on the financial situation at 31 December 2017, of which €4 million relates to 2018. As in 2016, it would also give rise to stable equity.

It represented a decrease of €65 million at 31 December 2016, of which €3 million related to 2017. Short-term financial assets and liabilities are not included in the scope of this analysis.

10.4.5 Foreign exchange risk (excluding credit activity)

Auchan Holding is exposed to foreign exchange risk on:

- purchases of goods (transactional foreign exchange);
- internal and external financing denominated in a currency other than the euro (balance sheet risk);

- the value of subsidiaries' net assets in foreign currencies (net investment hedges).

At 31 December 2017, the main currencies concerned were the US dollar, Chinese yuan, Polish zloty, Hungarian forint, Russian rouble and Romanian leu.

10.4.5.1 Foreign exchange hedges

Derivative foreign exchange instruments are used to limit the impact of fluctuations in exchange rates on Auchan Holding's currency requirements and on the value of the net assets of some of its subsidiaries.

Transactions on the derivative markets are undertaken solely for hedging purposes.

Foreign exchange transactions concern only the currencies indicated in the table below.

Fair value hedges

Foreign exchange hedges recognised as fair value hedges relate to purchases invoiced in foreign currencies but not yet paid. The impact on the income statement of these derivative instruments is naturally offset by the impact of the revaluation of trade payables in foreign currencies.

Cash flow hedges

Foreign exchange transactions that qualify as cash flow hedges consist of foreign exchange swaps and forward foreign exchange purchases or sales. These transactions are used to hedge forecast purchasing outflows denominated in foreign currencies.

The risk hedged by these transactions is principally EUR/USD exchange risk.

The net fair value of these instruments in the statement of financial position was €(27) million at 31 December 2017 compared with €34 million at 31 December 2016, for EUR/USD transactions only.

The table below shows the periods in which Auchan Holding expects cash flows linked to derivative financial instruments qualifying as cash flow hedges to have an impact:

At 31 December 2017 (in €m)	Carrying amount	Contractual cash flow			
		Total	< 1 year	1 - 5 years	> 5 years
Foreign exchange swaps	4				
• Cash inflow		10	10		
• Cash outflow		(6)	(6)		
Forward foreign exchange contracts	(31)				
• Cash inflow		587	438	149	
• Cash outflow		(618)	(467)	(151)	

At 31 December 2016 (in €m)	Carrying amount	Contractual cash flow			
		Total	< 1 year	1 - 5 years	> 5 years
Foreign exchange swaps	(3)				
• Cash inflow		57	57		
• Cash outflow		(61)	(61)		
Forward foreign exchange contracts	37				
• Cash inflow		639	554	85	
• Cash outflow		(602)	(522)	(80)	

The table below shows Auchan Holding's exposure at 31 December 2017:

At 31 December 2017 (in €m)	USD
Trade payables	71
Estimated future purchases ⁽¹⁾	792
GROSS EXPOSURE	863
Foreign exchange swaps	(506)
Foreign exchange options ⁽²⁾	(151)
NET EXPOSURE	207

(1) Budgeted purchases for 2018.

(2) Transactions that do not qualify for hedge accounting.

Balance sheet risk

Hedging transactions for balance sheet risk concern foreign currency loans granted to foreign subsidiaries. The currencies hedged are the Hungarian forint, Polish zloty, Romanian leu, US dollar and Russian rouble. Although these transactions are

carried out for hedging purposes, they are not documented for hedge accounting purposes as they are symmetrically offset in the income statement by the change in value of the derivatives and intragroup financing.

At 31 December 2017 (in €m)	USD	RMB	PLN	HUF	RUB	RON
Intragroup financing	42		490	166	274	217
Gross exposure	42		490	166	274	217
Foreign exchange swaps	(42)		(490)	(166)	(274)	(217)
NET EXPOSURE	-	-	-	-	-	-
At 31 December 2016 (in €m)	USD	RMB	PLN	HUF	RUB	RON
Intragroup financing	58		607	216	255	240
Gross exposure	58	-	607	216	255	240
Foreign exchange swaps	(58)		(607)	(216)	(255)	(240)
NET EXPOSURE	-	-	-	-	-	-

Net investment hedge

No hedges were implemented in 2017 or 2016.

10.4.5.2 Sensitivity analysis (excluding currency translation reserves)

This sensitivity analysis assumes that variables other than exchange rates (notably interest rates) remain constant.

A rise of 10% in the euro exchange rate against other currencies, based on the financial situation at 31 December 2017, would result in a fall in income and equity for the amounts indicated below. The impact on equity corresponds to cash flow hedges on estimated forecast purchases.

Impact (in €m)	Equity	Gains or losses
USD	(39)	(1)

A fall of 10% in the euro exchange rate against other currencies, based on the financial situation at 31 December 2017, would result in a rise in income and equity for the amounts indicated below. The impact on equity corresponds to cash flow hedges on estimated forecast purchases.

Impact (in €m)	Equity	Gains or losses
USD	48	11

10.4.6 Other risks (excluding credit activity)

Auchan Holding and the other consolidated companies enter into hedging transactions other than foreign exchange and interest rate derivative transactions, namely hedges on raw material prices, but in non-material amounts.

10.4.7 Market values of financial instruments

Financial assets and liabilities are recognised and measured in accordance with IAS 39, IAS 32, IFRS 7 and IFRS 13.

IFRS 13 introduced a 3-level hierarchy for fair value measurement disclosures.

Level 1: Fair value measured with reference to unadjusted quoted prices observed in active markets for identical assets or liabilities.

Level 2: Fair value measured with reference to inputs other than the quoted prices included in level 1 that are observable for the asset or liability in question, either directly (in the form of a price) or indirectly (calculated based on a price).

Level 3: Fair value measured with reference to inputs that are not based on observable market data ("unobservable inputs").

(in €m)	2017				2016			
	Market value			Carrying amount	Market value			Carrying amount
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Assets held for trading, of which:		2,708		2,708		2,489		2,489
• other financial assets measured at fair value		89		89		108		108
• cash and cash equivalents		2,619		2,619		2,381		2,381
Available-for-sale financial assets, of which:		163		163		154		154
Equity investments		163		163		154		154
Loans and receivables, of which:		6,025		6,025		6,049		6,049
• other non-current financial assets (excluding equity investments)		248		248		279		279
• customer loans		2,912		2,912		2,822		2,822
• trade receivables		526		526		489		489
• other current financial assets		2,339		2,339		2,459		2,459
Liabilities measured at amortised cost, of which:	4,443	16,510		20,997	4,466	17,648		22,080
• bonds & private placements	3,754			3,702	3,526			3,475
• bank loans and borrowings, other financial liabilities including bank overdrafts		1,222		1,357		1,128		1,181
• finance lease liabilities		185		155		182		159
• other non-current liabilities		341		341		1,274		1,274
• debt financing the credit activity	689	1,636		2,316	940	1,356		2,283
• trade payables		8,799		8,799		9,312		9,312
• other current liabilities		4,327		4,327		4,396		4,396
Derivative instruments, of which:		108		108		238		238
• derivative financial instruments (assets)		181		181		320		320
• derivative financial instruments (liabilities)		73		73		83		83

Bonds and cash open-ended funds (SICAV) are valued using quoted market prices. These securities are now considered as level-1 financial assets.

Auchan Holding calculated the fair value of finance lease debts and bank loans by discounting contractual flows using market interest rates, which are observable data. Derivatives are valued

using commonly accepted valuation techniques based on observable interest rate and currency market data

Derivative positions not subject to offsetting

Auchan Holding enters into international swap and derivatives agreements (ISDA) as part of its trading activities.

The ISDA contracts do not meet the same offsetting conditions as derivative positions in the statement of financial position. The table below shows the recognised amounts that are subject to these agreements, solely for derivatives qualifying as interest rate and currency hedges:

(in €m)	2017			2016		
	Financial instruments in the financial statements	Related financial instruments that are not offset	Net amount	Financial instruments in the financial statements	Related financial instruments that are not offset	Net amount
Financial assets						
Derivative instruments	125	(35)	90	233	(10)	223
TOTAL	125	(35)	90	233	(10)	223
Financial liabilities						
Derivative instruments	(39)	5	(34)	10	(10)	
TOTAL	(39)	5	(34)	10	(10)	

10.5 FINANCIAL ASSETS

Accounting Principles

Financial assets held for trading

Financial assets held for trading consist of:

- on the one hand, units in money-market funds. These are measured at their market value. This value is calculated based on the last quotation given by the bank. Any changes in fair value are recognised in the income statement;
- on the other hand, cash and cash equivalents. This item comprises cash in hand and current accounts at banks that are not subject to any restrictions. It also includes short-term financial assets (less than 3 months) that are readily convertible into known amounts of cash and which are not subject to a significant risk of change in value. As these assets are immediately realisable or transferable, they are measured at fair value. Any change in value is recognised in profit or loss.

The accounting date of these assets is the settlement date.

Available-for-sale financial assets

Available-for-sale financial assets include mainly participating interests in non-consolidated companies and financial assets not corresponding to the definition of loans and receivables, financial assets held for trading and financial assets held to maturity. They are measured at fair value.

Changes in fair value are recognised in other comprehensive income under "Available-for-sale financial assets reserve", and are transferred to profit and loss when the underlying asset is sold. If testing for impairment shows any material or lasting loss in the value of an equity instrument, an impairment loss is recognised in the income statement. When an unrealised loss reflects a decrease in estimated cash flows on a debt instrument, an impairment loss is recognised in the income statement.

Subsequent increases in value are written back:

- as a counter-entry under other comprehensive income in the case of equity instruments (shares and similar); and
- in the case of debt instruments (bonds and other), in the income statement as soon as an increase in estimated cash

flows is recognised, for the amount of the impairment loss previously recognised.

For listed assets, fair value is the last quoted stock market price. For unlisted securities, fair value is determined based on the Group's share in the company's net asset value, its yield, its earnings outlook or its appraisal value.

If the fair value cannot be reliably determined, the assets are recognised at cost. An impairment loss is recognised when the carrying amount of an asset exceeds the recoverable amount.

The accounting date of these assets is the settlement date.

Loans and receivables

This heading includes mainly receivables linked to non-consolidated shareholdings, guarantee deposits, trade receivables, prepaid expenses and other loans and receivables. Assets are initially measured at fair value and then at amortised cost using the effective interest rate method.

The fair value of loans and receivables is estimated based on the present value of the future cash flows discounted using the zero-coupon curves at the financial year-end, and integrating a spread determined by Auchan Holding. For guarantee deposits and other loans, the carrying amount represents a reasonable estimate of fair value. An impairment loss is recognised if there is any probability that the total contractual amount (principal and interest) will not be recovered.

Trade receivables are recognised net of any impairment loss recorded in the event of a risk of non-recovery.

The impairment loss recognised in the income statement corresponds to the difference between the carrying amount of the asset and its recoverable amount.

If the recoverable amount of the asset increases subsequently as the result of an event occurring after the impairment loss was recognised, the impairment loss is reversed. However, an impairment loss may be reversed only to the extent that the asset's carrying amount does not exceed the amortised initial cost that would have been determined had no impairment loss been recognised.

Given the nature of its business, Auchan Holding's exposure (excluding the credit activity) to debtor default risk cannot have a significant impact on its business, financial position or assets.

Classification of financial assets by category (net carrying amount)

(in €m)	2017		2016	
	Non-current	Current	Non-current	Current
Financial assets held for trading ⁽¹⁾	89	833	108	605
Held-to-maturity investments				
Available-for-sale financial assets ⁽²⁾	164		154	
Trade receivables ⁽³⁾		526		489
• of which cumulative impairment		(117)		(96)
Loans and receivables issued by the company	250	2,339	281	2,459
• of which financial receivables ⁽⁴⁾	97	87	106	112
• of which receivables from the sale of non-current assets ⁽⁵⁾	2	8	5	5
• of which prepaid expenses	114	359	130	385
• of which other receivables ⁽⁶⁾	37	1,886	40	1,957
OTHER FINANCIAL ASSETS (NET CARRYING AMOUNT)	504	3,698	542	3,553
• of which cumulative impairment (excluding trade receivables)	(11)	(60)	(40)	(66)

(1) Financial assets held for trading correspond to:

- for the non-current part, investments that are subject to restrictions on use by Auchan Holding for prudential or contractual reasons;
- for the current part, investments that are defined as cash equivalents and are included under "Cash and cash equivalents".

(2) Available-for-sale financial assets comprise mainly shares in companies that are neither controlled nor under significant influence.

(3) Trade receivables comprise mainly receivables relating to franchise arrangements, and rent outstanding for the Property Management business line.

(4) Financial receivables comprise mainly guarantee deposits.

(5) For the non-current part, interest-bearing or discounted receivables.

(6) Other current receivables comprise mainly tax and social security receivables and accrued revenue from suppliers.

10.6 FINANCIAL LIABILITIES

10.6.1 BORROWINGS AND OTHER FINANCIAL LIABILITIES

Accounting Principles

Financial liabilities consist mainly of bonds, bank borrowings, bank overdrafts and obligations under finance leases. Borrowings that bear interest are recognised from the outset at their fair value less direct transaction costs. After initial recognition:

- borrowings and other financial liabilities at floating rates are measured at amortised cost based on straight-line amortisation of issuance costs over the term of the borrowing, insofar as this has no material impact by comparison with the yield-to-maturity method;
- two methods are used for fixed rate borrowings:
 - fixed rate borrowings qualified as hedged items as part of fair value hedging relationships are recognised at amortised cost adjusted for the change in fair value corresponding to the hedged risk. The fair value is determined on the basis of future cash flows discounted using the zero-coupon curves at the financial year-end, and integrating a spread equal to the spread when the financing was put in place,
 - other fixed rate borrowings are recognised at amortised cost using the effective interest rate method, which incorporates an actuarial amortisation of issuance costs and premiums.

10.6.1.1 Breakdown of borrowings and other financial liabilities

(in €m)	2017		2016	
	Non-current	Current	Non-current	Current
Bonds & private placements	3,149	553	3,267	209
Bank borrowings	406	212	271	53
Obligations under finance leases	143	11	149	10
Other financial liabilities	29	354	27	422
Margin call - Liability		41		74
Bank overdrafts		315		334
TOTAL	3,728	1,487	3,713	1,102

Accrued interest is recognised under "Current borrowings and other financial liabilities".

Main characteristics of borrowings and other financial liabilities

10.6.1.2 Bonds & private placements

This concerns bonds issued in Luxembourg under the Euro Medium Term Note (EMTN) programme, a loan issued in

Switzerland for CHF120 million and two private placements in the United States in the amounts of USD200 million and USD50 million.

In 2017, Auchan Holding issued bonds in the amount of €600 million.

(in €m)	Issuing company	Nominal interest rate	Issue date	Maturity	31/12/2017		31/12/2016	
					Nominal value	Carrying amount	Nominal value	Carrying amount
	Auchan Holding SA	0.625%	07/02/2017	07/02/2022	600	601		
	Auchan Holding SA	6.000%	15/04/2009	15/04/2019	400 ⁽¹⁾	433	400 ⁽¹⁾	446
	Auchan Holding SA	3.625%	20/06/2011	19/10/2018	250 ⁽¹⁾	257	350 ⁽¹⁾	368
	Auchan Holding SA	3.000%	28/06/2012	28/06/2019	42 ⁽³⁾	41	47 ⁽³⁾	47
	Auchan Holding SA	3.500%	28/06/2012	28/06/2022	167 ⁽³⁾	162	190 ⁽³⁾	185
	Auchan Holding SA	2.375%	12/12/2012	12/12/2022	650 ⁽¹⁾	675	650 ⁽¹⁾	685
	Auchan Holding SA	3.625%	20/02/2013	19/10/2018	250	258	250	266
	Auchan Holding SA	2.250%	08/04/2013	06/04/2023	400 ⁽¹⁾	428	400 ⁽¹⁾	436
	Auchan Holding SA	2.250%	24/06/2013	06/04/2023	200	215	200	220
	Auchan Holding SA	1.750%	24/04/2014	23/04/2021	500 ⁽¹⁾	523	500 ⁽¹⁾	531
	Auchan Holding SA	1.500%	03/06/2014	03/06/2024	103 ⁽²⁾	109	98 ⁽²⁾	122
	Auchan Holding SA	2.875%	15/11/2010	15/11/2017			166 ⁽¹⁾	169

(1) Amounts after reclassification of part of the bond debt under debts financing the credit activity for a carrying amount of €680 million (see note 11.2).

(2) Hedging value; loan issued initially for CHF120 million.

(3) Closing value; loans issued initially for USD50 million and USD200 million, respectively.

Bank borrowings

(in €m) Issuing company	Nominal interest rate	Issue date	Maturity	31/12/2017		31/12/2016	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Gallerie Commerciali Sardegna	EURIBOR 6m +2.5%	16/12/2016	16/12/2021	111	111	116	116
Auchan Russie	Mosprime 3m +0.1%	29/05/2017	28/05/2018	56	56		
Auchan Russie	Mosprime 3m	29/05/2017	28/05/2018	72	72		
Auchan Russie	8.6000%	23/04/2014	13/04/2017			31	31

Other borrowings and credit lines exist with unit amounts of less than €50 million.

Other financial liabilities

This heading mainly comprises the commitments to repurchase shares from employees of Auchan Holding and its subsidiaries for €1 million (see note 8.1.4) and the liabilities linked to employee profit-sharing for €20 million.

This heading also includes commercial paper, the main issues being as follows:

(in €m) Issuing company	Maturity	31/12/2017		31/12/2016	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Auchan Holding SA	less than 1 month	167 ⁽¹⁾	167	81 ⁽¹⁾	81
Auchan Holding SA	1 to 3 months	184	184	270	270
Auchan Holding SA	3 to 6 months			20 ⁽¹⁾	20
Auchan Holding SA	6 months and over			50 ⁽³⁾	50

(1) Amount after reclassification of part of the commercial paper under debts financing the credit activity (see note 11.2).

10.6.2 Other financial liabilities

Accounting Principles

The current financial liabilities are measured at their face value insofar as this constitutes a reasonable estimation of their market value.

Auchan Holding and the consolidated companies have given commitments to the non-controlling shareholders of some fully consolidated subsidiaries to buy out their interests. These commitments' exercise price may be fixed, based on an expert opinion, or based on a pre-defined calculation formula, depending on any contractual provisions setting the option valuation methods. These options may be exercised at any time or on a pre-determined date.

In application of IFRS 10, transactions with non-controlling shareholders that do not change the nature of the direct or

indirect control exercised by Auchan Holding should be recognised directly in equity. Accordingly, the impact of the repurchase commitments issued after the first application date must also be recognised in equity.

On first recognition, Auchan Holding recognises a liability in its consolidated financial statements in respect of the repurchase commitments given to non-controlling shareholders at the present value of the exercise price. The difference between the debt recognised in respect of the repurchase commitments and the carrying amount of the non-controlling interests is recorded as a charge against equity. The liability is remeasured each year and any changes are recognised in equity (including discounting effect).

If the repurchase commitment was not granted in the context of a business combination (excluding creation of new activities), subsequent changes in the liability are recognised in financial revenue and expenses.

(in €m)	2017		2016	
	Non-current	Current	Non-current	Current
Trade payables		8,799		9,312
Trade payables, goods		7,869		8,422
Trade payables, general expenses		930		890
Other current liabilities, including	341	4,325	1,274	4,396
• Liabilities in respect of puts on non-controlling interests ⁽¹⁾	206		1,112	
• Amounts due on non-current assets	4	683	3	688
• Tax and social security liabilities		1,560		1,531
• Deferred income ⁽²⁾	68	479	77	347
• Other liabilities	63	617	81	598
• Prepaid cards ⁽³⁾		986		1,232
TOTAL	341	13,124	1,274	13,708

(1) Commitments to purchase shares made by Auchan Holding and the other consolidated companies to the non-controlling shareholders of certain subsidiaries that are fully consolidated, of which €994 million in 2016 related to the put option granted to Ruentex (exercised in November 2017, see note 1.2).

(2) Non-current "deferred income" corresponds to differences in rental income between rent due contractually and rents at an unfavourable market rate recognised in Poland and Romania as part of the acquisition of Real.

(3) Prepaid cards mainly comprise the "gift" cards issued in China. These prepayments are held under liabilities in the statement of financial position until they are used by customers in our stores. In China, these cards can be used in the banner entity stores without any time restriction. At 31 December 2016, the related liability stood at €1,232 million. At 31 December 2017, based on a survey carried out by an actuarial firm, we were able to statistically estimate credit amounts that have a high probability of never being used. Income of €40 million relating to this change in estimate was recognised under "Other operating profit and expenses" (corresponding to credit amounts dating more than 5 years – see note 1.2).

10.7 FINANCING COMMITMENTS

Commitments received

Breakdown of long and medium-term credit lines, granted and confirmed by the banks but unused:

At 31 December 2017

(in €m)	Auchan Holding and its subsidiaries	Excluding credit activity	Credit activity
Less than 1 year	1,012	932	80
Between 1 and 5 years	3,810	2,995	815
More than 5 years			
TOTAL	4,822	3,927	895

Certain medium and long-term bank financing facilities (confirmed credit lines not used as at 31 December 2017) contain a "callability" clause in the event of non-compliance with the following ratio at the closing date: Consolidated net financial debt/consolidated EBITDA < 3.5.

On 31 December 2017, this ratio was complied with.

After taking into account undrawn confirmed credit lines and available cash, Auchan Holding considers that projected cash flows from operations are sufficient to cover debt repayments and dividends.

At 31 December 2016

(in €m)	Auchan Holding and its subsidiaries	Excluding credit activity	Credit activity
Less than 1 year	797	797	
Between 1 and 5 years	3,367	2,512	855
More than 5 years			
TOTAL	4,164	3,309	855

Commitments given

	2017	2016
(in €m)	Total	Total
Guarantees given	87	86
Other commitments given	60	19

Secured liabilities

	2017	2016
(in €m)	Total	Total
Guaranteed debts	411	424
Debts guaranteed by security interests	50	
Import documentary credits	98	141

NOTE 11 CREDIT ACTIVITY

11.1 CUSTOMER LOANS

The methods of integrating the credit activity's financial statements into Auchan Holding's consolidated financial statements are described in note 2.1.5.

Accounting Principles

This item corresponds to customer loans by Oney Bank and factoring receivables with Comfactor (mainly consumer credit in the form of personal loans and revolving credit, and factoring receivables) granted by consolidated financial companies and credit institutions. They are initially recognised at fair value and then at amortised cost.

At each accounts closing date, the consolidated companies determine whether there is objective evidence of impairment resulting from one or more events occurring after initial recognition of the asset, and whether this (these) loss event(s) has (have) an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence that a loan or receivable is impaired, impairment is calculated using statistical models that, based on historical collection data on homogeneous receivable portfolios of the same nature, determine the expected future cash flows of these receivables. The statistical approach, broken down by country, is based on a segmentation of outstanding amounts by type of product, depending on the debtor's situation and the number of unpaid monthly payments. The impairment loss is measured as the difference between the carrying amount of the asset and the present value (discounted using the original contract rate) of recoverable estimated future cash flows, taking any guarantees into account. The impairment loss is recognised in profit or loss, and the value of the financial asset is reduced by the same amount. This impairment loss, calculated on homogeneous groups of receivables discounted to present value, is estimated based on a certain number of inputs and assumptions: number of past dues, historical recovery rates, status of receivables in the recovery process, loss rates, performance of third party litigation firms, etc.

11.1.1 Customer credit risk management at Oney Bank

Credit risk mainly concerns consumer loans (personal loans and revolving credit, etc.) granted to private individuals.

The risk is spread over a large number of customers with limited unit commitments.

Organisation of the Risk division

Oney Bank's credit risk is managed and monitored by the subsidiaries or partners' Risk departments, Oney Bank's Risk department and the Internal Audit department through quarterly Risk Committee meetings.

For France, Spain and Portugal, risk is managed and monitored by the local Risk departments.

In the case of the other countries (Poland, Hungary and Russia), the partner is responsible for managing credit risk as it is the partner's processes and information systems that determine loan approval, risk monitoring and debt collection.

In all cases, credit risk is monitored by Oney Bank's Risk department.

The Risk Committees are responsible for managing credit risks and overseeing projects that have an impact on these risks. They validate the strategy, methodologies implemented and above all the performance achieved in terms of risk management.

Loan granting

The credit decision systems are based on a statistical approach, supported by an examination of each loan application and adapted to the different types of product and customer.

These systems incorporate:

- scores;
- clearly established refusal rules;
- a system of delegation of powers;
- rules concerning supporting documents to be supplied;
- fraud prevention checks.

Compliance with the credit decisions based on the scores and rules, which are very seldom waived, ensures tight risk control. Exceptions and the persons qualified to make exceptions are defined by procedures and are checked retrospectively; these exceptions are designed to ensure personalised management of loan approvals for larger amounts or intended for targeted customer bases.

For off-balance sheet commitments, the policy of Auchan Holding and the consolidated companies is to grant financial guarantees only to subsidiaries and certain partners.

11.1.2 Breakdown of customer loans

This item comprises the receivables held by Oney Bank, its subsidiaries and Comfactor on their customers. It includes mainly consumer credit and deferred payment facilities on Oney credit cards, as well as the receivables of the captive factoring activity carried out by Comfactor in Italy.

(in €m)	2017	2016
Gross amount	3,269	3,260
• of which gross carrying amount of impaired receivables	493	577
Impairment	(357)	(438)
Coverage rate of impaired receivables	72%	76%
NET AMOUNT	2,912	2,822
• of which non-current	1,265	1,192
• of which current	1,647	1,630

(in €m)	2017	2016
Gross maturities:	3,269	3,260
• 3 months or less	1,122	1,135
• between 3 months and 1 year	641	641
• between 1 and 5 years	1,313	1,246
• more than 5 years	193	239

Aged balance of past due loans

As soon as a payment default occurs, impairment is recognised on the corresponding customer loans and receivables. Exceptionally, impairment is not recognised on insolvency plans in default. These amounted to €2 million as at 31 December 2017.

Restructured loans

The outstanding amount of restructured or rescheduled loans, whether decided internally or after submission to an overindebtedness body, came to €149 million as at 31 December 2017. Impairment of €101 million was recognised in respect of these loans as at 31 December 2017.

Maximum exposure

The maximum exposure to credit risk is €493 million. It comprises impaired loans and insolvency plans in payment default. The reserve granted to customers is blocked once payment default is detected. As a result, the reserves related to these outstandings are not reversed in the risk database and no impairment provision is recognised in respect of them.

11.1.3 Breakdown of recognised impairment

(in €m)	Customer loans		
	Oney Bank	Other	Total
At 1 January 2016	512	1	513
Net impairment	(77)		(77)
Changes in consolidation scope			
Reclassification			
Exchange difference	1		1
AT 31 DECEMBER 2016	436	1	437
At 1 January 2017	436	1	437
Net impairment	(80)		(80)
Changes in consolidation scope			
Reclassification			
Exchange difference			
AT 31 DECEMBER 2017	356	1	357

The rate of risk (cost of risk/outstanding amount) has been decreasing significantly for several years. Despite a persistently weak economic environment, loan production continues to be of high quality, regular and skilfully managed.

Thanks to the implementation of highly effective action plans for the loan approval and risk management systems, Oney Bank has continued to meet its credit risk reduction targets.

11.2 DEBTS FINANCING THE CREDIT ACTIVITY

The methods of accounting for debts financing the credit activity are the same as those for other borrowings and financial liabilities described in note 11.

(in €m)	2017		2016	
	Non-current	Current	Non-current	Current
Bonds	466	264	631	345
Bank borrowings ⁽¹⁾	322	791	233	329
Other financial liabilities (including bank overdrafts) ⁽²⁾	140	333	120	625
TOTAL	928	1,388	984	1,299

(1) Non-current bank loans and other financial liabilities comprise a deposit with the Banque de France in the amount of €331 million put in place to meet LCR regulatory requirements (i.e. high quality liquid assets).

(2) Other current liabilities relating to the credit activity notably comprise treasury notes for an amount of €135 million, certificates of deposit for €380 million and a bank overdraft of €(109) million.

Accrued interest, apart from that relating to bonds, is included under "Other financial liabilities".

Characteristics of main bond issues

These are bonds issued in Luxembourg under the EMTN (Euro Medium Term Notes) programme.

(in €m) Issuing company	Nominal interest rate	Issue date	Maturity	2017		2016	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Auchan Holding SA	2,875%	15/11/2010	15/11/2017			330 ⁽¹⁾	337
Auchan Holding SA	3,625%	20/06/2011	19/10/2018	250 ⁽¹⁾	257	150 ⁽¹⁾	158
Auchan Holding SA	6,000%	15/04/2009	15/04/2019	100 ⁽¹⁾	108	100 ⁽¹⁾	112
Auchan Holding SA	1,750%	24/04/2014	23/04/2021	100 ⁽¹⁾	105	100 ⁽¹⁾	106
Auchan Holding SA	2,375%	12/12/2012	12/12/2022	100 ⁽¹⁾	104	100 ⁽¹⁾	105
Auchan Holding SA	2,250%	08/04/2013	06/04/2023	100 ⁽¹⁾	107	100 ⁽¹⁾	109
Oney Bank SA	E3M +0.60%	21/10/2016	21/10/2020	50	50	50	50

(1) Amount after reclassification of part of Auchan Holding SA's bond debt under "Debts financing the credit activity" (see note 10.6.2).

Bank borrowings

(in €m) Issuing company	Nominal interest rate	Issue date	Maturity	2017		2016	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Oney Bank SA	E3M +0.75%	07/07/2014	09/07/2018	50	50	50	50
Oney Bank SA	E3M +0.35%	12/12/2016	12/06/2018	50	50	50	50
Oney Bank SA	E3M +0.42%	12/12/2016	12/12/2018	50	50	50	50
Oney Bank SA	E6M +0.60%	27/04/2015	29/04/2019	50	50	50	50
Oney Bank SA	0.00%	26/09/2016	24/06/2020	355	355	355	355
Oney Bank SA	E3M +0.24%	18/10/2017	18/10/2019	50	50		
Oney Bank SA	E3M +0.70%	31/07/2017	31/12/2021	50	50		
Oney Bank SA	E3M +0.70%	30/11/2017	30/11/2021	75	75		
Oney Bank SA	EONIA +0.37%	30/06/2016	28/02/2017			50	50
Oney Bank SA	EONIA +0.25%	24/10/2016	24/05/2017			50	50
Oney Bank SA	EONIA +0.27%	24/10/2016	26/06/2017			50	50
Oney Bank SA	E3M +0.80%	30/12/2013	29/12/2017			75	75
Oney Bank SA	0.00%	27/10/2016	26/01/2017			90	90
HQLA investment, France			Renewable	(331)	(331)	(247)	(247)
HQLA investment, Portugal			Renewable			(39)	(39)

Other borrowings and credit lines exist with unit amounts of less than €50 million.

11.3 MANAGEMENT OF FINANCIAL RISKS AND DERIVATIVES**11.3.1 Income and expenses on financial instruments****Recognised in the income statement**

<i>(in €m)</i>	2017	2016
Interest on bank deposits	1	1
Interest on loans and receivables issued by the company	237	231
Change in fair value of derivatives (except fair value hedge)		16
Income from financial instruments	238	249
Commitment fees	3	3
Interest on financial liabilities measured at amortised cost	9	6
Change in fair value of derivatives (except fair value hedge)	3	3
Impairment losses on loans and receivables issued by the company	(80)	(77)
Net change in the fair value of cash flow hedging instruments derecognised from equity	(4)	13
Expenses on financial instruments	(69)	(52)
NET EXPENSE ON (INCOME FROM) FINANCIAL INSTRUMENTS	307	300

The above result includes the following items resulting from assets or liabilities not recognised at fair value through profit or loss and therefore recognised at amortised cost.

<i>(in €m)</i>	2017	2016
Total interest income	238	232
Total interest expense	12	8

Recognised in other comprehensive income (after deferred taxes)

<i>(in €m)</i>	2017	2016
Net change in fair value of available-for-sale financial assets		
Effective portion of changes in fair value of cash flow hedging instruments		
Fair value of cash flow hedging instruments transferred to profit or loss	4	(13)

<i>(in €m)</i>	2017	2016
Change in hedge reserve		

Oney Bank must comply with a single covenant in the context of the refinancing facilities extended by the Club Deal (€500m confirmed syndicated credit line) and certain confirmed lines. Under this covenant it must comply with the following ratio: Total credit outstandings > Net financial debt i.e. debt held with credit institutions plus debt in the form of securities minus the credit balances of bank accounts including cash accounts, central bank and postal accounts, investments and receivables from credit institutions, and the gross value of HQLA category assets. Oney Bank complied with this ratio at 31 December 2017.

11.3.2 Credit risk

Credit risk management is described in detail in note 11.1 of this document, "Customer loans".

11.3.3 Exposure of the credit activity to liquidity risk

The residual contractual maturities of financial liabilities break down as follows (including payment of interest).

Transactions in €m (as at 31 December 2017)	Carrying amount	Contractual cash flow			
		Total	< 1 year	1 à 5 years	> 5 years
Bonds	730	754	272	380	102
Bank borrowings	1,113	1,124	870	254	
Other financial liabilities (including bank overdrafts)	473	474	333	140	1
Trade payables	85	82	82		
Other current liabilities	162	162	162		
Other non-current liabilities	4	4		4	
Current tax liabilities	12	12	12		
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	2,579	2,613	1,731	778	104
Interest rate swaps used as hedges					
<i>Caps</i>					
Swaps not used as hedges					
TOTAL DERIVATIVE FINANCIAL LIABILITIES	0	0	0	0	0

Transactions in €m (as at 31 December 2016)	Carrying amount	Contractual cash flow			
		Total	< 1 year	1 à 5 years	> 5 years
Bonds	977	1,008	357	444	207
Bank borrowings	561	554	214	340	
Other financial liabilities (including bank overdrafts)	745	755	632	120	3
Trade payables	75	72	72		
Other current liabilities	156	151	151		
Other non-current liabilities	5	5		5	
Current tax liabilities	10	10	10		
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	2,530	2,555	1,436	909	210
Interest rate swaps used as hedges					
<i>Caps</i>					
Swaps not used as hedges	4		2	(2)	
TOTAL DERIVATIVE FINANCIAL LIABILITIES	4	0	2	(2)	0

11.3.4 Exposure of the credit activity to interest rate risk**Interest rate hedges****Fair value hedges**

There were no transactions of this type at 31 December 2017 or 31 December 2016.

Cash flow hedges

The interest rate transactions that qualify as cash flow hedges are swap transactions in which Oney Bank was a fixed rate borrower and a floating rate lender. The purpose of these hedges is to fix the interest rate on part of the forecast floating rate debt, and thus secure future financial income (Y+1 to Y+5 maximum) by limiting possible volatility. The horizon of these hedges does not generally exceed 5 years.

The currency of these transactions is the euro.

The net fair value (excluding accrued interest not yet due) of these instruments recorded as a liability in the statement

of financial position was €(1.6) million at 31 December 2017 (0 after eliminating inter-company transactions) compared with €(2.3) million at 31 December 2016 (0 after eliminating inter-company transactions).

€(1.6) million (0 after eliminating inter-company transactions) was recognised in reserves at 31 December 2017 for interest rate transactions designated as cash-flow hedges, compared with €(2.7) million at 31 December 2016, before the impact of deferred tax.

Macro-hedging transactions recognised as trading items

Option-based hedges in the form of caps are also entered into each year to secure forecast refinancing rates. Changes in the fair value of these option instruments are recognised directly in profit or loss. The fair value of these instruments at 31 December 2017 was zero and at 31 December 2016 was also zero.

Currency swaps are used to guarantee interest rates on foreign currency loans and hedge against foreign exchange risk. Changes are recognised in profit and loss.

The table below shows the periods in which the Group expects cash flows linked to derivative financial instruments qualified as cash flow hedges to have an impact on the income statement.

<i>(in €m)</i> At 31 December 2017	Carrying amount	Contractual cash flow			
		Total	< 1 year	1-5 years	> 5 years
Interest rate and currency swaps + caps:					
• Assets	-	-			
• Liabilities		-			

<i>(in €m)</i> At 31 December 2016	Carrying amount	Contractual cash flow			
		Total	< 1 year	1 (5) years	> 5 years
Interest rate and currency swaps + caps:					
• Assets	-	3	1	1	
• Liabilities	4	(1)	2	(2)	

Exposure to interest rate risk (after management)

<i>(in €m)</i>	2017	2016
Fixed rate financial assets	1,634	1,508
Fixed rate financial liabilities	954	187
Floating rate financial assets	1,117	1,132
Floating rate financial liabilities	479	871

Sensitivity analysis**Impact on the income statement and equity**

A 1% increase in interest rates for all currencies would generate:

- a €3.54 million decrease in the cost of financial debt based on the financial situation at 31 December 2017;
- a €9.28 million increase in equity based on the financial situation at 31 December 2017 compared with €5.87 million at 31 December 2016.

A 1% decrease in interest rates for all currencies would generate:

- a €3.54 million increase in the cost of financial debt based on the financial situation at 31 December 2017;
- a €9.28 million decrease in equity based on the financial situation at 31 December 2017, compared with €6.06 million at 31 December 2016.

Characteristics of main items of other financial liabilities

This heading includes mainly commercial paper, negotiable medium-term Notes (BMTN) and certificates of deposit, as follows:

(in €m) Issuing company	Maturity	31/12/2017		31/12/2016	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Comfactor	less than 1 month	59	59	80	80
Auchan Holding SA	less than 1 month	135	135	124 ⁽¹⁾	124
Oney Bank SA	less than 1 month	(59)	(59)	(43)	(43)
Oney Bank SA	1 to 3 months	50	50	99	99
Oney Bank SA	3 to 6 months	90	90	136	136
Auchan Holding SA	3 to 6 months			25 ⁽¹⁾	25
Auchan Holding SA	6 months and over			70 ⁽¹⁾	70
Oney Bank SA	6 months and over	240	240	304	304

(1) Amounts after reclassification of part of the commercial paper under "Debts financing the credit activity" (see note 10.6.1.1).

11.4 OFF-BALANCE SHEET COMMITMENTS RELATING TO THE CREDIT ACTIVITY

Commitments received

Long and medium-term credit lines, granted and confirmed by the banks but unused and relating to the credit activity, are described in detail in note 10.7.

Commitments given

(in €m)	2017	2016
Customer financing commitments ⁽¹⁾	3,608	3,414

(1) This amount corresponds to commitments given by Oney Bank and its subsidiaries on cards with current activity during the past 2 years.

The commitment on cards inactive for more than 2 years came to €3,076 million (compared with €3,135 million at 31 December 2016). Guarantees commitments for credit institutions amount to € 50 million (compared with €34 million in 2016)

NOTE 12 INCOME TAX

12.1 TAX ASSETS AND LIABILITIES

Accounting Principles

Deferred taxes are recorded on all temporary differences between the tax basis of assets and liabilities and their carrying amounts, with the exception of goodwill not deductible for tax purposes and temporary differences relating to investments in joint ventures or affiliates to the extent that they will not be reversed in the foreseeable future.

Deferred taxes are calculated based on the tax rate that applies on the statement of financial position date, using the liability method. The effect of any change in the tax rate is recognised in the income statement, apart from changes relating to items initially recognised directly in equity.

Income tax, both current and deferred, is recognised directly in equity when it relates to an item initially recognised in equity.

Deferred tax assets and liabilities are offset when offsetting is legally allowed and the same tax authority is involved. They are not discounted and are recorded in the statement of financial position under non-current assets and liabilities.

Tax losses and other temporary differences only give rise to deferred tax assets when they are likely to be used against future taxable profit within a reasonable period of time or when they can be offset against deferred tax liabilities.

French business taxes

In France, two taxes, the CVAE (Contribution sur la Valeur Ajoutée des Entreprises) and the CFE (Contribution Foncière des Entreprises) replaced the former French business tax (taxe professionnelle) with effect from 2010.

A review of the accounting treatment of this tax in France in the light of IFRS has resulted in adopting separate accounting methods for each of these two taxes:

- the CFE, which is based on property rental values, is recognised in operating expenses;
- according to Auchan Holding's analysis, the CVAE can be considered as an income tax as defined in IAS 12.2 ("taxes based on taxable profits"). As provided for under IAS 12, classification of the CVAE as income tax results in the recognition of a deferred tax liability arising from temporary differences. This deferred tax expense is presented under

"Income tax expenses". Moreover, the full amount of current and deferred taxes relating to the CVAE is presented under this heading.

A deferred tax liability is recognised based on the net value of the depreciable non-current assets of the entities liable to CVAE, as provisions for depreciation are not deductible from the added value that serves as the base for the CVAE. Acquisitions of assets outside business combinations benefit, from 2010, from the exemption provided for in IAS 12 for first-time recognition of an asset or liability. In addition, a deferred tax asset is recognised on impairment of current assets.

Breakdown of current tax assets and liabilities

(in €m)	2017	2016
Gross amount	117	179
Impairment	(4)	(4)
CURRENT TAX ASSETS - NET VALUE	113	175
Current tax liabilities	140	132

Breakdown of recognised deferred tax assets and liabilities

(in €m)	2017			2016		
	Asset	Liability	Net	Asset	Liability	Net
On temporary differences	251	627	(375)	232	656	(424)
Non-deductible provisions	53	(79)	132	64	(66)	130
Intangible assets, PP&E and depreciation	103	439	(336)	102	484	(382)
Investment property and depreciation	25	158	(133)	15	138	(123)
Finance leases	(3)	13	(16)	1	26	(25)
Inventories	34	3	31	24	1	23
Employee benefits	2	(26)	28	3	(40)	43
Regulated provisions	1	124	(122)	2	136	(134)
Other	35	(6)	41	21	(23)	44
On tax losses carried forward	99	99	88	86	(2)	88
DEFERRED TAX ASSETS/LIABILITIES	350	627	(276)	318	654	(336)

Deferred tax not recognised

Deferred tax assets amounting to €615 million (€594 million at 31 December 2016) relating to tax losses carried forward, tax credits and other temporary differences were not recognised as their recovery is considered unlikely within the meaning of IAS 12.

Unrecognised deferred tax assets break down as follows:

(in €m)	2017
Between 2018 and 2022	112
Between 2023 and 2027	11
After 2027	
Carried forward indefinitely or without maturity date	492
TOTAL UNRECOGNISED DEFERRED TAX ASSETS	615

Change in deferred tax assets and liabilities (+: asset or income, (): liability or expense)

(in €m)	01/01/2017	Recognised in income	Recognised in other comprehensive income	Reclassifications	Changes in consolidation scope	Exchange differences	31/12/2017
On temporary differences	(424)	47	11		(29)	20	(375)
Non-deductible provisions	130	4			(3)		132
Intangible assets, PP&E and depreciation	(382)	29		(1)	1	17	(336)
Investment property and depreciation	(123)	9			(24)	6	(133)
Finance leases	(25)			1	8		(16)
Inventories	23	10				(1)	32
Employee benefits	43	(5)	(5)		(5)		28
Regulated provisions	(134)	7			5		(122)
Other	44	(7)	16		(11)	(1)	41
On tax losses carried forward	88	10			1		99
DEFERRED TAX ASSETS AND LIABILITIES	(336)	57	11		(28)	20	(276)

12.2 INCOME TAX EXPENSE

Analysis of net tax expenses

(in €m)	2017	2016
Expenses/Income		
Current income tax payable	305	351
Adjustments relating to current taxes and taxes from previous years ⁽¹⁾	11	8
Current income tax payable	316	359
Current income tax payable on "Other operating profit and expenses"⁽²⁾	(4)	(26)
Change in temporary differences	(23)	(66)
Impact of changes in tax rates ⁽³⁾	(27)	(49)
On tax losses carried forward ⁽⁴⁾	(10)	(51)
Total deferred tax	(60)	(166)
Deferred tax on "Other operating profit and expenses"⁽²⁾	3	(7)
INCOME TAX EXPENSE	255	160

(1) Principally comprising €6.5 million relating to Auchan Retail International.

(2) Tax relating to items classified in "Other operating profit and expenses" (see note 3.4).

(3) Impact of €34 million corresponding to the change in the tax rate in France for 2022 from 34.43% to 25%.

(4) In 2016, recognition of tax losses in respect of the Retail businesses of €55 million (Patinvest).

Effective tax rate

The difference between the tax calculated using the theoretical rate in France and the tax expenses effectively recognised for the year can be analysed as follows:

<i>(in €m)</i>	2017 Effective tax rate 2017		2016 Effective tax rate 2016	
Profit before tax	727		989	
Theoretical tax rate (French standard rate)		44.43%		34.43%
Theoretical tax expense	323		340	
Difference in tax rates for foreign companies	(110)	(15.1)%	(75)	(7.6)%
Tax rate difference on deferred tax balance at the start of the year ⁽¹⁾	(34)	(4.6)%	(49)	(4.9)%
Tax relief, tax credits and reduced rate taxation	(19)	(2.5)%	(31)	(3.2)%
Tax losses for the period not recognised	76	10.5%	85	8.6%
Use of previously unrecognised tax losses carried forward	(46)	(6.4)%	(45)	(4.5)%
Recognition of prior year tax losses	(15)	(2.0)%	(67)	(6.8)%
Tax adjustments related to previous years	13	1.8%	15	1.5%
CVAE tax	32	4.3%	30	3.1%
Tax impact of items recognised under "Other operating profit and expenses"	(10)	(1.3)%	(10)	(1.0)%
Permanent differences/Deferred tax not recognised	43	5.9%	(33)	(3.3)%
Actual tax expense	255		160	
EFFECTIVE TAX RATE⁽²⁾		35.1%		16.2%

(1) Including the change in the tax rate in France for 2022 from 34.43% to 25%.

(2) This 18.9-point increase is mainly due to income of €41 million linked to the "Stéria" ruling in 2016.

NOTE 13 DETAILS OF CERTAIN ITEMS OF THE CONSOLIDATED STATEMENT OF NET CASH FLOWS

(in €m)	2017	2016
Changes in working capital requirement:	94	(72)
• Inventories	188	(458)
• Trade receivables	(13)	32
• Trade payables	(354)	347
• Other assets and liabilities	273	7
Changes in items relating to the credit activity:	(59)	(104)
• Customer loans - credit activity	(92)	(143)
• Debts financing the credit activity	33	39
Changes in loans and advances granted:	71	(101)
• Increase in loans and advances granted	(34)	(143)
• Decrease in loans and advances granted	105	42
Amounts received from shareholders on capital increases:		
• Paid by shareholders of the parent company		
• Paid on exercise of stock options		
• Paid by non-controlling interests of consolidated companies		
Dividends paid during the period:	(537)	(351)
• Dividends paid to shareholders of the parent company	(350)	(198)
• Dividends paid to non-controlling interests of consolidated companies	(187)	(153)
Acquisitions and disposals of interests without gain or loss of control:⁽¹⁾	(41)	57
• Acquisitions	(104)	(61)
• Disposals	63	118
Net financial debt:	442	(68)
• Loans issued	4,917	4,575
• Repayments of loans (including finance leases)	(4,475)	(4,643)
Net cash and cash equivalents:	2,304	2,047
• Marketable securities with a maturity of less than 3 months	833	605
• Cash	1,786	1,776
• Current bank credit facilities	(315)	(334)

(1) Acquisitions and disposals of interests without gain or loss of control principally comprise:

- purchases of shares from employees by Auchan Holding and its subsidiaries for €(33) million offset by disposals of €23 million;
- the repurchase of Sunart shares for €(31) million;
- the repurchase of Feinui and Fields shares without gaining control for €(30) million and €(4) million, respectively;
- capital increases of Immochan France and Auchan Retail France subscribed by ValFrance in the context of the employee share ownership plan for €27 million.

NOTE 14 LIST OF CONSOLIDATED COMPANIES

List of the main companies consolidated **using the full consolidation method** at 31 December 2017.

Country	Division/Activity	Company	% interest		
			2017	2016	
France	Holding company	Auchan Holding SA	100	100	
	Retail	Direction des Achats Indirects		100	100
		Auchan Retail International		100	100
		Auchan Retail France		98	99
		Auchan Hypermarché and its subsidiaries		98	99
		Auchan E-commerce France		98	99
		Auchan Carburant		98	99
		Eurauchan		94	94
		Auchan International Technologie		100	100
		Organisation Internationale des Achats		100	100
		ATAC and its subsidiaries		98	99
	Chronodrive		98	99	
	Property management	Immochan SA		100	100
		Immochan France and its subsidiaries		98	99
	Banking	Oney Bank and its subsidiaries		97	97
	Other activities	Alinéa		-	99
Belgium		Auchan Coordination Services	100	100	
		Immochan Coordination Services	100	-	
Mainland china	Retail and property management	A-Rt Retail Holding	71	51	
		Sun Art Retail Group ⁽¹⁾	36	36	
	BANKING	Oney Accord Consulting Company	65	65	
Spain	Retail	Auchan Retail Spain	99	99	
		Alcampo and its subsidiaries	99	99	
		Valespaña	3	40	
		Zenalco	100	100	
		Sabeco and its subsidiaries	99	99	
	Property management	Immochan España and its subsidiaries		99	99
		Zenor		-	99
Redarpa			-	99	
Banking	Oney Servicios Financieros		97	97	
Italy	Retail	Auchan Italie and its subsidiaries	99	99	
		Val Italia	15	49	
		SMA and its subsidiaries	99	99	
	Property management	GCI and its subsidiaries		99	99
	Banking	Oney		97	97

Country	Division/Activity	Company	% interest	
			2017	2016
Malta	Banking	Oney Holding Limited and its subsidiaries	97	97
Luxembourg	Retail	Auchan Luxembourg	100	100
		Auchan International	100	100
		Patinvest	100	100
		Christal	100	100
Hungary	Retail	Auchan Magyarország and its subsidiaries	100	100
		Valhungary International	89	93
	Property management	Immochan Magyarország and its subsidiary	100	100
	Banking	Oney Magyarország	58	58
Poland	Retail and property management	Auchan Polska and its subsidiaries	100	100
		Valpoland	18	10
		Eléa Polska	100	100
		Auchan E-commerce Polska	100	100
	Banking	Oney Polska	97	58
Portugal	Retail and property management	Auchan Portugal and its subsidiaries	99	99
		Multicenco	99	99
		Valportugal	19	60
	Banking	Oney Bank Portugal	97	97
Romania	Retail and property management	Auchan Romania and Immochan Immobiliare	100	100
	Banking	Oney Finances	97	97
Russia	Retail	Auchan Russie OIAH and its subsidiaries	99	99
		Valauchan Russie	24	25
		Valrussie	34	45
		Atak and its subsidiaries	99	99
	Property management	Immochan Russie	99	99
	Banking	Ba Finans	58	58
Senegal	Retail	Senas	100	100
Taiwan	Retail and property management	RT Mart International	65	65
Ukraine	Retail and property management	FCAU and Immochan Ukraine	100	100
	Banking	Oney Ukraine	97	97
Vietnam	Retail	International Simply Mart	92	92

(1) Since 2014, in accordance with the agreement between Auchan and its partner Ruentex in China, Auchan Holding has had exclusive control over Sun Art Retail Group and its subsidiaries.

A list of the companies **consolidated using the equity method** as at 31 December 2017 is provided in note 7.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 31 DECEMBER 2017

Statutory Auditors' report on the consolidated financial
statements

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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

(For the year ended 31 December 2017)

To the Shareholders,
Auchan Holding S.A.
 40, avenue de Flandre
 BP 139
 59964 Croix Cedex

OPINION

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Auchan Holding SA for the year ended December 31st, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31st, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1st, 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of rebates and commercial cooperations

(Note 3.1 to the consolidated financial statements)

Description of risk

Rebates and commercial cooperations received by the Group from its suppliers are recognised as a deduction from the cost of sales and are derived from contractual agreements signed by group companies with their suppliers.

These agreements, which are specific to each supplier, include rebates based on the volume of goods purchased as well as for commercial cooperation actions invoiced to suppliers.

Rebates are obtained when the related performance conditions are met. These performance conditions generally require the Group to meet certain volume thresholds.

Rebates under commercial cooperation agreements are recognised during the period of implementation. They are recorded in accordance with the terms and conditions set out in the contractual agreements signed with the Group's suppliers until their completion.

We deemed the measurement of rebates and commercial cooperations to be a key audit matter due to the large number of supplier contracts, the specific features of those contracts, the amounts concerned and the estimates on which this measurement is based

How our audit addressed this risk

Our audit work consisted in:

- understanding the controls relating to the conclusion of contracts and the measurement of rebates and commercial cooperations;
- assessing the consistency of accounting policies applied, as described in Note 3.1 to the consolidated financial statements, with International Financial Reporting Standards (IFRS);
- testing, based on samples, the data input in the information systems used to determine rebates and commercial cooperations. These tests include verification of the consistency of (i) the terms and conditions with the contractual agreements, (ii) the volumes and amounts of goods purchased with the Group's purchasing data and (iii) the calculation of rebates and commercial cooperations;
- verifying, on a sample basis, the recoverability of amounts receivable from suppliers, in particular through the ageing analysis of these receivables;
- comparing the rebates and commercial cooperations received by the Group during the reporting period with the receivables recognised at the end of the previous period in order to assess the reliability of management's estimates;
- verifying, based on samples, that rebates and commercial cooperations are correctly taken into account in the valuation of the stock of goods.

Impairment test of non-current assets

(Note 6.6 to the consolidated financial statements)

Description of risk

At December 31st, 2017, the carrying amount of Goodwill, Other intangible assets, Property, plant and equipment and Investment property ("Non-current Assets") of the Group totalled €21.0 billion, representing 59% of the total balance sheet. These Non-current Assets are mainly comprised of property, plant and equipment consisting of land, buildings and facilities of stores and shopping malls, and intangible assets such as goodwill and brands.

For tangible and intangible assets, the recoverable amount is tested whenever there is an indication of impairment. This test is also performed once a year for assets with indefinite useful lives. The recoverable amount of an asset is defined in Note 6.6 to the consolidated financial statements as the higher of its fair value less costs to sell and its value in use, determined by discounting estimated future cash flows.

For the purposes of these impairment tests, assets are grouped into Cash Generating Units (CGUs). The Group has defined the store as the CGU for the Retail business and the shopping mall as the CGU for the Real Estate business.

Goodwill and non-amortisable intangible assets are tested by country and by business. The CGU group created for the purposes of this test includes the property, plant and equipment, intangible assets and goodwill allocated to the country and the business as well as its working capital requirements.

We deemed the measurement of the recoverable amount of these Non-current Assets to be a key audit matter given their materiality in the consolidated financial statements and because the determination of their recoverable amount, often based on discounted future cash flow forecasts, requires the use of assumptions and estimates.

How our audit addressed this risk

Our audit work consisted in:

- analysing the methods applied to perform the impairment tests by assessing the identification of indications of impairment as well as the design of the calculation models used;
- assessing the pertinence of the approach used by management to determine the CGU groups at the level of which goodwill is tested by the Group;
- analysing the consistency of projected future cash flows and their growth with the economic environments in which the Group operates;
- assessing the reasonableness of the discount rates applied to estimated future cash flows, by examining in particular whether the various inputs used to calculate the weighted average cost of capital for each CGU or group of CGUs were consistent with the rates used for comparable companies, based on market participants for similar activities;
- assessing the results of the sensitivity analysis on the discount rates and the perpetual growth rates prepared by management and their impacts on the period's impairment charge, and verifying the accuracy of the disclosures provided in this respect in Note 6.6.

Valuation of investment property

(Note 6.4 to the consolidated financial statements)

Description of risk

At December 31st, 2017, the carrying amount of investment property, which is recognised in accordance with the cost model in the Group's balance sheet, in compliance with IAS 40 Investment Property, totalled €4.6 billion. The fair value of investment property, as disclosed in Note 6.4, represented an amount of €9.3 billion.

Management has put in place a process for the appraisal of the property portfolio in order to estimate the fair value of these assets, using the following method:

- for foreign assets, the fair value is determined by reference to independent external valuations;
- for assets located in France, the reference is internal valuations carried out using the net rental revenue capitalisation method. The valuation consists in applying a capitalisation rate to the annualised net rental revenue generated by each shopping mall and retail park based on the asset category, relying on the external valuations carried out for France. Each category depends on the location and size of the property concerned.

Measuring the fair value of a property asset is an exercise that involves making estimates, which in turn requires significant judgement from management in terms of determining the appropriate assumptions, including yield rate, discount rate, market rental values, cost estimates for work to be carried out and the estimated date of completion (especially for assets under development) and any lease incentives to be granted to tenants. Specific information such as the type and/or location of the property is also taken into account.

We deemed the valuation of investment property to be a key audit matter due to the materiality of these assets, of which the fair value is disclosed in the notes to the consolidated financial statements, the high degree of judgement involved in determining the main assumptions to be used and the potentially high sensitivity of the fair value of the investment properties to the assumptions used.

How our audit addressed this risk

Our audit work consisted in:

- verifying, in the valuation reports, the qualifications and certifications of the Group's independent external appraisers;
- obtaining the property appraisal reports or information used for internal valuations and critically assessing, including through interviews, (i) the valuation methods used, (ii) the market parameters applied (yield rate, discount rate, market rental values) and (iii) the asset specific assumptions used (in particular, the cost estimates for work to be carried out and the estimated date of completion for assets under development);
- testing, on a sample basis, the information provided to independent experts or used by the Group for the purposes of internal valuations, such as rent schedules and estimates of works;
- examining the appraisal of the overall property portfolio and the appraisal values that have undergone the most material or unexpected fluctuations;
- assessing the appropriateness of the disclosures provided in the notes to the consolidated financial statements and in particular information on fair value.

Impairment in respect of credit risk

(Note 11.1 to the consolidated financial statements)

Description of risk

Due to its activities as a credit institution specialising in consumer credit, the Oney Bank group recognises impairment losses aimed at covering receivables to private individuals in respect of whom there is a known risk of non-recovery. As set out in detail in Note 11.1 to the consolidated financial statements, these impairments are calculated using statistical models which, based on historical data on recovery for portfolios of similar receivables of the same type, determine the expected future flows from these receivables. The statistical approach, broken down by country, is based on segmentation of the outstanding amounts by type of product, depending on the debtor's situation and the number of unpaid monthly instalments.

We deemed the measurement of these impairment losses, which totalled €357 million at 31 December 2017, to be a key audit matter in so far as the pertinence of the measurements obtained from the above mentioned statistical modelling depends on the methodology applied and the quality of historical data used.

How our audit addressed this risk

As part of our audit of the Group's consolidated financial statements, we assessed the adequacy of the models used with regard to IFRS, as adopted by the European Union, and assessed the quality of historical data used to determine the impairment amount on receivables from private individuals. Our work consisted in:

- gaining an understanding of the methodology applied to determine the impairment amount;
- assessing the process for determining impairments, monitoring and approving the models put in place by management, and the adjustments made to the data calculated by these models;
- assessing the adequacy of these models with regard to IFRS, as adopted by the European Union;
- testing, on a sample basis, the quality of data used in the impairment models;
- testing, on a sample basis, the mathematical accuracy of the calculations performed to determine impairments;
- analysing the consistency of the impairments obtained from the models and verifying their proper application in the Group's consolidated financial statements at December 31st, 2017.

VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Management Board's report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Auchan Holding by the General Meeting held on May 21st, 2013 for PricewaterhouseCoopers Audit and on August 30th, 1961 for KPMG Audit.

At December 31st, 2017, PricewaterhouseCoopers Audit was in the fifth year and KPMG Audit was in the fifty-seventh year of total uninterrupted engagement, respectively, and KPMG Audit was in the fifteenth year since the securities of the company were admitted to trading on a regulated market

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit

evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and which therefore constitute key audit matters that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 13 March 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Christian Perrier

Bertrand Baloché

KPMG Audit

Department of KPMG S.A.

Hervé Chopin



Auchan Holding

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