REGISTRATION DOCUMENT 2017

YEAR ENDED DECEMBER 31, 2017

Limited liability company with a board of directors (*société anonyme à conseil d'administration*)
with a share capital of €606,155,460

Registered Office:

Immeuble "Corosa" 1-3 Rue Eugène et Armand Peugeot Corosa 92500 Rueil-Malmaison

417 689 395 Nanterre Trade and Companies Register

REGISTRATION DOCUMENT (DOCUMENT DE REFERENCE)

In accordance with its General Regulations (Règlement Général) and, in particular Article 212-23 thereof, the *Autorité des marchés financiers* (the "AMF") registered this Registration Document on 16 April 2018 under number R.18-014. This document may not be used in the context of any securities offering unless completed by a Securities Note in respect of which the AMF has granted a visa. The Registration Document has been prepared by the issuer, and its signatories therefore assume responsibility for its contents.

This registration was granted after the AMF had verified that the document is complete and comprehensible and that the information it contains is coherent, in accordance with the provisions of Article L. 621-8-1-I of the French Monetary and Financial Code. It does not imply that the AMF has verified the accounting and financial information presented herein.

Copies of this Registration Document may be obtained free of charge at the ALD's registered office at Immeuble "Corosa" 1-3 Rue Eugène et Armand Peugeot Corosa 92500 Rueil-Malmaison, as well as on the website of ALD, (**www.aldautomotive.com**) and on the website of the AMF (www.amf-france.org).

TABLE OF CONTENTS

CHAPTER 1. PERSONS RESPONSIBLE

1.1 NAME AND POSITION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Mr. Michael MASTERSON, Chief Executive Officer of ALD.

1.2 CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I have obtained from the statutory auditors a letter of completion of their work (*lettre de fin de travaux*) in which they state that they have verified the information relating to the financial position and the financial statements presented in this Registration Document, and that they have read this Registration Document in its entirety.

16 April 2018

Mr. Michael MASTERSON

Chief Executive Officer of ALD

1.3 NAME AND POSITION OF THE PERSON RESPONSIBLE FOR THE FINANCIAL INFORMATION

Mr. Gilles MOMPER, Chief Financial Officer of ALD.
Immeuble "Corosa" 1-3 Rue Eugène et Armand Peugeot Corosa 92500 Rueil-Malmaison

CHAPTER 2. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.1 STATUTORY AUDITORS

ERNST & YOUNG et Autres
1-2 Place des Saisons
Paris La Défense 1
92400 Courbevoie
France

Represented by Mr Micha Missakian.

ERNST & YOUNG et Autres is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

ERNST & YOUNG et Autres was appointed by decision of the general shareholders' meeting of the Company of 7 November 2001, and renewed by decision of the general shareholders' meeting of the Company of 29 June 2016, for a term of six years to end at the general shareholders' meeting to be convened to approve the financial statements for the year ending 31 December 2021.

DELOITTE & ASSOCIES
185 C, Avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France

Represented by Mr Jean-Marc Mickeler.

DELOITTE & ASSOCIES is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

DELOITTE & ASSOCIES was appointed by decision of the general shareholders' meeting of the Company of 3 June 2013, for a term of six years to end at the general shareholders' meeting to be convened to approve the financial statements for the year ending 31 December 2018.

2.2 ALTERNATE STATUTORY AUDITORS

AUDITEX
1-2 Place des Saisons
Paris La Défense 1
92400 Courbevoie
France

Represented by Mr Christian Scholer.

AUDITEX is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

AUDITEX was appointed by decision of the general shareholders' meeting of the Company of 3 June 2013, and renewed by decision of the general shareholders' meeting of the Company of 29 June 2016, for a term of six years to end at the general shareholders' meeting to be convened to approve the financial statements for the year ending 31 December 2021.

BEAS
195 Avenue Charles de Gaulle
92200 Neuilly-sur-Seine

Represented by Ms Mireille Berthelot.

BEAS was appointed by decision of the general shareholders' meeting of the Company of 3 June 2013, for a term of six years to end at the general shareholders' meeting to be convened to approve the financial statements for the year ending 31 December 2018.

CHAPTER 3. SELECTED FINANCIAL INFORMATION

The following table presents the Group's Key Performance Indicators ("KPIs") as at and for the years ended 31 December 2017, 2016 and 2015.

In € millions	Year ended 31 December		
	2017	**2016**	**2015**
Leasing contract margin	574.5	514.1	431.6
Services margin	593.0	528.6	534.0
Car sales result	165.3	201.5	207.2
Gross Operating Income	**1,332.8**	**1,244.2**	**1,172.8**
Total operating expenses	(598.0)	(553.1)	(491.8)
Cost to Income ratio excl. Car sales result[1]	*51.2%*	*53.0%*	*50.9%*
Cost of risk (Impairment charges on receivables)	(22.4)	(23.8)	(20.9)
Cost of risk as % of avg. Earning Assets[2] *(in bps)*	*14 bps*	*18 bps*	*18 bps*
Non-recurring income (expenses)	(0.0)	(2.0)	(57.0)
Operating result	**712.4**	**665.3**	**603.1**
Share of profit of associates and jointly controlled entities	1.2	0.7	0.9
Profit before tax	**713.6**	**666.1**	**604.0**
Income tax expense	(140.4)	(150.4)	(174.7)
Non-controlling interests	5.6	4.0	5.0
Net Income group share	**567.6**	**511.7**	**424.3**
Other data (in %)			
Return on average Earning Assets[3]	*3.6%*	*3.8%*	*3.7%*
Return on average Equity [4]	*17.9%*	*17.9%*	*18.4%*
Total equity on asset ratio[5]	*16.0%*	*16.3%*	*17.6%*

[1] "Cost to Income Ratio" means total operating expenses divided by Gross Operating Income. "Cost to Income Ratio excluding Car Sales" is defined as total operating expenses divided by Gross operating Income excluding Car sales result.

[2] "Cost of risk to Average Earning Assets Ratio" means for any period, the impairment charges on receivables divided by the arithmetic average of Earning Assets at the beginning and the end of the period.

[3] "Return on Average Earning Assets" means for any period, Net Income for the financial period divided by the arithmetic average Earning Assets at the beginning and the end of the period. Earning Assets is defined in the table below.

[4] "Return on Average Equity" means for any period, Net Income for the financial period divided by the arithmetic average of total equity at the beginning and end of the period.

[5] Total equity on asset ratio means for any period, total equity before minority interests divided by total assets, as presented in the ALD consolidated financial statements. See Section 20.1 "Consolidated statement of changes in equity""

In € millions	**2017**	**2016**	**2015**
Total fleet ('000 vehicles)	**1,511**	**1,376**	**1,207**
o/w Fleet on balance sheet (funded fleet)	1,179	1,046	895
o/w off-balance sheet fleet	332	330	312
Acquisition cost [6]	22,394	19,540	16,550
Accumulated depreciation & impairment[1]	(6,058)	(5,465)	(4,876)
Rental fleet[1]	**16,336**	**14,075**	**11,675**
o/w residual value	10,592	8,888	7,287
Financial lease receivables	594	513	489
Earning Assets [7]	**16,930**	**14,588**	**12,163**
Other data:			
Average Earnings Assets[8]	15,759	13,375	11,435

[6] "Rental fleet" (rental fleet carrying amount), "Acquisition cost" and "Accumulated depreciation & Impairment" are presented in the Note 14 "Rental Fleet" of the ALD consolidated financial statements. See Section 20.1 NOTE 14

[7] "Earning Assets" means the net book value of the rental fleet plus Amounts receivable under finance lease contracts.

[8] "Average Earnings Assets" means for any period, the arithmetic average of Earning Assets at the beginning and end of the period

CHAPTER 4. RISK FACTORS

4.1 STRATEGIC RISKS

4.1.1 General Economic Environment

The Group may suffer from adverse developments in the general economic environment in Europe and the other regions in which it operates.

The Group's business, financial condition, results of operations and prospects are sensitive to general business and economic conditions in the markets in which it operates. A downturn in economic conditions resulting in fluctuations in the availability or cost of funding, high unemployment rates, exchange rate fluctuations, a downturn in the automotive industry due to reduced consumer and corporate spending including as to new and used car sales markets, increased bankruptcy filings or a decline in the strength of national and local economies in which it operates, changes in tax policies on employee benefits and other factors that negatively affect corporate balance sheets and consumer spending could decrease demand for vehicle leasing, fleet management and driver mobility services and increase payment delinquency and credit losses in its operations.

For example, if weaknesses in the economies where the Group operates negatively affect prices in the used car sale markets, as was the case following the financial crisis of 2008-2009, the Group may suffer losses from increased prospective depreciation charges and on the resale of these vehicles at lease termination.

However, the Group’s strong geographical diversification (43 countries) may reduce the impact of a local economic downturn on its activity.

In addition, business and economic conditions that negatively affect corporate balance sheets and customer behaviour related to its businesses could lead to a decrease in demand for its vehicle leases. For a number of businesses, running a vehicle fleet is often one of the business expense categories targeted for cost reduction. Since the onset of the global economic crisis in 2008, many businesses have had to reduce operating costs and implement cost control measures and this has included reductions in corporate travel and related corporate expenses, including modification of car policies. In addition, the conditions in the economies in which the Group operates may result in increased rates of customer defaults, delinquencies and impairments to its receivables, particularly if the rate of economic activity were to decrease or slow down.

4.1.2 Strategy of internationalisation

The Group's broad geographical presence exposes it to significant complexities that increase the risks associated with its business and the Group may incur substantial costs.

The Group's strategy of internationalisation, whereby management is organised at the country level, involves various risks including market-specific, legal, regulatory, fraud, financial and personnel risks. These include possible incorrect assessments of market, legal and regulatory conditions in the countries in question, changes to national legal frameworks, the costs associated with the establishment of an effective business organisation and the need to find qualified management personnel and suitable employees. The Group's significant international presence exposes it to complexity that increases the risks associated with its business, particularly in newer markets and emerging economies, including but not limited to:

- the potential for differing legal and regulatory requirements, including consumer protection, data protection, labour, intellectual property, tax and trade law, as well as tariffs, export quotas, customs duties or other trade restrictions;

- the potential for unexpected changes in legal, political, regulatory or economic conditions in the countries in which it provides services or from which it derives products or services;

- exposure to liabilities under various anti-corruption and anti-money laundering laws; and

- the need to effectively adjust its customer targeting to local markets, and adapt its product offering as well as its logistics, payment, fulfilment and customer care practices to take account of local tastes and practices.

A key aspect of the Group's strategic growth is the expansion of its business in emerging economies. The Group may not be able to successfully continue to expand its position in these markets and future expansion might be limited, among other things, by the availability and costs of financing for such expansion. In addition, such costs may be higher than anticipated.

4.1.3 B2C Market

The Group may be unable to successfully expand its business in the B2C market.

As part of its strategy, the Group intends on expanding its B2C segment with the development of private leases. There are a number of obstacles to successfully expanding the Group's business in the B2C market, including adapting to retail customers, building appropriate distribution networks and technical platforms to handle clients' orders, responding adequately to consumer regulations, which should increasingly apply to the Group, and anticipating trends and consumer habits.

The Group faces strong pricing competition in the B2C sector from diverse competitors including financial services companies, bank affiliates and car manufacturer captives. The competitive factors in the B2C market may prevent the Group from gaining sufficient market share.

4.1.4 Risks related to acquisitions

The Group may not successfully integrate recent and future acquisitions.

While the Group has in the past grown its business organically, it has historically sought and effected opportunistic acquisitions of companies or contract portfolios that it believed would be of incremental benefit to its organic growth. The Group may, however, be unable to successfully integrate any future acquisitions or contract portfolios. In particular, the Group's acquisition strategy involves a number of risks and uncertainties, including:

- unforeseen contingent risks or latent liabilities relating to these businesses that may become apparent only after the merger or acquisition is completed;
- integration of new companies could lead to substantial costs, as well as to delays or other financial and operational difficulties;
- the realisation of the expected financial and operational synergies may take more time than foreseen or fail to occur, either in whole or in part;
- there could be difficulties or unexpected issues arising from the Group's evaluation of internal control over financial reporting of the acquired businesses;
- expected profits from future or completed acquisitions could fail to materialise within the time periods and to the levels expected, or at all;
- the Group's assumptions related to goodwill from acquisitions could be incorrect, leading to potential future impairments.

In addition, the Group may acquire liabilities in connection with any such transaction that may not be sufficiently covered by contractual indemnities. The costs and liabilities associated with known risks may be greater than expected, and the Group may assume unforeseen contingent risks or latent liabilities that become apparent only after the acquisition is completed.

4.1.5 The automotive industry

The Group may suffer from adverse developments in the automotive industry, the vehicle leasing and fleet management industry and the other market sectors directly related to its business.

General developments in the automotive industry are important for the Group, due to their effects on the terms and conditions for purchasing, servicing and using personal vehicles.

The Group is dependent on developments in personal transport trends, which are subject to a variety of factors that it cannot influence. These include, for example, the evolution of oil prices and renewable energy and raw material prices and infrastructure, the expansion of public transport infrastructure, improvements in traffic flow, the increasing availability of car-sharing and other mobility services, urban policies adversely affecting personal car use, change of policies affecting diesel vehicles in Europe or other markets in which the Group operates, the imposition of carbon taxes and other regulatory measures to address climate change, pollution or other negative impacts of mass transport. The negative development of these factors may affect the use of cars and therefore the business of the Group.

In addition, the Group is highly dependent on being able to purchase popular vehicle models on competitive terms. The factors mentioned above also influence both the purchase prices of vehicles and the potential profits that can be generated when vehicles are sold at the end of the lease. In addition, the difference between the price the Group pays to acquire a vehicle and its estimated residual value impacts the price it charges for its leases.

Additionally, prices for petroleum-based products, which include petrol, diesel and tyres, have recently increased. If oil prices were to return to their peak levels, automotive travel patterns might be adversely affected in many ways. For example, limitations in fuel supplies or significant increases in fuel prices could significantly discourage customers from using vehicles, which could negatively impact the demand for leased vehicles and the mileage contracted in relation thereto, as well as the demand for used cars, and have an adverse effect on the Group's business and results of operations.

4.1.6 A competitive market

The Group may be unable to compete successfully or competition may increase in the businesses in which it operates.

The Group operates in a highly competitive industry characterised by consolidation in a number of its core markets, particularly in the more mature European markets. As a result, there is an increasing importance put on the scale of fleet management and driver mobility service providers.

The Group's principal competitors are, at the global level, international independent operators, bank affiliates and car manufacturer captives. In addition, in certain markets, the Group may be in competition with local players.

The Group believes that price, together with quality of service and strength of customer relationships, is a key competitive factor in the large corporate vehicle leasing and management markets. The Group's competitors, some of whom are part of larger automotive manufacturing firms or banks that may have access to substantial funding at a low cost, may seek to compete aggressively on the basis of pricing. Further, the Group may be required by customers to match competitors' downward pricing either to maintain or gain market share, which may adversely affect the Group's margins. If the Group does not match or remain within a reasonable competitive distance from its competitors' pricing, it may lose customers and/or business volume.

In addition, the Group’s positioning is dependent on its ability to meet customers’ expectations. The Group's ability to meet the expectations of its customers depends on its ability to continuously improve its existing range of products and services and to develop new products, services, systems and software that meet the evolving needs of its customers. The

Group must improve and successfully market its existing product range in order to compete successfully in the future, which it may fail to do. In an environment of changing market conditions and customer requirements, the Group must continuously develop new product and service ideas, whose introduction and penetration in its primary European markets can result in upfront investment costs in technology and people to support the development and marketing of the products. For example, the Group's efforts to adapt its model to new mobility habits may not succeed if such habits do not develop as expected.

4.2 RESIDUAL VALUE RISK AND MAINTENANCE RISKS

4.2.1 Residual value risk

The Group may not be able to dispose of its used vehicles at desirable prices, and it faces risks related to the residual value of its vehicles in connection with such disposals.

The Group generally retains the residual value risk on the vehicles it leases and sells the vehicles that are returned by customers at the end of their leasing contracts (95.9% of the Group's leasing contract portfolio as at 31 December 2017 was under operating leases), generating a profit or loss on the sale of such vehicles. Gross operating income derived from Car Sales Results totalled €165.3 million, €201.5 million and €207.2 million for the years ended 31 December 2017, 2016 and 2015, respectively.

The Group is exposed to potential losses in a given reporting period caused by (i) the resale of vehicles associated with leases terminated in the reporting period where the used car resale price is lower than its net book value (defined as acquisition costs less depreciation charges applied during the lease term so as to depreciate the value of the vehicle to its residual value as estimated at lease inception) and (ii) additional depreciation booked during the lease term if the expected residual values of its vehicles decline below the contractual residual value. On a generally semi-annual basis, the Group reviews the residual values recorded for each vehicle at the expected lease termination date. Where it considers that there may be a loss in a given return year in a given subsidiary, it records additional depreciation prospectively over the remaining term of the contract to offset the anticipated shortfall.

The ability to market used vehicles and the level of the resulting sales proceeds and the risk that such sales proceeds are less than the residual values of such vehicles estimated at the inception of a lease is mainly affected by external factors. These external factors include, among others, changes in economic conditions, consumer confidence, government policies, environmental regulations, tax regulations relating to vehicles, consumer preferences, new vehicle pricing, new vehicle sales, new vehicle brand images or marketing programs, the actual or perceived quality, safety or reliability of vehicles, the mix of used vehicle supply, the closure of manufacturers, the levels of current used vehicle values, exchange rates as well as vehicle recalls and regulatory investigations, since 2015 related to diesel-car manufacturers.

In several European countries a discussion is underway about transitioning away from diesel engines because of pollution concerns. As a result, used car prices of diesel vehicles have declined relative to other engines types (petrol, hybrid, electric) as there is a perceived risk that diesel vehicles could be banned from cities with high levels of pollution. Taking account of this, ALD has implemented a series of measures to accelerate the shift of its fleet away from largely diesel towards a more balanced fleet. As a result, the share of diesel in the deliveries of passenger cars in the final quarter of 2017 stood at 67.8% in Western Europe, down significantly from 76.8% in Q4 2016. Including all regions, this share showed a similar drop, from 72.4% in Q4 2016 to 64.0% in Q4 2017.

There can be no assurance that market prices for used vehicles will not decline in future periods, and that the adjustments the Group makes to its depreciation costs during the life of the leasing contract reflect the full decline of the residual value of the leased vehicle based on the actual sales proceeds from such vehicle. As a result, if the Group's adjustments to depreciation costs are less than the full decline of the residual value of the vehicle, the used car resale price will be lower than its net book value, and thus will generate a loss on resale activity. The total residual value of the total lease portfolio as at December 31, 2017 is €10,592 million and €8,888 million as at December 31, 2016.

The residual value of the Group's vehicles is set locally, as the expertise in used car markets is local, and is then reviewed and approved centrally on a generally semi-annual basis. Any adverse change in prevailing market prices in one of the 43 countries in which the Group has a fleet can have an adverse effect on the prices it is able to generate from its used vehicle sales and the profitability of those sales in the relevant market.

4.2.2 Residual value risk management

Residual value risk management is governed by central policies which define the residual value setting procedure and review process, and is complemented by the fleet revaluation process.

The residual value setting procedure defines the processes, roles and responsibilities involved in the determination of residual values that will be used as a basis for producing vehicle lease quotations. Residual value setting is performed by local subsidiaries under the supervision of the Local General Manager as the used car market conditions and pricing vary in each subsidiary, from market to market. The Country Operations or Finance Manager has the responsibility of ensuring that a written documented approach to the setting of residual values exists, that the process includes a clear audit trail and that the method takes account of market factors and inflation.

A Technical Residual Value Review Committee is formed by the Group at least twice a year for each subsidiary. Based on the reviews produced by this committee, the residual values set are validated by the ALD Technical Pricing Department prior to being updated in the quotation system. The results of the residual value setting process are reviewed and approved by the Country Operations or Finance Manager and controlled centrally by a dedicated Group team under the supervision of the ALD Technical Pricing Manager, with the latter informing ALD's Group Risk Manager and Finance Director in case of irregularities.

Residual value calculations are based on the identification of specific vehicle segments based on size and type of vehicle, statistical models, local vehicle price trade guides, the Group's own used car sales experience for each vehicle segment, and country specific factors (such as inflation, market sector adjustments, life cycle, etc.).

The fleet revaluation process defines the responsibilities, methods and controls needed to measure the residual value risk on the Group's running fleet. This process is synchronised with the residual value review process. If any substantial risk is found, the Group activates a procedure to make necessary financial adjustments. Residual values existing for the active fleet are subjected to twice yearly revaluation reviews for those subsidiaries having more than 5,000 vehicles and yearly below this threshold. This revaluation serves to determine the extent to which residual values set for the active fleet vary with the current expected market values based on the most recent revaluation exercise. The Country General Manager is responsible for managing the revaluation process in accordance with the methodology approved by ALD and set out in the relevant central policies. It is the responsibility of the Country Operations or Finance Manager to use the fleet revaluation result analysis to set residual values. At the Group level, the Technical Pricing Department of ALD is responsible for checking that the revaluation is done in accordance with the requirements. The ALD Pricing Analyst oversees the planning, assisting of subsidiaries and presenting of the results of the fleet revaluation for approval to the Pricing Manager, Group Risk Manager and Finance Director. Where there is an overall loss on the portfolio in a given year, an additional depreciation has to be booked in accordance with ALD's accounting standards.

For this revaluation process, the total differences between residual values set and expected market values arrived at from the revaluation exercise are determined. In accordance with IAS 8, no profit is recognised when there is an expected gain on residual values compared to the current expected market value realisation. When there is an expected overall loss on residual values for the subsidiary's fleet portfolio as a whole, the potential future car sales losses are recognised on a straight-line basis, from the date of the revaluation to the end of each vehicle lease contract.

4.2.3 Risk related to maintenance and tyres

The Group's pricing structure and assumptions regarding the future maintenance and repair costs and tyre costs of the vehicles in its fleet over the term of the lease may prove to be inaccurate, which could result in reduced margin or losses.

The maintenance risk is the risk that the actual costs of maintenance incurred during the contract life are greater than the costs forecast and included in the quotation at the beginning of the contract. Maintenance pricing setting is done locally using local historical statistics. A global review of the maintenance margins is done for each country on a regular basis in order to back-test the pricing assumptions in terms of costs and frequencies and to make the necessary adjustments if maintenance and tyre costs are higher in the latter part than in the first part of a contract's life.

Substantially all of the Group's lease and maintenance services are provided under contractual arrangements with its customers. The pricing structure of these contracts is based on certain assumptions regarding the scope and costs of services, maintenance expense over the life of the contract, residual values, productivity and the mix of fixed and variable costs, many of which are derived from historical data and trends. At the same time, the prices of supplies needed to service its vehicles may fluctuate. In addition, actual maintenance costs incurred over the life of the lease period may exceed the costs forecast at inception of such leasing contracts. In particular, this risk of greater than forecast expenses may materialise if prices or labour costs in the Group’s network of selected workshop and tyre fitters increase. In addition, the Group may incur additional costs in certain circumstances (excess mileage, etc.). As most of the Group's leases are on a fixed-fee basis, the Group may not be able to pass on the increased prices to its existing customers, which may in turn result in reduced margin or losses on the relevant leasing contracts. The Group may not be able to recover the unbudgeted costs.

4.3 OPERATIONAL RISKS

4.3.1 Group’s Shareholder Structure

Société Générale can continue to exercise significant influence over the Group, and the interests of Société Générale may conflict with the interests of the other shareholders of the Company.

Société Générale is the Group's controlling shareholder. The interests of Société Générale (and any affiliated companies) could conflict with the interests of the other shareholders. The size of its stake means that Société Générale will likely be in a position to pass resolutions at its general shareholders' meeting regardless of how other shareholders vote.

French company law requires the approval of at least a half of the share capital present or represented at the time a vote is taken to pass resolutions on certain matters submitted to ordinary shareholders' meeting, including resolutions electing the members of the Board of Directors, the approval of the annual accounts, the allocation of profit and, as such, the Company's dividend policy. French company law requires the approval of at least two-third of the share capital present or represented at the time a vote is taken to pass resolutions on certain matters submitted to extraordinary shareholders’ meeting, such as modifying the share capital, changing the corporate purpose, mergers, spin-offs and conversions to a different form of legal entity. As a consequence, Société Générale would be able to pass with its own votes resolutions which require a qualified majority of votes cast or of the share capital represented. Société Générale will also be able to block resolutions at the general shareholders' meeting, including resolutions requiring a qualified majority of votes cast or share capital represented.

The mere potential for Société Générale to exert influence and especially actual voting at the general shareholders' meeting or the exertion of influence in any other way that conflicts with the interests of its other shareholders may have a significant adverse impact on the Company's share price and may, in turn, make it more difficult for the Group to raise further capital or only allow the Group to do so on unfavourable terms. Even if Société Générale does not participate in a future capital increase, it could become more difficult for the Group to raise new capital.

The Group relies on Société Générale in many aspects of its business and its organisation and has historically shared certain services.

Prior to the listing of the Company on Euronext Paris in 2017, the Company was a wholly owned subsidiary of Société Générale, and the Group has historically relied on Société Générale in many aspects of its business, particularly in relation to funding. Following the listing of the Company in 2017, Société Générale continues to be its majority shareholder.

The Group has entered into various agreements with Société Générale under which Société Générale or certain of its subsidiaries provides certain services to the Group (see Section 19."RELATED PARTIES "). Following the listing of the Company on Euronext Paris, the Group continues to rely on services from the Société Générale group that are required for it to conduct its business operations and Société Générale has committed to continue to provide these services. As such, the Group expects to continue to benefit from funding, IT infrastructure, compliance, credit risk management, legal, IP and other services currently provided by Société Générale. However, after the Group's agreements with Société Générale expire, or if they are terminated pursuant to the notice periods provided in the agreements (generally ranging from one month to three months), the Group may not be able to replace all of these services or obtain them at appropriate prices and terms, particularly in relation to funding.

4.3.2 Dependence on stakeholders risk

4.3.2.1 *The Group's business relies on contractual relationships with key customers and partners, including car manufacturers and banks.*

The Group has a diversified portfolio of clients, composed of a number of significant corporate customer accounts in its vehicle leasing and fleet management businesses. As at 31 December 2017, the Group's five and twenty (respectively) largest customers (by fleet) accounted for 3.5% and 7.7% of its fleet in contracts (respectively) with the largest customer accounting for 0.9% of its fleet in contracts (for information regarding clients receivables, see section 4.5.1 "Credit risk").

The Group's leasing contracts may be terminated early by its counterparties. Although early termination charges typically apply, there can be no assurance that a customer will not default on such payment or that such charges will be sufficient to cover the Group's losses. Leasing contracts typically have a duration of, on average, 43 months.

In addition, the Group has significant partnerships for the distribution of its products, notably with car manufacturers and banks. Distribution partnerships with car manufacturers and banks represented more than 30% (including private lease) of the Group's fleet as at 31 December 2017. No partnership with a single car manufacturer or bank accounted for more than 8.7% of the Group's total fleet as at 31 December 2017. Agreements with car manufacturer and bank partners are generally entered into on a country by country basis and typically have an initial term of 3 years, are automatically renewed from year to year and may be terminated in certain situations (with advance notice).

There is a risk that car manufacturers will internalise their fleet management, thereby increasing competition, and a risk that the Group's largest partners will terminate or not renew their agreements. For example, PSA's agreement to acquire Opel, a car manufacturer with which the Group has partnership agreements accounting for 3.5% of the Group's funded fleet as at 31 December 2017, could result in such partnership agreement not being renewed in the future if Opel were to decide to internalise the management of its fleet.

If any of the Group's partnerships or largest customer accounts were to be terminated, not renewed, entered into with or transferred to a competitor or renewed on less advantageous terms, this may materially and adversely affect the Group's business.

4.3.2.2 *The Group relies on third-party suppliers to acquire and service its fleet, and it may suffer from adverse developments affecting any of their businesses or from deterioration in its relationships with any of them.*

The Group purchases the vehicles it leases to its customers from car manufacturers and dealers. The Group depends on these manufacturers and dealers for the supply of attractive vehicle models on competitive terms, in sufficient quantities, with satisfactory quality and on a timeline compatible with its business model. There is no assurance that the Group will be in a position to negotiate purchase conditions relative to its competitors that allow for it to remain competitive or to renew at favourable terms, or at all, these agreements. As at 31 December 2017, the Group's top three suppliers were Ford, Renault and Volkswagen (no brand representing more than 15.3% of the Group's vehicles on balance sheet).

The Group has entered into framework agreements with a number of dealers, oil companies, garages, tyre fitters, short term rental companies, insurance companies, and other essential service providers in order to complement its full-service offering and provide its customers with competitively priced vehicle parts, maintenance and repair services. In particular, the framework agreements allow the Group to benefit from substantial discounts, and in some cases they entitle the Group to bonus payments. The Group works with car manufacturer networks for car delivery, maintenance and repair and specialised networks for short term rental, tyres, body repairs, spare parts and glass. The Group believes that it has obtained competitive commercial terms in its framework agreements, such as direct discounts on prices, special hourly rates, as well as bonuses based on the achievement of certain volume levels, market shares and other mainly yearly targets. There is no assurance that such framework agreements will not be terminated or that they will be renewed on favourable terms or at all. If the Group's relationships with any of these significant suppliers or service providers were to deteriorate, or if their business were to be adversely affected by external events or become insolvent, this could have an adverse impact on the Group's business.

The Group is additionally dependent on strategic considerations of the manufacturers or dealers it transacts with, or changes in market conditions in the automobile industry. Its business relies in part on relationships with dealers that are willing to sell it new vehicles at little or no mark-up on the wholesale price and the Group may not be able to acquire new vehicles on such favourable terms in the future. In addition, if any of the large manufacturers that supply it with cars were to merge with another large manufacturer, the Group may not be able to find another manufacturer or dealer to meet its supply needs on competitive terms. In addition, if any of the car manufacturers that supply the Group with vehicles were to become insolvent, the Group could be required to satisfy warranty claims that its leasing customer may have had against such supplier.

4.3.2.3 *The Group's vehicles and their components or equipment may become subject to recalls by their manufacturers or by the government, which would negatively impact its business.*

The Group's business could be negatively impacted if any parts, components or equipment from one of its suppliers suffers from broad-based quality control issues or becomes the subject of a product recall. As a provider of leased vehicles, the Group may be required to participate in a product recall by retrieving recalled cars from customers and declining to lease these cars until it has taken all of the steps described in the recall. If a large number of vehicles were subject to simultaneous recalls, the Group may not be able to lease those vehicles to its customers for a significant period of time, and it may be unable to obtain adequate replacement parts or vehicles from another supplier in a timely manner. The Group may also be civilly liable to purchasers of such vehicles upon their resale by the Group at lease termination. As a lessor of vehicles, the Group does not guarantee or take responsibility for the performance of vehicles it leases, which is the responsibility of the manufacturer. However, the Group normally takes responsibility for ensuring the provision of "mobility" over the period of the contract, *e.g.* by providing replacement cars while vehicles are in a workshop in the case of a maintenance activity or in the case of accidents, which is budgeted for in the Group's lease contracts. Matters outside the normal course of business such as technical issues resulting in recalls are not budgeted for, but the Group is generally able to recharge associated costs to the respective manufacturers and provide replacement vehicles on a best effort basis. In the event of a manufacturer failing to accept responsibility for costs associated with a recall, there would be no legal obligation for the Group to take on such costs and this would have to be negotiated on a case by case basis with customers. Although the Group's fleet is highly diversified, with no maker constituting more than 15.3% of the on balance sheet fleet, these recalls, depending on their severity, could materially affect the Group's fleet utilisation rate and revenues, damage its customer relations and brand image, and reduce the residual value of the vehicles involved, in particular if they damage these vehicles' brand image or the car manufacturer's reputation.

4.3.3 Environmental risks

In a context of growing awareness of public authorities and the general population that global warming needs to be tackled urgently, greenhouse gas emissions from cars and vans are widely seen as one of the major issues to address. Road transport is responsible for a significant 20%[9] of emissions within the European Union, but attracts an even greater share of public attention. Although average CO2 emissions of the Group’s fleet have been steadily decreasing in recent years, the vast majority of the fleet is powered by Internal Combustion Engines (petrol or diesel) using fossil fuels. Furthermore, in the context of deceitful conduct

[9] Source: International Energy Agency

by some OEMs, it is now recognized that the official homologation values of conventional powertrains are largely underestimated compared to real life emissions, reinforcing the mistrust of the general public and corporate clients.

Another issue that has gained in awareness over the past few years is the issue of pollution, especially in urban areas. The transport sector as a whole accounts for around half of Nitrogen Oxydes (Nox) emissions and generates large amounts of particulates, both seen as a serious concern for public health. In an attempt to limit CO2 emissions, public policy had encouraged the wide adoption of diesel, an energy that has proved more efficient than petrol in terms of CO2 emissions. However, diesel engines are now known to generate a higher level of local pollutants, although the latest generations of diesel (under the Euro6 norm) have shown tremendous progress.

All in all, local urban pollution issues coincide and sometimes collide with global emissions concerns. OEMs are being urged to decarbonize their product line-up, and the electrification of the product range through a variety of solutions (Battery Electric Vehicles, Plug-in Hybrids, and Mild Hybrids) is moving at a fast pace. Whilst these alternative powertrains will inevitably have a major role in the automotive landscape by the 2030s, they are currently far from presenting a competitive scenario for all kinds of usage due to technology costs, range and infrastructure limitations. Also, the rise of electrically-chargeable vehicles does not come without concerns. From the sourcing of components (e.g. extraction of cobalt in emerging countries), to the emissions deriving from the production of batteries, or low battery recycling capabilities, numerous examples show that this new supply chain is not yet optimal from an environmental and social responsibility standpoint.

Although the environmental footprint of the fleet is largely dictated by the product offering (OEMs) and utilisation by end users (clients), the leasing sector – owning the assets, acting as a prescriber - could be held accountable, and face concerns from corporate and retail clients wishing to limit their environmental footprint, resulting in both a reputation and business risk.

The financial risks linked to climate change and pollution concerns may be observed in differences between forecast residual values and actual resale values of used cars, in particular for diesel vehicles that represent the majority of the Company's fleet. The on-going and necessary shift towards low emissions vehicles could have an impact on the resale value of traditional combustion engines, which is why ALD aims to reduce the share of the latter in its portfolio and promote green alternatives. The governance in place on residual value risk (see section 4.2.2 "Residual value risk management") aims at monitoring used car market evolutions, and adapting the Company's pricing and financial policy. In parallel, the evolution of the fleet mix across different powertrains (diesel, petrol, classic hybrids, plug-in hybrids, other) is closely monitored by the operational governance bodies of the Group (Executive Committee, Operating Board).

It should be noted that the Group's fleet is much younger than the average running car park and hence technologically more up to date, and superior in terms of environmental impact. Beyond this structural dimension, the Group's policy is to prescribe responsibly: identify the right vehicle for the right usage and enable its clients to make informed decisions, with a view to continuously reducing the environmental impact of its fleet. ALD also places a strategic focus on investing in new mobility solutions that will transform car usage (e.g. car sharing, ride sharing, and mobility as a service), fostering new behaviours that will gradually shift the model away from the "one user = one car" traditional scenario. The Group's Environment and sustainable development policy is described in section 8.2 "Environment and Sustainable Development" of this Registration Document as well as in the Group CSR report.

4.3.4 Human Resources risks

4.3.4.1 *The Group's success is dependent on the expertise and leadership of certain personnel in key positions.*

The Group's success is dependent on its personnel in key positions, in particular on Mr. Michael MASTERSON, ALD's Chief Executive Officer, Mr. Gilles MOMPER, ALD's Chief Financial Officer, Mr. Tim ALBERTSEN, ALD's Deputy Chief Executive Officer, Mr. Gilles BELLEMÈRE, ALD's Deputy Chief Executive Officer, and Mr. John SAFFRETT, ALD's Chief Operating Officer. The Group is also dependent on the services of the other members of ALD's Board of Directors, its operating board and its executive staff. As part of the additional compensation, the Group benefits from the long-term incentive program put in place by Société Générale, which helps to keep and motivate certain categories of employees, in particular key executives and strategic talents. From 2018, ALD Group employees benefit from a long-term incentive program in the form of ALD shares. This program has been implemented within the resolution voted by the General Assembly of shareholders of April 2017 for a period of 38 months (see Section 17.3.3 "Incentive Plan")

In addition, the Group is committed to the professional development of its senior executives by offering them internal and external training courses to develop their leadership skills. However, there is no guarantee that the Group will be able to retain key personnel or to recruit appropriate successors.

4.3.4.2 *The Group may not be able to recruit and retain qualified and motivated staff.*

The Group's future success depends on its ability to recruit and retain highly qualified and motivated staff. In particular, as its operating business expands and new staff is recruited, the Group is dependent on having a sufficient number of suitable staff who are able to perform the required work to a satisfactory standard. If, for instance, there is higher staff turnover and therefore a loss of know-how, this could affect the quality of service in its businesses.

Currently, the Group relies on Société Générale and its employees for the provision, through various service level agreements, of certain services, such as IT, Group General Secretary, Corporate Resources, Group Finance, Internal Group Communications, Credit Risk Management and Group Human Resources. Some Group employees are currently employed under Société Générale contracts. If employees of Société Générale were to cease to be available to the Group, or if Société Générale were to retain Group's employees, it could be time-consuming and expensive for the Group to replace them with suitably experienced employees.

4.3.5 IT risks

4.3.5.1 *The Group is dependent on the smooth functioning of its software systems, websites and mobile applications, and on its ability to continue to adapt them to future technological developments.*

The Group's ability to provide reliable services, competitive pricing and accurate and timely reporting for its customers depends on the efficient operation and user-friendly design of its back-office platform, proprietary software, websites and mobile applications as well as services provided by third-party providers. The Group is dependent on Société Générale for its information technology infrastructure as Société Générale provides network connectivity and security environment support under the terms of a services agreement. If Société Générale were to terminate the provision of these services or were unable to continue to provide such services or were to default in the provision of such services, the Group could be materially affected.

The Group's business may be impaired if it is unable to maintain and improve the responsiveness, functionality and features of its information technology and systems, which could result in a loss of customer data or other adverse consequences. In particular, the Group's digitalisation strategy and development of websites, mobile applications and other proprietary technology entails significant technical and business risks, in particular data handling and privacy.

Additionally, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or upgrade the Group's websites and mobile applications. Its competitors may use new technologies more effectively, may develop more appealing and popular websites and mobile applications, or may adapt more quickly than the Group does to evolving industry trends or changing market requirements.

4.3.5.2 *Any disruption to, or third-party attack on, the Group's information technology systems could adversely impact its business.*

The Group relies upon the proper functioning of its information technology platform, and particularly its back-office platform. The Group is dependent upon the proper functioning of its technology platform in all aspects of its operations, including transaction processing, fleet management and payment processing. The Group predominantly uses its own software solutions for the execution of major tasks in business management, among others, for the purposes of cost management, analysis of damage assessment and administration of leasing contracts. The faultless operation and further development of these software systems are essential for the efficient conduct of its operations.

System malfunctions and faults in the computer systems, hardware and software, including server failures or possible attacks from the outside, for instance attacks originating from criminal hackers or computer viruses, can cause considerable problems in operating processes and, in serious cases, even bring them to a standstill. Any system malfunction, unauthorised usage, or cybersecurity attack that results in the publication of the Group's trade secrets or other confidential business and client information could negatively affect the Group's competitive position or the value of its investments in its products or its research and development efforts, and expose it to legal liability.

In particular, as part of its day-to-day operations, the Group gathers and stores bank details of its corporate and private customers, and, as the Group develops its B2C activities, it will increasingly gather and store personal information. Despite the implementation of security measures, the technology or systems with which it interfaces, including the Internet and related systems, may be vulnerable to physical break-ins, hackers, improper employee or contractor access, computer viruses, programming errors, or similar problems. Any of these might result in confidential or sensitive personal information of its customers being revealed to unauthorised persons.

If third parties are able to penetrate the Group's network security or otherwise misappropriate its customers' personal, credit card or fuel card information, or if the Group gives third parties improper access to its customers' personal, credit card or fuel card information, the Group could be subject to reputational harm and liability. This liability could include claims for unauthorised purchases with credit card information, impersonation or other similar fraud claims as well as for other misuses of personal information, including unauthorised marketing purposes, and any of these claims could result in litigation. In this context, regulators in Europe and other countries where the Group operates have been investigating various Internet companies regarding their use of personal information. The Group could incur additional expenses if new regulations regarding the use of personal information are introduced or if government agencies require changes to its privacy practices, as a result of which its privacy practices might no longer comply with the regulations in force in the respective jurisdiction.

4.3.6 Operational risk management

Operational risk corresponds to the risk of loss resulting from the inadequacy or failure of internal processes, systems or people, and also losses as a consequence of external events. Within the Group, this definition includes legal risk as well as corporate image risk (not included the Basel II concept of operational risk) but excludes strategic risk. An operational loss is an unexpected charge, which will be recorded in the results that come from the conduct of the Group's business.

Central policies at the Société Générale level govern the Group's operational risk management system. This operational risk management system is based on taking preventive measures and on maintaining a robust internal control organisation based on managerial supervision rules and periodical audits.

Operational risk correspondents are designated in each Group entity. They collect data on identified operational risks and report these to the Group's Secretary General in accordance with Société Générale group rules. The Group maintains a database of the reported operational losses, which contains details of how the losses arose and to which activity they relate. Action plans are developed to ensure that controls in the particular area giving rise to the loss are strengthened so as to mitigate future risks.

All Subsidiaries perform quarterly managerial supervision controls to verify correct application of procedures and operational controls. In addition, a self-assessment of risks and controls is performed in each entity periodically. The purpose is to identify and evaluate the main operational risks, to assess the controls in place and to determine action plans to address any identified areas of weakness.

4.4 LEGAL AND COMPLIANCE RISKS

4.4.1 The Group's risk management policies and procedures may be ineffective or may fail.

The Group's business activities expose it to a wide variety of risks, such as asset risk (including residual value risk), credit risk, liquidity risk, interest rate risk, currency risk, motor insurance risk, operational risk, reputational risk and legal and compliance risk, among others. For many of these risks the Group has established risk management policies that follow, or are themselves, Société Générale policies, some of which are set by or require approval from regulatory bodies. However, its strategies and procedures for managing such risks may prove insufficient or fail. Some of the Group's methods for managing risk are based on observations of historical market behaviour and it applies statistical techniques to such observations to arrive at quantifications of its risk exposures. However, these methods may not comply with regulations or accurately quantify its risk exposures, especially in situations for which it does not have historical precedent. Failures or breaches of internal controls and procedures may also adversely impact the Group's reputation, which may in turn have an adverse effect on its business.

The Group is subject to the various anti-money laundering, sanctions / embargoes and anti-corruption laws in force in Europe and other countries where it operates. While it has implemented a Group-wide compliance program to address compliance risks and continuously works to improve the effectiveness and efficiency of this program, this program may not be adequate under the laws to which it is subject.

4.4.2 The Group may be adversely affected by the general regulatory environment and its evolution.

ALD is not, as a result of its business, a regulated entity. However, several of its subsidiaries are regulated entities, notably in the UK and in Germany. The Group is subject to a variety of laws and regulations in the countries where it operates and to the issuance of new laws and regulations or changes in the interpretation of existing laws and regulations by a court, regulatory body or governmental official in each of the jurisdictions in which it operates or may operate in the future. The Group benefits from Société Générale's regulatory watch tools to identify new laws and regulations that could apply to its activities. For example, the UK's vote in a referendum on 23 June 2016 to leave the European Union and future decisions regarding the conditions of the UK's withdrawal could result in changes to the regulatory framework applicable to the Group's operations in the UK. Considering that the Group's revenues in the UK amounted to €856.3 million in 2017, *i.e.* 10.3 % of the Group's revenues, such changes have the potential to materially alter its business practices, financial condition and results of operations.

4.4.3 The Group may be found to have failed to comply with laws and regulations to which it is subject, including, but not limited to, labour law, consumer protection laws, consumer loan regulations, regulations governing the sale of goods and services, privacy and data protection laws, e-commerce, environment and competition laws, and future regulation may impose additional requirements and other obligations on its business.

The Group's business is currently subject to a variety of laws and regulations in the various jurisdictions in which it operates, including labour laws, consumer protection laws (particularly in the UK), regulations governing the sale of goods and services, privacy and data protection laws, regulations governing e-commerce and competition laws. These laws and regulations are evolving at a rapid pace and can differ, or be subject to differing interpretation, from jurisdiction to jurisdiction.

Any failure, or perceived failure, by the Group to comply with any of these laws or regulations could result in damage to its reputation or a decrease in results.

Pursuant to consumer protection laws the Group is subject to various information obligations which, if violated, grant consumers the right to withdraw from agreements or may allow for other contractual adjustments which could be detrimental to the Group. In addition, data protection is a sensitive and politically charged issue in Europe notably with the entry into force of the new General Data Protection Regulation (GDPR), effective on May 25th, 2018. Any actual or alleged failure by the Group to comply with applicable laws or regulations could have a material adverse effect on its reputation and popularity with existing and potential customers and could result in the imposition of significant fines or other penalties.

The Group is also subject to competition law and from time to time is engaged in competition proceedings, including one investigation in Romania brought in December 2017 by Romanian anti-trust authorities against all members of the Romanian long term leasing association.

4.4.4 Standard clauses used in the Group's leasing contracts and in its contracts with its customers and third-party suppliers and service providers may be invalid, and it thus may not be able to enforce such clauses or the contracts in which such clauses are found.

As each of its vehicles is leased under a separate contract, the Group has a large number of customer contracts. In addition, the Group maintains contractual relationships with numerous manufacturers, dealers and service providers. The efficient management of such a large number of contracts is only possible on the basis of standardised terms and conditions.

Standardised terms under the laws of all jurisdictions where the Group operates have to comply with statutory law on general terms and conditions, which means they are subject to rigid fairness control by the courts regarding their content and the way they, or legal concepts described in them, are presented to the other contractual party by the person using them.

The standard is even stricter if they are used with retail customers, a segment the Group plans on expanding through B2C services. Due to the frequent changes to applicable legal frameworks, particularly with regard to court decisions relating to general terms and conditions, the Group may not be able to fully protect itself against the risk that a court could invalidate such standardised contractual terms or declare them unenforceable, even if prepared with legal advice, which could impact a significant number of its agreements.

4.4.5 The Group may be subject to litigation or administrative proceedings that could disrupt and harm its business.

If the Group violates any applicable law or regulation, governmental authorities may take legal action against it, the members of its governing bodies or its employees. An unfavourable ruling may result in damage claims by third parties or other adverse legal consequences, including severe criminal and civil sanctions, injunctions against future conduct, profit disgorgements, occupational and employment restrictions or prohibitions, reputational damage, the loss of business licenses or permits or other restrictions. In addition to monetary and nonmonetary sanctions, monitors could be appointed to review future business practices in order to ensure compliance with applicable laws and the Group may otherwise be required to modify its business practices and its compliance program. Regardless of the outcome, potential litigation or administrative proceedings can be costly and may also damage the Group's reputation and have a material adverse impact on its ability to compete for business. In particular, the Group is involved in an anti-trust investigation in Romania, which relates to the provision of fleet information to a car leasing trade association by ALD Romania and the other major players in car leasing in Romania. At this stage, the Romanian Authorities have not issued any statement of objection and as a consequence no provision has been established either in ALD Romania's or in the Group's results for 2017. The Group is also involved in tax proceedings in India, relating to the application of the goods and services taxes to the Group's operating leases and for which it has established provisions which re-translated at the 31 December 2017 closing exchange rate totalled €16.3 million (unchanged amount in local currency terms). The Group is also involved in tax proceedings in relation to the acquisition of Parcours for which it has incurred, as at the date of this Registration Document, €4.7 million in tax adjustments and penalties, all of which were provisioned in the 2017 accounts and for which the Group should be partly covered by a vendor guarantee and purchase price adjustment. Further, three former employees of the Group were convicted of collusive tendering by the criminal Court of Busto Arsizio (Italy) on 28 June 2017. The Group has been acquitted of the criminal and civil charges in the same decision.

In addition, the Group is involved in tax proceedings in Brazil, which relate to road taxes and amounts claimable in respect of taxes on services, for which it has established provisions as at 31 December 2017 totalling €8.7 million. The Group is awaiting the judgement of the authorities in this case.

In Spain, the group is involved in tax proceedings for which a provision totalling €2.4 million has been made as at 31 December 2017, related to tax and penalties in accordance to operational risk process. The main subject is the deductibility of remuneration of senior executives in respect of board members who are also employees, which the tax administration is contesting. The proceedings are pending in the administrative courts, and the Group expects that the court will issue its decisions later this year. The opportunity to appeal in the judicial courts will be studied in case of an unfavourable judgement.

4.4.6 Adverse developments in tax laws and regulations may adversely affect demand for the Group's services and could increase its tax burden.

Implementation of new tax regulations, changes in tax regulations, in particular with respect to leasing transactions, company cars, vehicle fuels and motor vehicle emissions, could directly impact the behaviour of the Group's customers, thus reducing demand for vehicle leasing and management services. In particular, tax laws may be amended in the future so as to prohibit the Group's customers from writing off as an operating expense their lease instalments related to vehicles used for business purposes. In addition, any changes to the benefit-in-kind rules relating to car policies, including changes driven by policy decisions to penalise higher CO_2 emissions could adversely affect the tax consequences of leased vehicles for the Group's customers.

In addition, changes in tax laws could increase the Group's tax burden or otherwise affect the Group's results, including any changes relating to schemes subsidising investments in equipment. The Group's ability to use tax losses, which amounted to €31.3 million as at 31 December 2017, and, thus, the recoverability of deferred tax assets accounted for in the Group's audited consolidated financial statements, depend on the national tax legislation of the countries where the Group is subject to taxation.

Last year, a number of countries have enforced more severe taxation schemes that increase the cost of company cars for corporates and/or drivers. This movement is taking different forms: increasingly severe CO_2-based taxation (e.g. France), reduction of incentives for alternative powertrains (e.g. Netherlands), and sudden measures increasing the cost of diesel (e.g. UK benefit-in-kind calculation). Such measures could have an impact on demand volume and favour alternatives to corporate fleets.

4.4.7 Compliance risk management

Compliance risk corresponds to any dysfunction or anomaly showing non-compliance of an external rule or internal rule that is likely to place the Group into a situation of legal, administrative or disciplinary sanction, and/or to cause a significant financial loss or a reputational damage. Some operational risks may fall in the scope of compliance risk as defined by central policies, depending on the nature and potential impact of the concerned events.

The Group’s Compliance Officer has implemented a compliance monitoring system, in application of Société Générale’s central policies, in order to minimise the impact of the risks to which it is exposed. The ALD Compliance officer coordinates and animates a compliance network located in subsidiaries, which enforces the policies implemented by the Group.

Central policies define notably processes in relation with know your customer, the fight against money laundering and terrorist financing, respect of sanction and embargo policies, the fight against corruption and the enforcement of measures which ensure compliance with high ethical standards.

The Group complies with Directive 2005/60/EC, the third European Directive on the fight against money laundering and terrorist financing. Relevant documentation is collected by the subsidiaries to ensure the reliability and adequate knowledge of their counterparties. Decisions are based on an assessment of the money laundering and terrorist financing risk as well as on the corruption risk and reputation risk attached to each transaction and rely on the principle of double validation: sensitive cases are validated by the Group or at Société Générale level.

The fight against corruption is one of the major features of the compliance monitoring system and the Group complies with the UK Bribery Act 2010 and the US FCPA. The implementation of the Sapin II law is in progress. The anti-corruption policy defines the measures to be taken by each subsidiary to ensure the absence of involvement in any corruption scheme, including through intermediaries or suppliers. This policy is completed by the Group’s Code of Ethics, which is communicated to all employees.

4.4.8 The Group may not be able to adequately protect its intellectual property rights or may be accused of infringing the intellectual property rights of third parties.

Further to the listing of shares of ALD on Euronext Paris on June 16th, 2017, the Group holds all ALD-related trademarks which do not incorporate any of the Société Générale’s branding codes, including ALD, the ALD Automotive and ALD Autoleasing, Temsys, ALD Carmarket, ALD Bluefleet, Axus, Let's drive together and the ALD Autoleasing SecondDrive trademarks in the countries where they are registered. A license agreement of ALD-related trademarks exclusively used by ALD and which incorporate red and black Société Générale's logo has been concluded between ALD and Société Générale so as to regulate ALD's use of these trademarks after the listing of shares of ALD on Euronext Paris. However, the trademark license agreement provides for Société Générale's right to terminate the agreement in the event of a reduction of Société Générale's holding in the Group below 50% and of insolvency, winding-up or dissolution of the Group, with a run off period for the use the licensed trademarks of 18 months.

The Group relies on copyright, trademark, patent and trade secret laws to protect its intellectual property, such as domain names, software, and mobile applications. The complexity of international copyright, trademark, patent and trade secret law creates a risk that efforts to protect such rights will prove inadequate. It is also possible that third parties may develop similar intellectual property independently. The Group may be unable to prevent third parties from acquiring intellectual property rights (including, for instance, domain names) that are similar to, infringe upon or otherwise decrease the value of its proprietary rights (including the trademarks) that are licensed to the Group. The failure by the Group to adequately protect the intellectual property crucial to it could lead to a loss of customers to competitors and a corresponding loss in revenue. Furthermore, the Group may be unable to enforce its rights against Société Générale for damages resulting from third-party violations of Société Générale's intellectual property rights on which the Group depends.

At the same time, there is a risk that third parties may assert claims against the Group based on their patents and other intellectual property rights. The Group may have to pay substantial damages if it infringes third-party patents or other intellectual property rights. The Group may have to obtain a license if it is determined that the offering of its services infringes on another person's intellectual property, and it may be forced to change its goals, operations or strategies based on infringement or potential infringement of third-party intellectual property. Even if infringement claims against the Group are without merit, defending these types of lawsuits may take significant time, may be expensive and may divert management attention from other business concerns.

4.4.9 Other proceedings

To the best of the Group knowledge, and excluding these anti-trust proceedings and any resulting claims for damages, there are no governmental, legal or arbitration proceedings, including proceedings in progress, pending or expected, that may have, or have had in the past 12 months, a significant impact on the financial position or profitability of the Company or the Group. However, ALD cannot rule out new lawsuits resulting from facts or circumstances that are unknown at present, or where the associated risk cannot as yet be determined and/or quantified. Such lawsuits could have a significant adverse impact on the Group's net earnings or image.

4.5 FINANCING RISKS

4.5.1 Credit risk

The Group is exposed to the risk that its customers may default on lease and/or fleet management contracts or that the credit quality of its customers may deteriorate.

Credit risk, which is the risk of loss arising from the failure of the Group's customers or contractual counterparties to fulfil their financial obligations under the terms of a contract with the Group, may have a significant effect on the Group's business, financial condition, cash flows, results of operations and prospects. This includes the risk of a default on lease payments and accounts receivable due to the Group.

The Group's credit risk is heavily dependent upon its client concentration, the geographic and industry segmentation of its credit exposures, the nature of its credit exposures and the quality of its portfolio of leased vehicles, as well as economic factors that may influence the ability of customers to make scheduled payments, including business failures, corporate debt levels and debt service burdens and economic health of its customers. For instance, as a result of the negative effects of some of these factors during the global economic crisis in 2008-2009, the Group briefly experienced moderately higher default rates with its corporate and small and medium-sized enterprises. Since 2011, the cost of risk[10] has remained below 25 bps

[10] Cost of risk in bps is calculated as a percentage of Average Earning Assets (as defined in Chapter 3).

and in 2017 reached 14 bps. Customer defaults generally result in a higher rate of impairment on receivables.

As at 31 December 2017, the Group's receivables from clients and financial institutions were €1,438 million, of which €905.7 million of trade receivables including €104.9 million past due for more than 90 days. At this same date, the Group had €89.5 million in allowances for impairment, for trade receivables (for additional information see Chapter 20, Note 21).

While the Group generally has the ability to recover and resell leased vehicles following a customer default, the resale value of the recovered vehicles may not be adequate to cover its loss as a result of a default. The Group may not be able to resell the relevant vehicle at all. Although the Group estimates impairment charges in its audited consolidated financial statements for possible losses on its existing debtors based on its past experience and general economic conditions, there can be no assurance that its impairment charges will be sufficient to cover actual losses resulting from customer defaults, particularly if the rate of customer default increases significantly.

For its corporate counterparties, the Group assesses and monitors the probability of default of individual counterparties using internal rating models that combine statistical and analytical methods with in-house judgment, which are benchmarked when possible by comparison with externally available data. Although its local credit acceptance policies, which are reviewed on a regular basis, take into account market conditions, an increase in credit risk in particular jurisdictions or relative to specific client segments could increase the Group's provisions for credit losses. The Group has also implemented procedures to manage its credit risk exposure, including contacting delinquent customers for payment, arranging for the repossession of vehicles under defaulted contracts and selling repossessed vehicles. However, there can be no assurance that its origination procedures, monitoring of credit risk, payment servicing activities, maintenance of customer account records or repossession policies are or will be sufficient to address the credit risk inherent in its business or the credit risk inherent in its B2C segment as the Group's business model evolves, as corporate models may not be adequate in predicting and managing consumer credit risk. As at 31 December 2017, 63% of the Group's rated customers were rated BBB or higher.

Credit risk management

All the Group entities are required to comply with risk procedures issued centrally, which define the way credit decisions are made, as well as outlining the roles and responsibilities of all actors involved in the credit vetting process. Société Générale's risk department is closely associated with the monitoring of the Group's risks and the process of updating the Group's procedures, with meetings held each month and risk committee meetings held every quarter.

The Group’s decision making process is governed by the Société Générale credit authority structure: the application of the credit authorities’ mechanism (the "Credit Authorities") requires full compliance with the Société Générale group risk management policy principles. The Credit Authorities differ depending on the exclusive or shared nature of the client: "Exclusive Clients" are not already clients of Société Générale, as opposed to "Shared Clients".

For Exclusive Clients, General Credit Authorities (as defined hereafter) are allocated based on intended requested exposure. These "General Credit Authorities" represent the threshold below which the subsidiary has the ability to approve an exposure on a client or group without asking for the opinion of Société Générale's Corporate Risk Department. Above such thresholds, a concurrent opinion from Société Générale's Corporate Risk Department is required to approve the transaction. Shared clients are managed by a Primary Client Responsibility Unit ("PCRU") a unit, which can be either at the subsidiary or Société Générale's level, in charge of defining the business and risk strategy as well as reviewing the consolidated exposure of its portfolio of clients. For such clients, the Group has been granted an Exception Credit Authority (as defined hereafter) per entity. This "Exception Credit Authority" represents the maximum amount per transaction below which an entity of the Group may authorise transactions on its corporate Shared Clients. Each use of an Exception Credit Authority must be notified to the PCRU within 48 hours by the entity of the Group. If the PCRU refuses the transaction, the Exception Credit Authority is cancelled automatically. The Exception Credit Authority granted to the Group is cancelled for some Société Générale clients for risk or commercial reasons. For these clients all subsidiaries of the Group have to send their credit request to the PCRU irrespective of the amount of the requested credit limit.

Coordinated by the risk department of the Group, regular risk committee sessions review all potential risk issues and ensure the credit risk procedures are properly applied. All standard risk indicators (arrears, default, cost of risk) are also reported and monitored centrally. In particular, entities with fleets of over 5000 units have to establish dashboards for control, warnings and global piloting purposes. All Group entities apply the same process locally.

Debt collection remains by nature under the direct responsibility of the Group's subsidiaries with dedicated teams in charge of recovering unpaid invoices in compliance with local regulations and market practices. Local processes need, however, to be compliant with corporate policies and guidelines distributed to all Group entities. In addition, key central policies require that all entities of the Société Générale group rate all their corporate counterparties according to internal rating models.

Cost of risk has historically remained very low due to the strong customer base, the products proposed by the Group, a strong risk assessment process and a diversified customer portfolio. The development of the Group's partnerships leads the Group to accept customers with riskier profiles (such as SMEs and very small businesses): this requires the setting up of a new risk approach with dedicated teams, new scoring tools and strengthened guarantee requirements.

4.5.2 Treasury risks

4.5.2.1 *Liquidity risks*

ALD Group is exposed to liquidity risk, which is the risk of not being able to meet cash flow requirements when they fall due and at a reasonable price. A structural liquidity position is derived from the maturities of all balance sheet or off balance sheet outstanding positions according to their liquidity profile i.e. the difference for each maturity between outstanding assets and outstanding liabilities according to the date the asset / liability is due to come off the balance sheet (see Chapter 20 NOTE 3.1.2 "Liquidity risks").

ALD Group's exposure to liquidity risks is limited as Group policy is to finance the underlying asset over the same duration as the corresponding lease contract. A residual liquidity gap is measured on a monthly basis, under the supervision of ALD Group Central Treasury department, by assessing the matching of the run off of the existing leased assets with the remaining liabilities. The liquidity position measured is then reviewed and consolidated at Group level. Any deviation from the Group sensitivity threshold is corrected under the supervision of ALD Group Central Treasury.

The ALD Group was mainly funded through Société Générale Group (94% of the funding) until December 31, 2012, and started to raise external funds in 2013 through asset-backed securitisation programmes and the EMTN bonds programme described below. As at December 2017, total SG Group Funding represented 72% of the total funding.

Most of the funding provided by SG Group is granted through Société Générale Bank and Trust (SGBT) based in Luxemburg. SGBT funds ALD Group Central Treasury, which then grants loans in different currencies to 21 ALD subsidiaries as well as to the holding companies. The total amount of loans granted by SGBT amounted to € 7,920 million as of December 31, 2017 for an average maturity of 2.08 years and an average rate of 0.56%.

The remaining SG funding is provided either from local SG branches or SG Group Central Treasury in Paris and represented € 2,994 million as of December 31, 2017.

As of December 2017, 28% funding is provided from local external banks or third parties, representing € 4,215 million as of December 31, 2017. During 2017, as part of its funding diversification strategy, the Group successfully returned to the bond market in July to raise EUR 600 million through a 5 year senior bond issue and EUR 200 million through a 2 year private bond issue, under its existing EUR 6 billion EMTN programme. In November, the Group raised a further EUR 600 million through a 3 year senior bond issue.

ALD is rated BBB/A-2 by S&P Global Ratings. On 19 October 2017, S&P Global Ratings revised its outlook on ALD to positive from stable.

4.5.2.2 *Foreign exchange risk management*

ALD Group is present in countries outside the Euro zone and is therefore exposed to foreign exchange risks related to inflows and outflows of cash from daily business activities as well as participations in subsidiaries outside the Euro zone.

Currency risks related to current business activities are highly limited, as there are no cross border leasing activities. ALD Group policy consists of financing the underlying asset in the same currency as the corresponding lease contract.

The residual foreign exchange risk is managed in order to minimise the impact to the Group due to fluctuations in the currencies in which it operates.

To achieve this goal, ALD quantifies its exposure to structural exchange rate risks for each subsidiary by analysing all assets and liabilities arising from commercial operations and proprietary transactions. The risk sensitivity is measured by quantifying the impact of a variation of 10% of the exchange rate (hard currencies against local currency) and a threshold is defined for each subsidiary. ALD Group Central Treasury department is responsible for monitoring structural exchange rate positions and manages the impact on profitability due to exchange rate fluctuations.

Currency risks related to equity invested in foreign currencies are not hedged at a Group level, as the risk exposure is not considered significant.

4.5.2.3 *Interest rate risks management*

ALD policy consists in financing the underlying assets with fixed rate loans as lease contracts are mostly priced at fixed rates, in order to avoid any mismatch between assets and liabilities. Structural interest rate risk arises from the residual gap (surplus or deficit) in each entity's fixed-rate forecast position. To this end, any residual interest rate risk exposure must comply with the sensitivity limits set for each entity. The sensitivity is defined as the variation in the net present value of the future residual fixed-rate positions (surplus or deficit) for a 1% parallel increase in the yield curve.

The ALD Group Central Treasury monitors the Group's interest rate risk exposure and advises subsidiaries to implement adequate hedging operations. A monthly report measuring interest risk exposure is produced by each entity to be reviewed and consolidated by the ALD Group Central Treasury department.

Due to this close follow up of the interest rate risk exposure by subsidiaries and the supervision of asset and liability monitoring performed at central level, ALD Group interest rate sensitivity has always remained limited.

4.6 INSURANCE RISKS

4.6.1 Main insurance risks

In the ordinary course of business, the Group is exposed to three principal categories of risk that may be subject to insurance policies: (i) damage to property (vehicles owned by the Group) ("**Own Damage**" or "**Casco**"), (ii) motor third party liability ("**MTPL**" or "**TPL**"), and (iii) risks related to its business (excluding its fleet).

The Group's insurance strategy is carried out in conjunction with dedicated personnel located in each country where the Group is present and who deal with the local specifics of insurance as it relates to that country.

In relation to Own Damage or Casco, the Group can either retain the risk with respect to its fleet or transfer it to external insurers. If the Group chooses to retain this risk, it can do so through the local entity "self-insuring" the risk, or alternatively by retaining the risk through ALD Re, the Group's wholly owned reinsurance subsidiary. In the latter case, the Group's affiliates purchase insurance through selected external fronting insurers (including AXA, AIG and Sogessur), which are then reinsured by ALD Re. Should the Group decide not to retain the risks through the local entity or through ALD Re, then normally the risk is placed through external local insurance companies.

ALD Re reinsures the MTPL risk for more than 300,000 vehicles within the Group and the Own Damage risk for approximately 100,000 vehicles within the Group as at 31 December 2017. MTPL on a standalone basis represents the majority of the insurance coverage provided by ALD Re. ALD Re limits its exposure to €500,000 per event for MTPL and selected Own Damage either by capping the exposure that is reinsured to this amount or, where this reinsurance is not capped, through the purchase of retrocession cover from third-party reinsurers. The vast majority of the Group's insurance costs relate to fronting insurers reinsured by ALD Re and for the year ended 31 December 2017 the premiums received by ALD Re from such fronting insurers amounted to €120 million. For the year ended 31 December 2017, the premiums paid by ALD Re to reinsurance providers to provide retrocession cover in excess of €500,000 amounted to approximately €1 million.

	Total On-Balance sheet fleet ('000): 1 179				Insurance
	TPL		**CASCO**		Margin(*)
Insured via ALD	**45%**	**525**	**44%**	**513**	€ 157 m
ALD Re	24%	280	9%	108	
Risk retained by subsidiary	-	-	27%	314	
Other carriers	21%	245	8%	91	

Note: Data as of 31/12/2017

(*) Contribution to ALD 2017 services margin, including TPL, Casco and other insurance cover

The Group's insurance policies are set out below, broken down by risk.

4.6.1.1 *Own Damage – vehicles owned by the Group*

Own Damage risk is either retained by the local entity, insured through fronting insurers which are then reinsured by ALD Re, or transferred to external insurers.

In some of the larger European countries in which the Group operates, the Group's local entity does not externally insure the property damage risk to its owned vehicles, but instead retains this risk for its own account. In these countries, the local entity seeks to mitigate this risk through charging the client a service fee under which the client is entitled to have a damaged vehicle repaired or a stolen vehicle replaced. In such circumstances, the local entity considers that the fee charged to the client will be greater than or equal to actual costs of damages and theft.

4.6.1.2 *Motor vehicle liability*

(i) Motor third-party liability (MTPL)

For MTPL risk, the Group either retains this risk through buying insurance from fronting insurers who are then re-insured by ALD Re or externalises the insurance coverage with a local insurance provider.

In countries in which the Group operates, it is generally compulsory under local laws to purchase insurance covering risks related to motor liability against bodily injury and accidental death or property damage caused by its customers to third parties and resulting from the use of its owned vehicles. In general it is considered an offence under local laws if these vehicles circulate on public roads without being covered by MTPL insurance. Indeed, internal Group procedures provide that every car should be covered by a MTPL cover during the entire duration of the contract.

(ii) Passenger indemnity

Passenger insurance and passenger property insurance, where offered, are either insured through fronting insurers, which are then reinsured by ALD Re, or transferred to external insurers.

Passenger insurance and passenger property insurance are in virtually all countries not mandatory, but internal procedures provide that they can be recommended for those countries where MTPL does not cover property damage and bodily injury related to the driver in case of an accident caused by the latter.

(iii) Legal protection

Legal protection, where offered separately to the MTPL, is either insured through fronting insurers, which are then reinsured by ALD Re, or transferred to external insurers.

For countries where legal protection follows the same regulations as MTPL, internal procedures require that the same norms and standards as for MTPL be established. In some countries third party liability insurance and legal protection cannot be insured with the same insurance company.

4.6.1.3 *Risks related to the Group’s business (excluding its fleet)*

In order to manage other risks related to the Group’s business, or to comply with applicable laws, the Group has purchased and implemented other insurance programs, including a general liability insurance program, an environmental liability insurance program and an employer's practice liability insurance program related to employment practices

These insurance programs have generally been purchased from non-affiliated insurance companies for amounts deemed by the Group as reasonable given its risk profile, and secured terms and conditions considered by the Group as reasonable.

In addition, some subsidiaries of the Group use the Société Générale Worldwide Insurance Program to cover additional risks such as theft and damages to valuables, fraud, embezzlement and malicious acts (including cyber criminality), third party liability, professional indemnity, directors' and officers' liability and business interruption and terrorism and political violence.

4.6.2 ALD Re

ALD Re is a wholly-owned subsidiary of ALD based in Dublin, Ireland and is regulated by the Central Bank of Ireland. ALD Re was established in October 2005 and began accepting reinsurance in January 2006. Through its reinsurance of different insurance coverages (MTPL, Motor Own Damage and ancillary covers such as Driver, Passenger and Legal Protection) it provides reinsurance coverage to more than 350,000 vehicles within the group, with live risks in 24 countries, and employs 21 full time staff. Profit after tax for the financial year ended 31 December 2017 was €28.8m.

ALD Re currently operates as a reinsurance entity only and does not provide direct insurance coverage to the entities or individuals insured. It is regulated by the Central Bank of Ireland ("**CBI**") and categorised as a medium-low impact undertaking.

ALD Re strictly monitors its global risks, including underwriting, market, credit and operational risk, via a strong corporate governance structure, a clearly defined risk appetite and a well-developed risk monitoring process.

In addition, in order to minimise the financial impact of a single event, ALD Re only provides reinsurance protection for claims up to €500,000 per event for MTPL and selected motor Own Damage. In countries where reinsurance protection is provided above that level, ALD Re buys retro-cession coverage from third party insurers to limit its risk to the above stated per event limit. This reinsurance strategy is reviewed at least annually by the Board of Directors of ALD Re. Over the last 5 years, ALD Re had an average 64% loss ratio and it never went above a 100% loss ratio over the last 10 years.

(i) Regulatory Compliance

The Group is subject to the Directive 2016/97/EC of 20 January 2016 on insurance distribution (IDD) which will replace Directive 2002/92/EC of 9 December 2002 on insurance mediation (IMD) as of 23 February 2018. IDD seeks to enhance the current regulation applicable to insurance intermediaries only with a particular focus on practices for selling insurance products and to promote a level playing field between participants in insurance sales in order to improve consumer protection, market integration and competition. IDD will widen the scope from insurance intermediaries by adding all sellers of insurance products, including insurance manufacturers that sell directly to customers and market participants who sell insurance on an ancillary basis (subject to the proportionality principle). IDD is aimed at minimum harmonization and therefore does not preclude EU member states from maintaining or introducing more stringent provisions, provided that these are consistent with IDD.

As for all European based insurance and reinsurance undertakings, ALD Re is subject to the Solvency II Directive, which came into effect from 1 January 2016. Solvency II is a sophisticated and rigorous risk based approach to assessing the solvency needs of (re)insurance companies including the requirement that companies complete an Own Risk and Solvency Assessment ("**ORSA**") process, an internal assessment process of risks and solvency needs under normal and severe stress scenarios, in a continuous and prospective way. This process is conducted on an annual basis, or more frequently where there is a material change in the company risk profile.

ALD Re has a dedicated Chief Risk Officer who oversees the review and updating of a suite of risk and governance policies to ensure they are in line with Solvency II principles and with the CBI's guidelines. Furthermore, ALD Re has appointed a representative from KPMG as its Head of Actuarial Function, who will be responsible for specific tasks required of the Actuarial Function under the Solvency II framework and the CBI guidelines.

(ii) Governance systems

ALD Re has implemented a comprehensive governance structure which comprises its Board of Directors, two sub-committees of the Board, being the Audit Committee and the Risk Committee and an executive management team.

As a demonstration of its commitment to promoting sound and effective risk management as required by the Solvency II Directive, ALD Re has adopted a suite of governance and risk policies to support ALD Re's business and risk strategy, risk profile, objectives, values, risk management practices, and long-term interests. Risk policies cover operational areas such as underwriting, retrocession, investments, reserving, capital management, operational risk and asset/liability matching. Governance policies include documented policies on remuneration, outsourcing, ethics, fraud, whistle-blowing, internal controls and compliance. All policies are reviewed on an annual basis by the appropriate Board sub-committee (Audit or Risk) and if required are submitted to the Board for approval. Each policy is assigned a specific owner who is responsible for ensuring and monitoring compliance with the policy on an ongoing basis.

(iii) Internal control and risk management

ALD Re has a Board approved Internal Control Policy, which outlines the processes adopted by ALD Re to ensure that there is an effective and suitable internal control system in place.

The Board of ALD Re has also adopted a Risk Management policy which describes the guiding principles for managing risk at ALD Re and for the implementation of the risk management system. The purpose of the policy is to outline the responsibilities and processes for ensuring that all material risks facing ALD Re are identified, evaluated and effectively managed within an acceptable time scale. ALD Re's policy is to ensure that its activities and the activities of its outsourced service providers are conducted in accordance with, and within the tolerance limits set out in, the ALD Re risk appetite statement and the various risk policies of the company.

(iv) "Prudent person" principle

ALD Re's investment risk policy incorporates the prudent person principle in accordance with the Solvency II Directive. It provides that ALD Re's strategic objective, in relation to its investment risk policy, is based on the Board-approved risk appetite statement in accordance with which ALD Re seeks to preserve principal value and increase the value of investments, while covering its technical reserve requirements, its solvency requirements and meeting its ongoing cash flow needs. In relation to its excess funds, the Group's objective is to produce efficient return for the shareholder.

The Board has deemed it appropriate to engage an external investment management service provider in order to assist in achieving its investment strategy. Société Générale BT has been selected as investment manager, and a written Service Level Agreement ("**SLA**") is in place between ALD Re and the investment management service provider. This SLA specifies the nature of delegated authorities with respect to ALD Re's investment portfolio.

(v) ALD Re's Financial Situation

ALD Re's consolidated balance sheet reached €282.3 million in 2017 compared to €272.6 million in 2016.

The table below sets out selected information from ALD Re's consolidated balance sheet for the last three years.

ALD Re **CONSOLIDATED BALANCE SHEET** **(In € million)**	**2017**	**2016**	**2015**
ASSETS			
Financial Investments	229.7	213.5	199.3
Reinsurance Debtors	41.1	46.2	33.8
Other Assets	11.5	12.9	12.0
Total Assets	**282.3**	**272.6**	**245.1**
EQUITY AND LIABILITIES			
Total equity	**111.8**	**114.6**	**110.1**
Provisions	159.3	141.4	125.9
Current liabilities	169.7	157.3	134.4
Total liabilities	**170.5**	**158.0**	**135.0**
Total Equity and Liabilities	**282.3**	**272.6**	**245.1**

Ratios

SCR has been calculated per the table below.

Regulatory SCR	**(In € million) 2017**
Solvency Capital Required (SCR)	53
Available own funds	128.5
SII SCR Ratio	243%
SII SCR Ratio required	100%

For 2017, ALD Re recorded a Solvency II SCR ratio of 243% under the Solvency II Directive standard formula, compared to the 100% ratio required (2016: 252%). In 2015 different methodologies were applied to measure solvency and so numbers cannot be directly compared.

CHAPTER 5. INFORMATION ABOUT THE COMPANY

5.1 HISTORY AND DEVELOPMENT OF THE COMPANY

5.1.1 Legal and Commercial Name

The corporate name of the Company is ALD.

5.1.2 Place of Registration and Registration Number

The Company is registered with the Nanterre Trade and Companies Register under number 417 689 395.

5.1.3 Date of Incorporation and Duration

5.1.3.1 *Date of Incorporation of the Company*

The Company was incorporated on 19 February 1998.

5.1.3.2 *Duration*

The Company's duration is 99 years from the date of its registration with the Trade and Companies Register subject to early dissolution or extension.

5.1.4 Registered Office, Legal Form and Applicable Legislation

5.1.4.1 *Registered Office and Country of Incorporation*

The Company's registered office is located at 1-3 Rue Eugène et Armand Peugeot, 92500 Rueil-Malmaison - France and its telephone number is +33 (0)1 58 98 79 31.

5.1.4.2 *Legal Form and Applicable Legislation*

As of the date of this Registration Document, the Company is a limited liability company with a Board of Directors (*société anonyme à conseil d'administration*) governed by French law, including, in particular, Book II of the French Commercial Code and its Bylaws.

5.1.4.3 *Fiscal year*

The Company has a fiscal year of twelve months, beginning on 1 January and ending on 31 December of each year.

5.1.5 History and development

The Company was incorporated in 1998 under its former legal name "Lysophan". In October 2001, the former legal name was replaced by "ALD International". Key milestones for the Group include the acquisition by Société Générale, its parent company, of Deutsche Bank's European car leasing interests in 2001 and Hertz Lease Europe in 2003, thereby consolidating the Group's leading market position in almost all of its key European markets (Source: Fleet Europe June 2016 - Leasing presence country by country).

From 2004 to 2008, the Group established multiple subsidiaries in Central and Eastern Europe and South America, Africa and Asia. In 2009, the Group continued to expand its network in China through a joint venture with Baosteel, the leading steel producer in China. The Group is present in all the BRIC (Brazil, Russia, India, China) countries and has developed in additional countries in Latin America such as Mexico, Chile and Peru and, as such, has a strong position in non-Western European markets.

In April 2009, the Group entered into a global strategic co-operation alliance with Wheels, a specialist and leader in vehicle fleet management for large corporate customers in North America. In 2012, the Group entered into a similar alliance with Fleet Partners, which extended its coverage in the Asia Pacific region. In 2014, another strategic alliance was signed with ABSA (South African-based company Absa Vehicle Management Solutions), which extended its coverage to South Africa. In 2016, the Group expanded its strategic partnerships in the Latam region (in Argentina with Autocorp and Central America with Arrend). These alliances have expanded the Group's global presence, which directly or through its alliances covers, as at 31 December 2016, 54 countries.

In addition to its regional partners, the Group has partnerships with 10 car manufacturers and 25 banks. Through these and other indirect and direct distribution channels the Group offers its Full Service Leasing and Fleet Management services.

In June 2017, Société Générale sold a total of 20.18% of ALD's issued share capital via an Initial Public Offering (IPO) announced on 5 June 2017. The objective of the IPO was to enable the ALD Group to gain visibility and reputation in the mobility ecosystem as well as to access new means of financing and to increase its capacity to accelerate its development and seize new growth opportunities in both the corporate and B2C markets. ALD's shares commenced trading on the regulated market of Euronext Paris on 16 June 2017. The initial offer price of €14.30 per share implied a total valuation of the company's shares of €5.78 billion.

In June 2017, ALD launched a greenfield operation in Colombia, which thus became the 42nd market of the Group. This new opening further extends the ability of the Group to serve its international clients and allows the Group to take advantage of the growth potential of the Full Service Leasing market in Colombia.

5.2 INVESTMENTS

5.2.1 Historical Investments

The Group's investments in tangible and intangible assets (other than acquisitions and investments in fleet) during the fiscal years ended 31 December 2015, 2016 and 2017 totalled €35.1 million, €48.8 million and €64.5 million, respectively. Acquisitions and investments in fleet consisted principally of acquisitions discussed and the Group's investments in its fleet discussed in Section 10.2 "Rental Fleet".

In 2015, Axus Finland OY, a subsidiary of ALD, acquired Easy KM, representing 8,000 vehicles in Finland. The Group also acquired Sogelease (1,836 vehicles) in Bulgaria in 2015.

In May 2016, Temsys SA, a subsidiary of ALD, acquired Parcours Group, representing a total fleet of 63,700 vehicles (including 57,600 in France). Parcours was acquired in order to strengthen the Group's position with SMEs and very small companies in France, Belgium, Luxembourg and Spain and to leverage Parcours' network of local hubs offering maintenance, repair and consulting into a platform for private leases and mobility services. The Group expects this acquisition to generate cost savings for Parcours' activities relating to cost of funding and overhead optimization.

In 2016, ALD Automotive Magyarorszag Kft, a subsidiary of ALD, acquired MKB-Eurolizing Autopark Zrt. MKB-Eurolizing Autopark Zrt is a car operating lease player in Hungary, with a portfolio of 7,700 vehicles, and in Bulgaria through MKB-Autopark Eood, a fully owned subsidiary with a portfolio of 1,700 vehicles.

In July 2017[11], ALD International Group Holdings GMBH, a subsidiary of ALD, acquired Merrion Fleet, the number two FSL player in Ireland with a portfolio of approximately 5,500 vehicles. This acquisition enables ALD to establish FSL operations in a new country, thereby consolidating its number one position in Europe and widening its global footprint to reach a direct presence in a total of 43 geographies.

In September 2017, ALD Automotive SAU (Spain), a subsidiary of ALD, acquired BBVA Autorenting, the Spanish full service leasing subsidiary of BBVA. BBVA Autorenting is the seventh largest player in the Spanish market with a fleet of approximately 25,000 vehicles, most of which were previously managed by ALD Spain under a fleet management contract. This transaction strengthens the Group’s full service leasing presence in Spain, while expanding the commercial reach of its solutions through an agency agreement entered into with BBVA, which make the Group’s full service leasing products available to corporate and private customers under a white label agreement.

All acquisitions made by the Group during this period were paid for in cash from its own internal cash resources. Investments in the fleet were funded by debt as discussed in Section 10.1.2 "Net cash flows from investing activities".

5.2.2 Ongoing Investments

During the fiscal year ending 31 December 2018, investments in tangible and intangible assets are expected to remain in line with previous investments in the fleet and the Group's acquisition strategy (see Section 6.2 "Strategy").

The Group is currently involved in discussions for the acquisition of a medium size leasing company. As of the date of this Registration Document, no definitive agreement has been reached.

[11] The acquisition closed in July 2017 includes an earnout clause running until the end of 2018.

5.2.3 Future Investments

The Group plans to continue making appropriate investments for its business. As of the date of this Registration Document, the Group has no plans to make any investments in tangible or intangible assets that are different in kind or for a significant amount.

CHAPTER 6. BUSINESS OVERVIEW

6.1 MARKET AND COMPETITIVE ENVIRONMENT

6.1.1 Market and product offering

6.1.1.1 *Product offering*

Full service leasing

Full service leasing offers clients the right to use a vehicle whose legal title and ownership rights remain with the leasing company. Under a full-service lease, the client pays the leasing company a regular monthly lease payment to cover financing and depreciation of the vehicle as well as the cost of various services provided in relation to the use of the vehicle (such as repair, maintenance, replacement car, tyre management, fuel cards and insurance). This aggregated lease payment provides predictability for the client, who can anticipate stable payment flows.

Under a full service lease, the client enjoys full usage of the vehicle, while not directly owning the vehicles, therefore not having to use its funding to invest in the acquisition of vehicles, or be responsible for the resale of the vehicle.

A full service lease contract usually includes various fleet management services, which help simplify the client's fleet administration: by thus delegating the management of its fleet the client does not require the internal operating structure necessary to managing the relationship with drivers, suppliers and manufacturers or to remarket the vehicle. Customers also benefit from increased controls on drivers and fleet managers by the service provider, thereby improving efficiency, controlling costs and allowing the client to focus on its core competencies.

Services included in a full-service lease contracts are tailored to the specific needs of customers, generally on a fixed-payment model. Under the fixed-payment model, customers pay a fixed monthly cost, but are not provided with a breakdown of the actual costs of the services incurred. The leasing company absorbs both positive and negative variances from the contracted costs. No settlement of the difference between actual and fixed costs occurs at the end of the contract.

Under a typical full-service lease, vehicles are chosen by the customer' together with the desired associated services. The leasing company has a consulting role and will advise the customer on selecting the vehicle related services. Typical services available under a full-service lease include the following:

- Designing a car policy and vehicle selection – the customer can choose the type of car, the model and options they wish to include in their car policy. The leasing company purchases the vehicle selected by the customer or its driver.

- Insurance – third party liability, theft, passenger and material damage insurance can be provided.

- Repair, Maintenance and Tyres – the leasing company provides repair, maintenance and tyre replacement services for both routine and emergency situations through its network of selected workshops and tyre fitters.

- Driver Support and Breakdown Assistance – examples include a customer support telephone line to support drivers in case of emergency, breakdown or for any other need.

- Replacement Vehicles – the leasing company may arrange for provision of a replacement vehicle in case of routine maintenance or accident repairs.

- Other – tailor-made customer services, such as car sharing solutions and telematics.

Starting from 1/1/2019, the new accounting norm IFRS 16 will be of mandatory use. Lessor accounting is not impacted but Lessees, if they apply IFRS norms, will have to recognize on their Balance Sheet the contractual leasing commitment (discounted). This new accounting rule does not alter the advantages described above of Operating Lease versus Outright Purchase.

Fleet Management

Fleet management is the provision of outsourcing contracts to clients under which vehicles not owned or funded by the Group are managed by the Group. The client pays fees for the various fleet management services provided. These services are generally identical to those listed under the full-service leasing above, with the exception of the financing service, as the vehicle is owned by the client.

6.1.1.2 ***Growth trends & drivers***

The growth of the full service leasing and fleet management market has been driven by several factors.

-The rising volume of corporate fleets has increased the importance and potential for fleet management solutions.

-Client acceptance of leasing has risen, as corporates have become aware of the potential to improve leverage and save costs by outsourcing non-core activities, thereby realising efficiencies.

-There is an ongoing behavioural shift from ownership to usage across different consumer segments.

-The rise of connected cars and digital services is increasing the offer of advanced global reporting, telematics and other technology-based customer solutions, providing more value added offerings to clients. Such specialist technology solutions require niche expertise and scale to amortise costs of development, making them difficult to implement in-house by customers. Development of new mobility solutions, such as car sharing, autonomous driving and connected cars, is expected by the Group to provide opportunities to the leasing industry to expand its range of services to both corporate and private customers.

-The Group believes that there is potential for growth even in mature markets, particularly with SMEs, and in emerging economies for all customer segments. The growth in mature markets is expected to come from the further extension of indirect channels to target SMEs, where penetration remains lower, but where there is a trend towards outsourcing of fleet management activities. Emerging economies have a lower penetration of operating leases than mature markets, so there is strong growth potential as car fleets grow and more international companies look to outsource their fleet management activities.

6.1.2 Competitive environment

6.1.2.1 *Competitive landscape*

On a global scale, the fleet leasing market remains relatively fragmented, with few players providing global coverage[12], (such as the ALD Group, 1st European rank, 2nd rank worldwide in 2016 and 2017 LeasePlan 1st rank worldwide, 2nd European rank in 2016 and 2017 and Arval 3rd European and worldwide rank in 2016 and 2017). Companies have traditionally focused on their home market and region (such as Sumitomo and Orix in South East Asia, and American leasing entities, such as Element Fleet (over 1.0 million vehicles)[13], ARI and Wheels, present largely in North America).

There are few global operators that can match the size of the ALD Group, which manages 1.511 million vehicles across 43 countries as at 31 December 2017. The Group has built a global network, successfully rolling out its business model in new markets, leveraging its international client base and its strong commercial partnership culture to penetrate new markets. It should be noted that, players that are only present in North America, where leases are mainly finance leases, generally lack the expertise to underwrite business in geographies where business is primarily composed of operating leases, such as Europe.

6.1.2.2 *Type of competitors*

Across the Group's areas of operation, it competes with other international fleet management companies, including both vertically integrated companies, offering Full Service Leasing and finance, and pure fleet management companies. The Group's key competitors are LeasePlan (1.745 million[14] vehicles managed, of which 1.314 million in Europe), Arval (1.104 million[15]

[12] Ranking based on fleet size, see sources section 6.1.2.2.

[13] Source: Element Fleet website as at January 2018

[14] Number of vehicles as of 31 December 2017 (source: LeasePlan, Fleet Europe)

[15] Financed vehicles as of 31 December 2017 (source: BNP Paribas)

vehicles financed), Alphabet (0.680 million[16] vehicles managed) and Athlon/Daimler Fleet Management (0.4 million[17] vehicles managed), which are international multi-brand leasing companies operating in similar geographies as the Group. In some of the Group's geographic markets, it also competes with strong local players offering Full Service Leases.

The Group also faces competition in specific areas of the vehicle leasing value chain. It competes with the captive finance subsidiaries of large automobile manufacturers in the financing area of the value chain. The Group also competes with third-party service providers that occupy the part of the value chain involving fleet consulting, bidding solutions and procurement.

Competitors in the global leasing services market generally fall into three broad categories based on their ownership structure, namely bank affiliates, car manufacturers' captives and independent operators. The ownership structure of a given competitor is often a key driver in the nature of its operations.

(i) Bank affiliates

Bank affiliates include entities that are part of a larger financial group, mostly subsidiaries of banks, such as Arval (BNP Paribas Group). In many cases, multi-brand vehicle leasing started as an extension of conventional banking products to satisfy the needs of corporate customers, but gradually banks developed semi-autonomous leasing units within their corporate structure.

These bank affiliates leverage the parent bank's distribution network among others, which serves as an important and cost effective sales channel within a diversified distribution chain for their own leasing products. Bank affiliates also generally have access to cost-effective financing from their parents and/or affiliates. However, they are often local or regional players without an international footprint.

(ii) Car manufacturers' captives

Car manufacturers' captives, i.e. entities owned and controlled by car manufacturers, generally focus on increasing sales of their owner's vehicle brands. These entities benefit from brand synergies and access to the dealership network of their manufacturer parent or affiliate, but the growth of the business is tied to the underlying demand for the manufacturer's specific vehicle brands.

The importance of captive operating lease and fleet management companies, such as Volkswagen Leasing, RCI Bank, PSA Finance and FCA Leasys, is increasing as their parent companies seek to present themselves as all-round providers of mobility solutions who are

[16] Fleet leasing contracts under management as of 31 December 2017 (source: BMW Group)

[17] Number of vehicles in fleet management as of 31 December 2017, including Daimler Fleet (source: Daimler)

able to capture a greater share of the market for acquiring and operating vehicles, rather than solely car manufacturers.

Given the funding advantages enjoyed by leasing businesses owned by financial institutions, the majority of larger car manufacturers have also established specific financial services subsidiaries to oversee their leasing businesses and, in some cases, to assist in raising funds for their manufacturing businesses.

(iii) Independent operators

Multi-brand independent operators include entities that are not directly related to parent banking institutions or car manufacturers. Lack of scale and access to external financing on attractive terms are the key challenges faced by such entities.

(iv) Regional players

Regional players are companies that are only present in one country or a small number of countries.

6.2 STRATEGY

In order to grow its position as a global leader in providing high-quality and innovative driver mobility solutions, the Group is focused on four strategic pillars: (1) be a global leader with a top 3 position in all geographies, (2) differentiate through quality and customer services, (3) be the sector benchmark in terms of vision, innovation & technology, and (4) maximise sustainable shareholder value.

Be a global leader with a Top 3 position in all geographies

The Group strives to maintain and expand its market-leading position in most of the geographies in which it operates through a combination of organic growth and targeted acquisitions. The Group's demonstrated ability to grow through partnerships, profitable green-field developments and value-accretive acquisitions, places it in a strong position to evaluate future opportunities in a consolidating industry. In pursuing this strategic growth, the Group further leverages the benefits of scale and a global footprint in the car leasing industry. The Group expects its organic growth to be supported by further penetration in mature markets, through the development of innovative products, continued expansion of its commercial partnerships, and additional growth in emerging markets.

Management also believes that the B2C segment represents a significant opportunity for the Group as a number of positive growth drivers are developing, including a shift from "car ownership" towards "car usage", the recognition of advantages for consumers of the leasing model, as it becomes more prevalent, and the opportunity for direct marketing to consumers through digitalisation and internet solutions.

The Group believes it is well-positioned to benefit from B2C opportunities, because of its expertise in fleet financing and providing automotive services over the lease contract life-cycle, as well as its ability to leverage existing distribution partnerships and develop new ones with insurance companies, brokers, municipalities and other players, such as technology companies.

The Group expects to manage more than 150,000 vehicles for retail customers by 2019.

Differentiate through quality and customer services

The Group's strategy is to differentiate itself from competitors by the quality and breadth of its services with a product offering that allows for a varied revenue stream and customisable service packages. In addition, the Group is increasingly diversifying its services, including into the B2C segment, to serve new mobility demands.

A key pillar of this strategy is to provide reference quality in the industry. The Group is frequently recognised for its high quality of services, as evidenced by strong levels of customer satisfaction.

Be the sector benchmark in terms of vision, innovation & technology

The Group pursues value-added positioning through innovative mobility solutions and technology-enabled services. This focus on innovation, scale and IT capabilities has enabled the Group to develop and roll out effective technology-enabled services, and the Group continues to develop new services. In particular, the Group strives to be at the centre of the evolving mobility solutions landscape, driven by long-term social trends resulting in higher demand for outsourced mobility solutions and online services.

Maximise sustainable shareholder value

At the same time, the Group pursues its growth and acquisitions with a focus on maintaining both its strong capital position and a Return on Equity equal to or better than its peers. The Group seeks to increase its scale further with a view to improving its operational efficiency. The Group evaluates growth opportunities with an eye to ensuring both value creation for shareholders and retaining financial flexibility for future growth.

6.3 BUSINESS OPERATIONS

6.3.1 Business model

ALD Group is a full service leasing and fleet management group with a fleet of 1.511 million vehicles operating with a direct presence in 43 countries as at 31 December 2017. In addition, the Group has commercial alliances in 12 countries extending geographical coverage of its product. The Group is active on the whole value chain of the car leasing industry and focuses on providing full service leasing solutions encompassing a broad scope of services which, contributing to revenue diversification, can also be provided on a standalone basis.

The Group benefits from a diversified income base composed of three principal components: the Leasing contract margin, the Services margin and the Car sales result.

Under its primary product offering, Full Service Leasing, the Group purchases vehicles with a view to leasing them to customers. During the lease period it earns a spread (or Leasing contract margin), equal to the difference between, on the one hand, the leasing contract revenues it receives from customers, equal to the expected depreciation of the leased vehicle plus the interest charge for funding the vehicle, and, on the other hand, the leasing contract costs, which are comprised of the costs for the expected depreciation of the leased vehicle and the costs of funds the Group incurs to fund the vehicles.

The Group also generates income from the wide range of services that it offers under both its Full Service Leasing and Fleet Management products, such as maintenance and repairs, insurance, tyres and replacement vehicles. This income is referred to as the Services margin, representing the fixed billed cost included in the monthly rental and the actual costs incurred by the Group.

Finally, the Group generates income from the resale of its vehicles at the termination of a lease contract, referred to as the Car sales result. The Group remarkets and sells used cars at the end of their lease term via several channels: to professional used car dealers, directly to the drivers of the vehicles, to external buyers through auctions, principally via its online car sales platform dedicated to professionals (ALD Carmarket), and directly through its own retail sites. The ALD Carmarket website, an online auctioning and direct sales platform, has become the main channel through which the Group remarkets its own used cars and sells them. Via this website, the Group can also remarket, on behalf of its customers and partners, used cars which it does not own, earning a fee from the proceeds of the sale.

The following chart sets out the distribution of the Group's three principal sources of consolidated Gross operating income for the year ended 31 December 2017, 2016 and 2015:

	Year ended 31 December		
In € millions	**2017**	**2016**	**2015**
Leasing Contract Margin	574.5	514.1	431.6
Services Margin	593.0	528.6	534.0
Car Sales Results	165.3	201.5	207.2
Gross operating income	**1,332.8**	**1,244.2**	**1,172.8**

6.3.2 Product Offerings

The Group provides financing and management services through two principal product offerings. These two offerings are Full Service Leasing and Fleet Management, which together accounted for 100% of the Group's Gross operating income for the fiscal year ended 31 December 2017. The following table shows a breakdown of fleet under management (in thousands of vehicles) by product offering for the year ended 31 December 2017, 2016 and 2015:

In '000 vehicles	31 December 2017		31 December 2016		31 December 2015	
Full Service Leasing	1,179	78%	1,046	76%	895	74%
Fleet Management	332	22%	330	24%	312	26%
Total Fleet	**1,511**	**100%**	**1,376**	**100%**	**1,207**	**100%**

6.3.2.1 *Full Service Leasing*

The Group's full service leasing service ("**Full Service Leasing**") offers clients the usage of a vehicle for a regular monthly lease payment covering financing, depreciation of the vehicle and the cost of various management services provided relating to the use of the vehicle. In this structure, the Group is the owner of the vehicle (except for a limited number of finance leases). Full service vehicle leasing contracts comprise 78% of the Group's fleet as at 31 December 2017. The majority of its leases are classified as operating leases, with 95,9% of the Group's Full Service Leases classified as operating leases as at 31 December 2017. The Group's Full Service Leases are typically for a duration of up to 36-48 months.

The Group's leasing service offers a variety of services tailored to the specific needs of its customers, including but not limited to selection and registration of new vehicles, financing, repair, maintenance and tyre management, driver support and breakdown assistance, replacement vehicles, fleet reporting, fuel cards and other tailor-made customer services.

In addition, the Group provides insurance services. It provides clients with Motor Third-Party Liability (MTPL), material damage insurance as well as theft and passenger insurance.

6.3.2.2 *Fleet Management*

The Group's fleet management service ("**Fleet Management**") consists for the client in outsourcing contracts to the ALD Group under which the vehicle is not owned by the Group, but only managed on behalf of the customer. The client pays fees for the cost of various fleet management services provided by the Group Fleet Management comprises 22% of the Group's fleet as at 31 December 2017.

The scope of services offered under such outsourcing arrangements is equivalent to the Full Service Leasing range of services including insurance, routine repairs and emergencies, maintenance and tyres, driver support breakdown assistance, replacement vehicles and fine management. These services include arranging for vehicle delivery and administration of the title and registration process, as well as tax and insurance requirements, ensuring maintenance of the vehicle, pursuing warranty claims, providing fleet policy analysis and recommendations, benchmarking and providing vehicle recommendations.

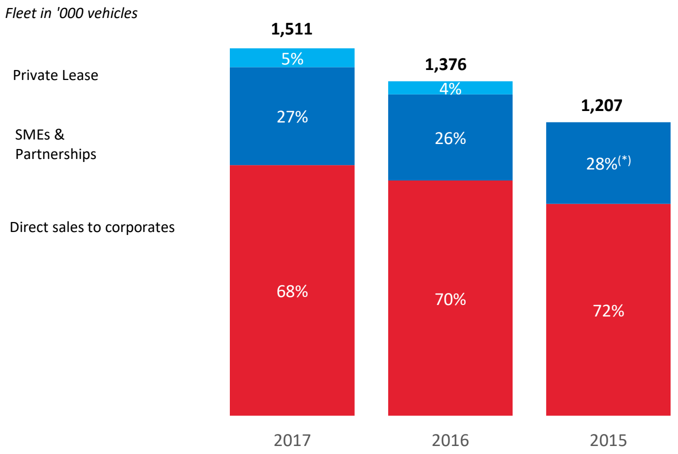
Through its range of services and specially negotiated rates, the Group provides solutions to clients to identify and control their costs by streamlining and simplifying the fleet management process. The Group offers two fleet management solutions: (1) a flat rate plan for the services provided or (2) a plan where the Group handles vehicle bill processing for the client. The Group estimates that through the use of its services, its fleet management clients can benefit from considerable saving in annual fleet management costs.

6.3.3 Customers

The Group has over 100,000 customers and a diversified client base. The concentration of the Group's top 10 customers[18] remained limited to 6.7% of the total funded fleet as of 31 December 2017 compared to 6.0% as of 31 December 2016 and 6.7% as of 31 December 2015.

The Group's leasing contracts have an average length of 43 months. The key factors to successful customer retention for the Group is the strength of the relationship, which depends both on maintaining excellent service delivery as well as sustaining high levels of customer satisfaction. In addition, for international customers, succeeding in tender processes is essential to retaining or obtaining contracts.

The following chart shows the breakdown of fleet under management by type of customer for the year ending 31 December 2017, 2016 and 2015.



(*) For 2015 private lease is included in SME & Partnership figures

Direct Sales to Corporates

Corporate accounts are either corporate or public entities who receive dedicated sales and account management by the Group's local operating companies through the Group's direct distribution networks.

Partnership customers

Other customers include clients of partners such as banks and car manufacturers, and consist mainly of SMEs and private lease clients.

[18] By size of Funded fleet

SMEs

The Group leverages its strong partnerships with car manufacturers and banking networks to address mostly small and medium-sized companies.

Through White Labelling (as defined below), whereby a product is provided by the Group and packaged and sold by other companies under various brand names **("White Labelling")**, dealers affiliated with the Group's car manufacturer partners and banking partners can offer a full service lease product to their clients under the brand of the car manufacturer or bank, with the Full Service Leasing product operated by the Group. These agreements offer the Group a powerful channel to reach small and medium-sized enterprises.

B2C – Private Lease

The Group aims to become a leader in the B2C segment. It aims to access this new client base in a cost-effective manner by leveraging its existing distribution partnerships with car manufacturers and banks, as well as through a new online platform. The Group intends to continue to develop these new channels, including through (i) B2B2C, through car manufacturers, banks and insurance companies, (ii) B2C via the Group's web portal and external web portals and (iii) B2B2E, to the employees of the Group's corporate customers.

The Group manages more than 78 thousand vehicles as at 31 December 2017 for the retail segment, via partnerships. The Group has the expertise to offer private leases, as the Group's full-service leasing model is well suited to managing the life-cycle of private lease contracts. Management believes that the Group's flexible offers are particularly adapted to retail customers' needs, as the Group's different offerings allow for *à-la-carte* services and contract modifications in terms of duration, mileage and other options.

6.3.4 Distribution Channels

The Group has developed a diversified customer base through varied distribution channels, both direct and indirect. The table below presents for each of the year ended 31 December 2017 the breakdown of total fleet by distribution channel.

(In '000 vehicles)	**31 December 2017**	**31 December 2016**	**31 December 2015**
Direct sales channel	1,054	983	872
Indirect sales channel	457	393	335
Total	**1,511**	**1,376**	**1,207**

Direct Distribution Channels

Direct sales are made through the Group's internal sales teams based in individual countries with support from ALD's central team, which is responsible for managing relationships with large corporates, with dedicated staff coordinating activity between clients and the various countries concerned. Local and international ALD's sales teams are responding to tenders from local or international corporate customers.

Indirect Distribution Channels

Partnership contracts entered into by the Group can either be sourced using the partner's brand or using the Group brand. They can be funded by the Group, by the partner or by both. Finally, the partnership contracts are either based on fee remuneration or on a joint venture basis, which allows for sharing risks and rewards with partners.

6.3.6 Regions

The Group's wide geographical coverage makes it one of the largest players in the full operational leasing and fleet management industry in Europe and in the world. Management believes that the Group's broad geographical footprint generates significant benefits of scale in the industry and reinforces the Group's competitive position. Today, the Group has a direct presence in 43 countries spread over 4 continents, enhanced by strategic alliances in 12 countries, see Section 6.3.7. "Global Alliances".

The following tables show a breakdown of product offerings by number of vehicles and geographies of customer for the year ending 31 December 2017:

	As at 31 December 2017		
	Full Service Leasing	**Fleet Management**	**Total**
Western Europe	910	304	1,213
Central and Eastern Europe	129	8	138
Northern Europe	72	8	80
South America, Africa and Asia	68	11	80
Total Fleet	**1,179**	**332**	**1,511**
%	**78.0%**	**22.0%**	**100%**

Revenue from external customers and Rental Fleet by countries with Revenues in excess of €500 million are detailed below (see Chapter 20 note 5 "Segment information"):

	Year ended December 31, 2017	**Year ended December 31, 2016**	**December 31, 2017**	**December 31, 2016**
	Revenue from external customers (EUR million)	**Revenue from external customers (EUR million)**	**Rental Fleet (EUR million)**	**Rental Fleet (EUR million)**
France	1,808.8	1,625.1	3,892.6	3,536.4

	Year ended December 31, 2017	Year ended December 31, 2016	December 31, 2017	December 31, 2016
	Revenue from external customers (EUR million)	**Revenue from external customers (EUR million)**	**Rental Fleet (EUR million)**	**Rental Fleet (EUR million)**
Italy	1,237.0	1,106.8	2,581.3	2,027.3
UK	856.3	819.7	1,462.8	1,394.1
Germany	578.5	547.2	1,097.0	959.9
Spain	524.6	439.2	1,346.9	852.8
Other Countries	3,261.1	3,027.4	5,955.6	5,304.4
	8,266.4	**7,565.4**	**16,336.1**	**14,075.0**

6.3.7 Global Alliances

In addition to a strong direct presence in 43 countries, the Group also provides its clients with access to 12 countries through alliances, including with Wheels in the US, Puerto Rico and Canada (started in 2009), Fleet Partners in Australia and New-Zealand (started in 2012), ABSA in South Africa (started in 2015), Arrend Leasing in Guatemala, Nicaragua, Honduras, Salvador and Costa Rica (started in 2016), AutoCorp in Argentina (started in 2016) and Johnson & Perrot in Ireland (started in 2003, ended in 2017). These alliances allow the Group and its partners to jointly develop international cross-border business opportunities to provide full service leasing, fleet management and other related services to clients in multiple countries. These partnerships offer global account management, consolidated global reporting and dedicated consulting support, which allow the Group to provide harmonised fleet service and reporting to meet the needs of its international customers.

In particular, under these global alliances, the Group and the partner undertake to refer to each other requests from international clients that concern the provision of services in the other party's geographic focus. The parties generally commit to liaise with each other to prepare answers for tenders, in case of such referral, and, more generally, to exchange information necessary for global responses for tender and the management of customer accounts. Each party is, however, responsible for making its own credit assessment of its potential clients and for defining its service levels locally. Each party is also entitled to retain all the revenues generated from the provision of services.

These global alliances have durations ranging from a 3-year term to an unlimited duration cancellable by each party without cause with six month notice.

The Wheels global alliance provides for a closer cooperation than other alliances. Under the Wheels global alliance, the Group and Wheels undertake to cooperate on an exclusive basis and not compete in the other party's geographic focus, to submit joint answers to international clients requiring the provision of services in the area of geographic focus by both parties and to jointly develop and offer to international clients certain combined services. The Wheels global alliance also has an established system of governance for the collaboration. It provides for standardised service levels and the carrying out of joint projects with a budget and sharing of costs and expenses. Finally, it regulates the use by the partners of their respective brands (notably through co-branding).

6.3.8 Other Service Providers

The Group's value proposition to customers is enhanced through its network of suppliers. In addition to decades of experience working with major vehicle manufacturers, the Group also has strong relationships with dealers, oil companies, garages, tyre dealers, short term rental companies (which provide pre-delivery vehicles), insurance companies, and other essential service providers that enable it to deliver tailor-made solutions to its customers at attractive prices.

The Group has entered into framework agreements with a number of these suppliers in order to complement its full service offering and provide its customers with competitively priced vehicle parts, maintenance and repair services. The Group works with car manufacturer networks for car delivery, maintenance and repair and specialised networks for short term rental, tyres, body repairs, spare parts and glass.

The Group has obtained attractive commercial terms in each of its framework agreements, such as direct discounts on prices, special hourly rates, as well as bonuses based on the achievement of certain volume levels or market shares and of other mainly yearly targets. Annual volume targets are negotiated with international suppliers in coordination with local subsidiaries, which obtain the benefit from additional volume rebates on top of that which they negotiate locally. Local procurement departments are in charge of the selection of the suppliers, based on quality, cost and efficiency, and look to improve as much as possible the total cost of ownership for fleet managers and services for drivers with innovative solutions.

6.3.9 Innovation

The mobility environment is evolving rapidly: on the supply side there is the emergence of new players, new solutions and breakthrough technologies, while on the demand side there is a clear market trend towards "use and rent" instead of ownership, with the driver becoming the decision maker, rather than the car owner.

The Group anticipates electric and intelligent cars becoming the norm in the mid-term. In the long term, the Group expects the introduction of autonomous cars, the development of a multi-player ecosystem and the convergence between corporate and retail needs.

The Group is positioning itself to be at the centre of the development of new mobility solutions by favouring flexibility in its product offering, in order to meet all the mobility requirements of customers.

6.3.9.1 *Adapting to the digital era*

A unique global platform

The Group has developed web, smartphone and tablet accessible tools, including a dedicated tool for retail clients, with the development of a single platform for car leasing, selling, renting and sharing: My ALD. This digital ecosystem, which has been deployed in 32 countries, had over 357,000 registered users (drivers and fleet managers) at the end of 2017 (Source: ALD). The Group's aim is to turn it into a Driver & Fleet manager portal available in each country where it is present, providing one central point of connection to the Group's drivers and fleet managers for accessing fleet data information, contract data and other data such as telematics information, and online services.

Telematics and connected car

Telematics comprises the installation of devices in vehicles that provide data on vehicle trips, driver behaviour and risk factors, allowing fleet managers to monitor these risks. By addressing drivers in high risk categories, Telematics allows the Group and its customers to manage risks and lower fuel costs. In addition it can provide data on business mileage for expense reporting and fuel and CO_2 consumption.

Telematics can help enhance the customer experience and contributes to the development of products such as insurance and car sharing.

Remarketing v2.0 / Web-based used car sales platform

The Group’s online remarketing platform (ALDcarmarket.com) facilitates decisions by trade buyers through easy access to data for purchasing decisions by providing exhaustive details including assessment, service history and pictures. The Group offers three types of sale: (a) auction, for which the bid is placed manually or automatically online and the highest bid purchases the vehicle, (b) tender, where buyers make closed bids and the Group selects the best offer and awards the vehicle, and (c) fixed price, for which all buyers are able to click on a vehicle and purchase it instantly.

The Group has recently upgraded its sales platform to an e-commerce platform, which offers customers fast purchase and delivery, provides full transparency on the car service history from day one, an immediate comparison with recommended market price, together with tailored services. This platform has been rolled out in the majority of countries where the Group is present. The Group is also in the process of extending its remarketing platforms to retail.

6.3.9.2 *Innovative products*

The Group has developed a wide range of innovative products and aims to offer its customers cutting-edge new mobility mediums and flexibility.

Green solutions

The Group aims to be the leader in eco-friendly fleets and mobility solutions. The Group already offers its customers around the world who want to reduce their CO2 and fine particle footprint the possibility to choose hybrid and electric cars. In addition, "ALD ecodrive" is a mobile app offered by the Group that helps users optimise their driving in an eco-friendly and engaging manner.

The Group expects the share of diesel cars to decrease in coming years, as ALD and its clients are pushing for an increasing number of hybrid and electric cars in their fleet mix. As at 31 December 2017, the Company's alternative fleet on-balance sheet consisted of over 34,000 electric or hybrid vehicles and the Group believes it will continue to evolve with the global market as demand and technology further develop.

Flexibility solutions

Car sharing – the Group has developed corporate car sharing solutions referred to as "ALD Sharing". ALD Sharing allows employees to choose and book, on their company's car sharing website, a vehicle amongst their firm's fleet of vehicles, for professional or private use. ALD Sharing is a cost saving solution for businesses, as it provides an alternative to costly short-term rentals and taxis, while simultaneously improving their ecological footprint.

Rechargeable lease – Ricaricar is an innovative mobility solution aimed at providing the Group's customers more flexibility. Customers receive a vehicle (car, motorbike or microcar), with tax, insurance and assistance included, on which they do not need to make advance payment, but where they have a pre-set kilometres limit for each month (typically 300 or 500 km). The contract then works like a typical contract for a mobile phone. The mileage available under the contract starts automatically on the first day of each month via the GPS device on board. Customers can check the mileage covered on My ALD, their mileage is detected by a GPS system connected to the platform and they receive alerts when they are about to reach their mileage threshold. Customers may then purchase a recharge or be charged extra for every extra mile covered. Ricaricar provides a low cost base product suitable for meeting requirements of certain retail consumers.

ALD Free – ALD Free is an online platform which allows employers to provide their employee with a flexible mobility budget. Employers may create online groups of employees on their My ALD platform and allocate each group an individual budget. Employers can choose to set the preconditions themselves, for example to promote sustainability in their organisation. Employees may then construct their own mobility packages and, within their own budgets, construct different combinations. A wide variety of combinations is possible with ALD Free: from an electric car in combination with public transport to a family car with an e-bike or a parking card. Employers then approve the packages put together before the various components are ordered. Finally, employers receive reports on their employees' use and a single invoice.

ALD Choice – ALD Choice is a proactive fleet solution in which clients pay a fixed amount per employee to use cars from one large fleet, based on availability.

ALD Switch – ALD Switch provides the ability to tailor vehicle requirements according to need (e.g. switching to a different car while going on vacation).

7 wheels – 7 wheels offers a mobility solution combining a regular car with a three-wheeled scooter enabling drivers to choose the fastest form of transport.

These flexible solutions are offered in one or several countries where the Group operates depending on the maturity of the full service leasing market and customer demand.

6.4 INFORMATION TECHNOLOGY

IT systems and telecommunications are vital parts of the Group's management of its network of points of sale and customer reservations via multiple distribution channels. The Group's central IT department, which is ISO 9001 Quality certified, largely focuses on the Group lease operating system used by most of its subsidiaries and on other important areas such as the My ALD platform. The Group's largest subsidiaries have their own IT departments and generally their own platforms which they manage locally with support from external suppliers as required. The Group's Central IT department approves IT budgets for its subsidiaries, while the local IT teams work under the local management structure. However, IT systems for the smaller subsidiaries are largely supported by the Group's central IT department. Local IT solutions, especially those around innovation, are developed by the Group's subsidiaries with central resources allocated as required for deployment in other countries.

The Group's central back-office system is the central piece of the Group IT system covering most of the subsidiaries without their own IT departments. This internally developed software covers all back-office activity and processes for the Group. This application covers the full cycle of the contract and the assets as well as the full range of the administration of the car related services.

The Group continuously invests in improving its IT system in order to further enhance its ability to offer innovative and cost-effective services. All IT projects are centrally and regularly evaluated against business needs. Technical projects that are aimed at establishing and ensuring the continuity of services are given special attention. Application projects that are aimed at maintaining and enhancing system operating capabilities are assessed against the expected added value to the business, including, in particular, growth of revenues, reduction of costs and mitigation of legal risks.

The Paris Committee is in charge of checking compliance with global Group strategy, ALD IT Strategy, the Group PRISM methodology and throughout 6 strategic pillars (PMO, Architecture, Infrastructure, Security, Data and functional Processes). The Group has established security principles aimed at reducing the risk of external fraud and disruption of services provided over the Internet, while preserving the customer experience. The Group's security policy is defined in accordance with the security framework defined by the Société Générale group. Each Group entity must incorporate its own specific needs and context (organisational, cultural, legislative, regulatory, contractual and technologies). All information security policies at entity levels must be validated according to the specific Group policy. Each entity has to nominate a local security correspondent, responsible for the entity security. This correspondent has to apply the Group’s global procedures and to establish/update local security policies in order to apply relevant Société Générale directives (taking into account the Group business specificities).

The Group's Web application environment is based on three key home-made web applications: ALDNet, My ALD and ALD Carmarket, which are constantly being analysed in order to build the Group’s operating excellence. These applications are continuously being improved, such as My ALD's adaptation to B2C utilisation, or extended to new countries and developed on other platforms. These new modules and innovations also aim to promote data-based decisions (Big Data), allow products and prices adaptation in real time (Dynamic Pricing) and, more generally, accelerate digital development and strengthen the customer relationship management strategy (Cloud CRM).

For detail on IT risk, see section 4.3.5 “IT RISK”.

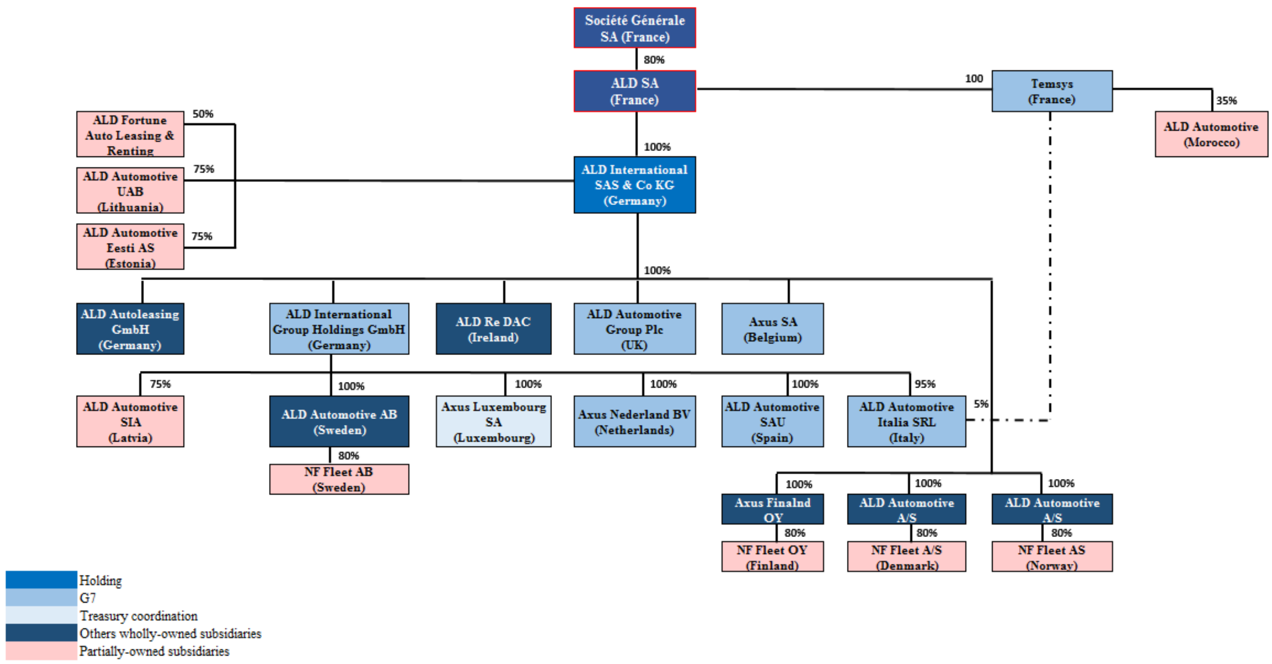
CHAPTER 7. ORGANISATIONAL STRUCTURE

7.1 ORGANISATIONAL CHART

The simplified organisational chart below sets forth the legal organisation of the Group as of the date of this Registration Document. The percentages set forth below represent the percentages of share capital and voting rights. As a holding company for the Group, ALD does not carry out any leasing activities. Its primary role is to act as a holding company for the Group subsidiaries, to set the strategic direction of the Group, and to supervise the activities of the individual operating companies of the Group. ALD's central functions include notably the following key activities:

- Subsidiaries supervision;
- Management of relationships with Large Corporate Accounts and partners;
- Central procurement activities to negotiate volume bonuses with manufacturers and other suppliers (such as tyres, short term rental etc.);
- Treasury coordination, including administering the group's EMTN bond issues;
- General Secretary functions covering credit, compliance, risks and internal control; and
- IT support functions.

Simplified organisational chart listing the Group's main entities:



This organisational chart discloses the Group's main entities.

7.2 FUNDING AND OTHER SERVICES

7.2.1 Funding

As of 31 December 2017, Société Générale funded approximately 72% of the Group's debt financing on an arm's length basis. The remaining 28% was made up of secured and unsecured funding obtained through local external banks or third parties. Société Générale also provides guarantees to external funding providers on behalf of the Group.

Most of the funding provided by the Société Générale group is granted through Société Générale Bank and Trust ("Société Générale BT"), which is based in Luxembourg. Pursuant to a facility agreement (the "Treasury Facility Agreement") maturing on 15 June 2018, Société Générale BT funds the ALD Group Central Treasury, which then grants loans in different currencies to the twenty main Group subsidiaries, in addition to the Group holding companies. As at December 2017, the total amount of loans granted to the Group by Société Générale BT was €7,920 million for an average maturity of 2.08 years and an average interest rate of 0.56%. The Group also benefits from an intra-group funding agreement applicable to entities in the Société Générale group. This agreement provides for the terms and conditions of the loans which can be granted by Société Générale or any of its subsidiaries to other entities in the group. The agreement is of unlimited duration and cancellable by each party with one month notice, with existing loans remaining subject to the agreement until repayment.

As at December 2017, the total amount of loans granted to the Group by Société Générale group was €10,913 million for an average maturity of 1.97 years.

The Group expects the Treasury Facility Agreement to be renewed before its maturity date. Société Générale has committed to continue to provide the majority of the Group's funding following the contemplated listing of the Company on Euronext Paris, as long as the Company requests it. The Group intends to maintain its issuance program in the capital markets in the future. In the event of liquidity stress on the market, Société Générale has committed in the near term to provide the Group with liquidity support in order to enable the Group to pursue its operations.

7.2.2 OTHER SERVICES

The Group and its local subsidiaries have entered into agreements with Société Générale for the provision of certain intra-group corporate services. These services are provided by various divisions of the Société Générale group and include the central administration departments, as well as financial, legal, audit, credit risk management and compliance, tax, human resources, insurance and IT infrastructure services. For these services Société Générale charges ALD an intra-group corporate services fee, which ALD then re-charges to the relevant subsidiaries.

This intra-group corporate services fee is an arm's length fee allocated between the subsidiaries that benefit from those services according to a transfer pricing allocation key, and covers the direct and indirect costs incurred in rendering the services, plus an arm's length mark up. These tripartite agreements are concluded for an initial term of one year and automatically renewed from year to year unless terminated by either party with three month notice.

A specific master agreement has also been concluded in 2013 between ALD and Société Générale Global Solution Centre for the provision of IT services. This agreement is of unlimited duration and cancellable by each party with one month notice. It is complemented by agreements entered into locally between Société Générale and the Group's subsidiaries.

The Group's relationship with Société Générale has other administrative aspects which are also expected to continue after the contemplated listing of the shares of the Company on Euronext Paris. The Group shares premises with Société Générale's business divisions in France, Germany, Ireland, India and Romania.

For more details, see Section 20 note 33 “Related parties” of the consolidated financial statement.

7.3 SUBSIDIARIES AND EQUITY INTERESTS

7.3.1 Material subsidiaries

The main direct or indirect subsidiaries of the Company are described below.

Temsys SA (French), a limited liability company (*société anonyme*), is wholly owned by the Company. Its primary corporate purpose is the acquisition, the sale and the long-term leasing of cars and insurance brokerage. Temsys SA indirectly holds 100% of Parcours SAS.

ALD Automotive Italia S.R.L., a limited liability company (*societa a responsabilita limitata*), is indirectly wholly owned by the Company. Its primary corporate purpose is the short-term and long-term leasing of vehicles, as well as their temporary rental, the sale and purchase of road transportation, the operation of garages and mechanical workshops, the maintenance and repair of road transport vehicles both directly and through third parties and the provision of ancillary services.

ALD Automotive Group Plc (UK), a public limited company, is indirectly wholly owned by the Company. Its primary corporate purpose is the renting and leasing of cars and light motor vehicles.

ALD Autoleasing GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*), is indirectly wholly owned by the Company. Its primary corporate purpose is the short-term, medium-term and long-term leasing of moveable assets of any kind, especially domestic and foreign cars, as well as the holding of similar companies.

ALD Automotive SAU (Spain), a limited liability company (*Sociedad anónima*), is indirectly wholly owned by the Company. Its primary corporate purpose is the study, coordination, planning, calculation of costs and management of the purchase and sale and non-financial leasing of vehicles and vehicle fleets for individuals and legal entities, public or privately owned, and the administration, advising and optimization of costs of these and related activities, and the activities of insurance agent.

Axus SA NV (Belgium) is a limited liability company (*société anonyme*). Its primary corporate purpose is industry, trade, operation, rental, including financial lease, of all matters relating directly or indirectly to motor vehicle equipment, equipment relating to other means of transport, mechanical engineering or other. Also the company is able to offer all mobility services and solutions, both in terms of travel, workspaces, connections, and be an intermediary for companies providing mobility solutions.

ALD Re DAC, a designated activity company limited by shares, is indirectly wholly owned by the Company. Its primary corporate purpose is to carry on the business of reinsurance, to enter into contracts of retrocession of every kind and to pay, settle or compromise any claims made against the company in respect of any contract. It also provides services in the management and administration of reinsurance underwriting activities, insurance and reinsurance related consultancy and advisory services and claim processing.

Axus Luxembourg SA, a limited liability company (*société anonyme*), indirectly wholly owned by the Company. Its primary corporate purpose is the leasing of moveable assets of any kind and real property and to assist in the financing of companies in which it has an interest.

Axus Nederland BV, a private limited liability company (*Besloten vennootschap*), is indirectly wholly owned by the Company. Its primary corporate purpose is the sale, purchase, renting, leasing, import and export of trade goods and in particular of motor vehicles as well as the holding of companies. It also provides financial, managerial and administrative services to such companies.

For more details, see Section 20 note 36 of the consolidated financial statements.

7.3.2 Recent acquisition and disposals

For more details, see Section 20 note 6 of the consolidated financial statements.

CHAPTER 8. PROPERTY, PLANTS AND EQUIPMENT

8.1 SIGNIFICANT EXISTING OR PLANNED MATERIAL TANGIBLE FIXED ASSETS

As of 31 December 2017 and 31 December 2016, the Group held rental fleet, property and equipment with a gross value of €22.6 billion and €19.7 billion respectively.

Rental fleet as of 31 December 2017 and 31 December 2016

In € millions	2017	2016
Acquisition cost [19]	22,394	19,540
Accumulated depreciation & impairment[1]	(6,058)	(5,465)
Rental fleet[1]	**16,336**	**14,075**
o/w residual value	10,592	8,888

Tangible fixed assets held or leased by the Group consist mainly of its rental fleet of 1.179 million vehicles as at 31 December 2017, across Europe, South America, Asia and Africa.

The Group believes that the rate of use of its various tangible fixed assets is consistent with its activity and expected development, as well as with its current and planned investments.

As of the date of this Registration Document, the Group's planned property, plant and equipment are its investments underway or planned, as discussed in Section 5.2 "Investments".

8.2 ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

8.2.1 General Environmental and Sustainable Development Policy

Environment and sustainable development policy objectives are integrated into all of the Group's activities. The Group implements a global approach, with a particular focus on sustainable products and services as well as responsible business conduct in terms of employment, environmental and social commitments.

The Group's environmental policy strives to follow three general principles of action:

· Minimise the impact of its operational activities on the environment and public health, which means maintaining an automobile fleet that restricts pollution and greenhouse gas emissions, and creating solutions for a more sustainable mobility;

[19] "Rental fleet" (rental fleet carrying amount), "Acquisition cost" and "Accumulated depreciation & Impairment" are presented in Chapter 20 Note 14 "Rental Fleet" of the ALD consolidated financial statements. See Section 20.1 NOTE 14

· Ensure constant attention to the well-being of its employees within the framework of a coherent CSR policy;

· Control and reduce as much as possible its own consumption of natural and energy resources through a rational and optimised usage.

This first of these principles is anchored in the Group's business model and covers the following areas:

- Guide our clients towards low emission cars. Our responsibility is to improve our clients' fleet and limit fuel consumption and CO2 emissions in particular. To this end, the Group's view is to prescribe responsibly: identify the right vehicle for the right usage and enable its clients to make informed decisions, with a view to continuously reducing the environmental impact of their fleet and facilitate the transition away from traditional combustion engines. This involves continually improving the tools to help our customers measure their carbon footprint, facilitate the adoption of green vehicles, promote eco-driving, providing knowledge about technologies, laws and taxation, and mobility trends.

- Be an active player in the organisation of future urban, sustainable mobility. ALD places a strategic focus on investing in new mobility solutions that will transform the usage of the car (for example car and ride sharing, mobility as a service), fostering new behaviours that will gradually shift the model away from the one user = one car traditional scenario. For example, a car sharing solution has been deployed in 7 countries and will be expanded further in 2018.

Within the framework of the CSR policy, the Group has the ambitions to develop the employability and well-being of its employees. One flagship initiative is the aim to develop a spirit of innovation, entrepreneurship within the staff. Since 2015, a number of bottom-up, collaborative initiatives have been launched (driver experience challenges, hackathons, innovation days, start-up challenges, design thinking boot camps, etc.). The purpose is for staff to develop, become agile going beyond their usual tasks and think out of the box.

The Group also puts a strong focus on promoting diversity and inclusion, as well as playing an active part in our community (through citizenship commitments in particular).

8.2.2 Climate Change and Greenhouse Gas Emissions

The Group strives to control and reduce as much as possible its own consumption of natural and energy resources through a rational and optimised usage. ALD, in coordination with the Société Générale, commits to measure and reduce its carbon footprint (energy, transportation and paper) and to limit its consumption of other natural resources and waste production.

As early as 2007, the Société Générale group initiated a carbon neutral program, an approach that has enabled the emergence of an environmental culture within each of its components. In this program, the Group undertook to reduce its CO2 emissions per occupant by 11% by 2012 and to gradually compensate these emissions, thus making the fight against climate change the main focus of its environmental policy.

Société Générale group validated two successive new carbon reduction programs covering periods 2012-2015 and 2017-2020. Société Générale announced end 2017 that it was reinforcing its goal of reducing its carbon footprint by 25% of its CO_2 emissions per employee by 2020 compared to 2014. This desire to reduce emissions is accompanied by innovative initiatives such as the internal carbon tax applied to all entities based on their carbon footprint, which finances internal programs for environmental efficiency. Over the past five years, this tax has generated €95 million in savings, avoided more than 38,000 tons of CO_2 and saved 220 GWh, the annual consumption of about 30,000 French households. ALD endorses these commitments and takes an active part in these initiatives.

In 2017, for the 38 ALD entities participating in the collection campaign (vs 24 in 2016), greenhouse gas (GHG) emissions are estimated at approximately 9,900 tons (relating to direct and indirect emissions linked to energy consumption, business travel and total paper consumption), or 1.5 tons of CO_2 equivalent per occupant (employee), compared to 1.6 tons in 2016 (on a reduced geographical scope).

The Company aims to be socially responsible and is well-aware of the important ecological stakes that confront the automotive industry. Therefore, the Group pursues its commitment to reduce the global environmental footprint of its vehicle fleet.

As an illustration, the CO_2 emissions from the Group's fleet have been constantly decreasing between 2011 and 2017. In 2017, the average CO_2 emissions for the global fleet were 122g/km, down 2g/km compared to 2016. Looking at Europe only, the CO_2 footprint of newly registered passenger cars (PCs) was 112g/km. This decrease is challenged by client interest in Sport Utility Vehicles and the rise of petrol engines in the context of concerns over diesel and the impact of this technology on public health (particle emissions). Both SUVs and petrol combustion engines emit more CO_2 than diesel. Therefore, the further decrease of CO_2 emissions will be conditional on to the uptake of “alternative powertrains” (battery electric vehicles, full hybrids, plug-in hybrids in particular). As at 31 December 2017, the Company's total alternative fleet consisted of 69,433 electric or hybrid vehicles, a 47% increase over 2016. The 2017 production of new funded “green” contracts doubled compared to 2016. In order to facilitate this shift, a number of partnerships with electricity providers have also been put in place to launch new electrified mobility solutions. For example, in Italy, Enel and ALD Automotive Italia have signed a partnership agreement for the promotion of electric mobility, with a series of dedicated offers that combine the driving of electric vehicles with the use of charging infrastructure.

More details on the Group CSR policy and related metrics can be found in the Group’s dedicated CSR report.

CHAPTER 9. OPERATING AND FINANCIAL REVIEW

This operating and financial review should be read together with the Group's audited consolidated financial statements as of and for the financial years ended 31 December 2017 as they are provided in Chapter 20 "Financial information concerning the Company's assets and liabilities, financial position, profits and losses" of this Registration Document.

The Group's audited consolidated financial statements for the years ended 31 December 2017 were prepared in accordance with IFRS as adopted by the European Union and have been audited by the Group's statutory auditors, whose reports are printed in Chapter 20 "Financial information concerning the Company's assets and liabilities, financial position, profits and losses" of this Registration Document.

9.1 ANALYSIS OF THE RESULTS OF OPERATIONS

The following table summarises the Group's audited results for years ended 31 December 2017 and 2016.

	Year ended 31 December		
In € million	**2017**	**2016**	**Change**
Leasing Contract Revenues	3,910.3	3,520.7	+11.1%
Leasing Contract Costs - Depreciation	(3,094.9)	(2,795.8)	+10.7%
Leasing Contract Costs - Financing	(229.6)	(205.9)	+11.5%
Unrealised Gains/Losses on Financial Instruments	(11.2)	(4.9)	+131.0%
Leasing Contract Margin	**574.5**	**514.1**	**+11.8%**
Services Revenues	1,807.1	1,667.0	+8.4%
Cost of Services Revenues	(1,214.1)	(1,138.4)	+6.6%
Services Margin	**593.0**	**528.6**	**+12.2%**
Proceeds of Cars Sold	2,549.0	2,377.7	+7.2%
Cost of Cars Sold	(2,383.8)	(2,176.2)	+9.5%
Car Sales Result	**165.3**	**201.5**	**(18.0%)**
GROSS OPERATING INCOME	**1,332.8**	**1,244.2**	**+7.1%**
Staff Expenses	(379.0)	(342.5)	+10.7%
General and Administrative Expenses	(193.8)	(189.0)	+2.5%
Depreciation and Amortisation	(25.2)	(21.5)	+17.0%
Total Operating Expenses	**(598.0)**	**(553.1)**	**+8.1%**
Impairment Charges on Receivables	(22.4)	(23.8)	(5.9%)
Non-Recurring Income (Expenses)	(0.0)	(2.0)	(99.8%)
OPERATING RESULT	**712.4**	**665.3**	**+7.1%**
Share of Profit of Associates and Jointly Controlled Entities	1.2	0.7	+67.0%
Profit Before Tax	**713.6**	**666.1**	**+7.1%**
Income Tax Expense	(140.4)	(150.4)	(6.6%)
Profit for the Period	**573.2**	**515.7**	**+11.2%**
Profit Attributable to:			
Owners of the Company	**567.6**	**511.7**	**+10.9%**
Non-Controlling Interests	*5.6*	*4.0*	*+41.4%*

9.1.1 Strong business development across all regions

ALD recorded exceptionally strong fleet growth during 2017 with total fleet reaching 1.51 million vehicles at the end of December, up 9.8% vs. the end of the previous year.

All geographical regions contributed to this strong performance: during 2017, total fleet rose by 10.3% in Western Europe, 4.5% in Northern Europe, 9.6% in Central & Eastern Europe and 8.9% in South America, Africa & Asia.

All client segments showed strong fleet growth. Direct sales to corporates grew 7% year on year, while sales via partnerships increased by 14%. ALD remains ahead of the competition in its ability to implement commercial partnerships, which strongly contributed to fleet growth in 2017. The share of additional vehicles sourced in 2017 via partnerships was 36%, while Direct Sales to Corporates contributed 47% and private lease 17%.

At the end of 2017, private lease represented almost 78K vehicles, i.e. 5.1% of total fleet, up 42% since the start of the year and on track towards the target of 150K at the end of 2019.

Strong growth in the SME and private lease segments is contributing to an improved risk profile through diversification of the customer mix.

9.1.2 Solid operating and financial results

Supported by exceptionally strong fleet growth, ALD's Gross Operating Income increased to €1332.8 million in 2017, up 7.1% vs. 2016.

Leasing Contract Margin and Services Margin both rose strongly in 2017, to €574.5 million and €593.0 million, up 11.8% and 12.2% respectively vs. 2016.

The contribution from Car Sales Results declined to €165.3 million in 2017, down 18.0% vs. the previous year. Pressure on the resale prices of diesel cars in Western Europe has weighed on the average sales margin of used vehicles. This trend accelerated during the second half of the year, with average sales margin on used vehicles in Q4 2017 dropping to €469 from €729 in Q4 2016. At the same time the number of used cars sold1 continued to rise, bringing the total for 2017 to 259 thousand, up 7.3% vs. 241 thousand in 2016.

During 2017, ALD has implemented a series of measures to accelerate the shift of its fleet away from largely Diesel towards a more balanced fleet. As a result, the share of diesel in the deliveries of passenger cars[20] in the final quarter of 2017 stood at 67.8% in Western Europe and was down significantly from 76.8% in Q4 2016. Including all regions, this share showed a similar drop, from 72.4% in Q4 2016 to 64.0% in Q4 2017. [21]

ALD's existing passenger car fleet is majority equipped with 'Euro 6' engines, respecting the latest European emission norms. Most of the Group's remaining 'Euro 5' diesel powered

[20] Management information

[21] Management information

passenger cars are coming off lease this year and it expects to sell about 130 thousand of them. As a result there will be only around 55 thousand such vehicles left on ALD's balance sheet fleet by the end of 2018.

During the year 2017 vehicle stock as measured in stock days remained stable at around 30/31 days. At the same time, more than half of vehicles coming off lease were sold within 30 days, in line with preceding years 2015 and 2016.

The number of cars sold via electronic platforms rose by 9.4% in 2017 vs. 2016, confirming a slow but steady rise in the proportion of total cars sold.

In 2017, Total Operating Expenses increased by 8.1% to €598.0 million (versus €553.1 million in 2016). This increase reflects an acceleration in investment in IT and digital innovations, perimeter changes linked to the acquisition of Parcours in Q2 2016 and Merrion Fleet and BBVA (Autorenting) in Q3 2017, and professional fees incurred in 2017 (acquisitions and IPO). Within the total, Staff expenses increased by 10.6% in 2017, to €379.0 million (vs. €342.5 million in 2016), while General & Administrative expenses rose moderately at 2.5% vs. 2016.

Cost to income (excluding Car Sales Result) improved to 51.2% in 2017 from 53.0% in 2016. Synergies relating to recent acquisitions have not yet fully materialized and, together with additional efficiency gains from digitalization, are expected to allow this ratio to fall further.

Impairment charges on receivables in 2017 were down 5.9% in 2017 vs. 2016 at €22.4 million, despite a 17.8% increase in Average Earning Assets (see chapter 3 "Selected Financial Information") over the same period. As a result, the cost of risk[22] dropped to a low 14 bps in 2017 from 18 bps in the previous year.

The effective tax rate of 19.7% for 2017 was significantly lower than 2016's rate of 22.6%, notably reflecting the benefit of the Italian Stability Law.

ALD's solid operational performance allowed it to register an increase in Net Income (Group Share), which stood at €567.6 million in 2017, up 10.9% vs. 2016.

Earning Assets (see chapter 3 "Selected Financial Information") rose 16.1% at the end of 2017 vs. the end of the previous year, reaching €16.9 billion, underpinned by strong fleet growth. Total funding at the end of 2017 stood at €15.1 billion (vs. €12.9 billion at the end of 2016) of which 72% consisted of loans from Société Générale. During 2017 €1.4 billion was raised via ALD's EMTN bond programme.

The Group's Total Equity to Total Assets ratio (see chapter 3 "Selected Financial Information") stood at 16.0% at the end of 2017, inside the target range of 15-17%.

[22] Cost of risk: Annualized ratio, using the Impairment Charges on Receivables divided by the arithmetic average of Earning Assets at the beginning and end of the period.

The Return on Average Earning Assets[23] in 2017 was 3.6% (vs. 3.8% in 2016), while ALD's ROE[24] was 17.9% (unchanged from the previous year).

Earnings per Share for 2017 amounts to €1.40. The Board of Directors has decided to propose to the General Meeting of Shareholders that a dividend of €0.55 per share be distributed in respect of the 2017 financial year, corresponding to a payout ratio of 39.2%. The dividend will be detached on 30 May 2018 and paid on 1 June 2018.

9.2 KEY STRATEGIC INITIATIVES AND OPERATIONAL DEVELOPMENTS

Initial Public Offering of ALD shares

Following the announcement of its IPO on 5 June 2017, ALD's shares commenced trading on the regulated market of Euronext Paris on 16 June 2017. The initial offer price of €14.30 per share implied a total valuation of the company's shares of €5.78 billion. Société Générale sold a total of 20.18% of ALD's issued share capital. The objective of the IPO was to enable the Group to gain visibility and reputation in the mobility ecosystem as well as to access new means of financing and to increase its capacity to accelerate its development and seize new growth opportunities in both the corporate and B2C markets.

Partnership with ENEL

On 8 May 2017, ALD and the Italian utility company ENEL signed a partnership agreement for the promotion and development of electric mobility products combining the driving of electric vehicles with the use of ENEL's charging infrastructure, which currently numbers more than 2,500 recharging stations. The products jointly launched by ALD and ENEL target a wide customer base ranging from large corporations to SMEs, professionals and other self-employed workers to private customers.

Acquisition in Ireland

On 29 May 2017, the Group signed an agreement to acquire Merrion Fleet, the second largest full service leasing player in Ireland, managing a portfolio of approximately 5,500 vehicles. The transaction successfully closed on 18 July 2017, further expanding the Group's presence to 43 countries. As a result of direct entry into this market through this acquisition, the Group has terminated its partnership agreement with Johnson and Perrot, its partner in Ireland.

Acquisition and new banking partnership in Spain

On 26 May 2017, the Group signed an agreement to acquire BBVA Autorenting, the Spanish full service leasing subsidiary of BBVA. The transaction was finalized on 22 September 2017.

[23] Annualized ratio: in the numerator annual figure. In the denominator the arithmetic average of Earning Assets or Equity attributable to owners of the parent at the beginning and end of the period

[24] Annualized ratio: in the numerator annual figure. In the denominator the arithmetic average of Earning Assets or Equity attributable to owners of the parent at the beginning and end of the period

BBVA Autorenting is the seventh largest player in the Spanish market with a fleet of approximately 25,000 vehicles, most of which were previously managed by ALD Spain under a fleet management contract. This transaction is expected to strengthen the Group's full service leasing presence in Spain, while expanding the commercial reach of its solutions through an agency agreement entered into with BBVA, which will make the Group's full service leasing products available to corporate and private customers under a white label agreement.

Greenfield opening in Colombia

In June 2017, ALD launched a greenfield operation in Colombia, extending the ability of the Group to serve its international clients and allowing it to take advantage of the growth potential of the Full Service Leasing market in Colombia. It is part of the Group's successful development in the Latin American region complementing its existing presence through subsidiaries in Brazil, Mexico, Chile and Peru.

Best Customer Service Award

ALD France received Best Customer Service Award of the year 2018 in the Full Service Leasing category from Viseo CI (for the tenth year in a row).

9.3 SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS

The Group's Gross operating income consists of its Services Margin, its Leasing Contract Margin and its Car Sales Results. Gross operating income is a function of the fleet size, pricing to clients, the cost of services, operating expenses, car sales results and cost of the Group's funding, factors which are significantly influenced by the macroeconomic and industry conditions and competition. The Group's net income consists mainly of its Gross operating income net of operating expenses, which depend in part on evolutions in staff and IT expenses.

9.3.1 Macroeconomic Conditions

Macroeconomic developments in Europe and the other countries in which the Group operates are a key factor affecting demand for its services, the cost of its services and its results of operations. Macroeconomic conditions have a direct influence on the level of corporate fleet investment and the demand for fleet management services from business customers, as well as the demand for new vehicles from retail customers, which in turn drives growth of the Group's funded and unfunded fleet. In addition, the cost of services provided by the Group may be affected by macroeconomic conditions, including global commodity prices, such as for petroleum based products like tyres.

However, the adverse effects of macroeconomic volatility are mitigated by the Group's business model. For example, most of the Group's Gross operating income is derived from fixed payment customer contracts, which typically have three to four year terms. In addition, in difficult economic periods, customers are more likely to rely on leasing assets rather than purchasing them, especially as companies look to focus on and optimise their core business and to outsource non-core activities to increase internal efficiencies and save costs, all of which has a positive impact on the demand for the Group's services. Because the Group has operations on four continents and different regions exhibit varying economic cycles and growth patterns, its results are less dependent on the overriding economic climate in a specific area. Additionally, the Group has sought to increase its activities in emerging markets, which have generally experienced higher growth rates in recent years.

9.3.2 Competitive factors

The largest players in the leasing industry benefit from purchasing power advantages that translate into lower costs per unit. In addition bank affiliates have a funding advantage that allows them to be competitive in their pricing. The Group's large international accounts in Western Europe tend to be the most competitive on pricing. As a consequence of price competition in certain geographic markets the full service leasing market is undergoing consolidation, while smaller operators aim to focus on particular niche sectors, such as specialising in particular vehicle services (e.g. trucks or vans) or industry segments (e.g. utilities or government agencies).

Additionally, the largest players with a global scope of operations have the resources and capabilities to better assess current market conditions and trends and to develop innovative products. The Group is focused on providing a differentiated offering that involves additional services, which allows it to compete based on quality and experience, a consistent and standardised product, a global presence for large corporate clients, a sophisticated information technology platform with innovative solutions across multiple regions and a leading position in indirect distribution partnerships. In particular, the Group’s leadership in multi-channel distribution through distribution partnerships with financial institutions and car manufacturers drives market reach and development opportunities. In addition, the Group's expansion efforts in emerging markets over the last decade have proven to be profitable, placing the Group in a strong position as the penetration of vehicle operating lease grows in these markets.

9.3.2.1 *Cost of services*

Payment in relation to full service leasing is generally made on a fixed payment model. The fixed payment model involves the customer paying fixed monthly instalments that are set at the beginning of the relevant contract. The pricing of this fixed payment model is based on the acquisition cost and estimated residual value of the vehicle, the funding cost and the anticipated cost of services. The profitability of provision of services under this model is therefore affected by changes in the cost of providing such services over the course of a contract, which is typically three to four years in duration. Increases in the diversification of its fleet and suppliers, however, limits the impact on the Group of any increased costs or savings in a local market. In addition, the size of the Group's fleet and centralization of purchases allow for cost savings.

The Group's sourcing benefits from its experience, long-standing supplier relationships and bulk-buying power, which allows it to negotiate discounts and volume bonuses and thereby enables it to offer more attractive pricing to its customers. However, some of the Group's costs, such as the price of engine oil used for the oil changes that are part of regular maintenance checks or the prices of products comprising a significant proportion of petroleum based materials such as tyres, are determined by factors that are linked to global commodity prices, with any increase in such costs having a potential impact on the Group's cost of services.

9.3.2.2 *Operating Expenses*

The Group incurs operating expenses including staff expenses and general and administrative expenses (including IT costs (including payroll), property costs, professional fees and advertising). In particular, the Group’s commitment to be the preferred choice for mobility solutions and its ambition to be a leading player in the private individual leasing solution has led to an acceleration of its IT investment programme aimed at the Group's digital transformation. There has been a specific focus on digital solutions in order to further enhance the Group’s customer’s experience, including fleet manager and driver web portals and online services, flexible and rechargeable leases, private leasing and enhancements to the used car online platform, as well as investment in the development of new flexible product offerings for the Group’s customers. The Group believes that such increases in IT costs should lead to sustained growth, increases in revenue and efficiency gains as a result of IT innovations.

9.3.3 Depreciation, Residual Values and Car Sales

The overwhelming majority of the Group's Full Service Leases are operating leases. The Group records most of the vehicles it leases to its customers as assets on its balance sheet. Vehicles are generally bought from car manufacturers at a discount compared to the list price, thanks to the Group's purchasing power. The book-value of these assets is initially recorded at acquisition cost and is depreciated on a straight-line basis over the term of the relevant lease to its estimated residual value at the end of the lease, as estimated at the inception of the lease unless an adjustment is required following a semi-annual fleet re-evaluation. These depreciation expenses are then recharged by the Group to its clients. As contract duration for full service leasing is longer than for short-term car rental, the residual values are typically significantly lower, lowering proportionally the residual value volatility risk for the Group compared to the residual value volatility risk of short-term car rental companies.

The residual value of the cars owned by the Group may affect the Group’s Net Income in two primary ways.

Firstly, the price at which the Group is able to sell the vehicles in its fleet, and so the revenue it is able to generate from such sales, is primarily determined by prevailing market prices for used vehicles of the particular make, model, mileage, age and general condition of a vehicle at the time of sale, while the profitability of such sales correspond to the difference between the price at which the car is sold and the net book value at the time of sale. Volatility in the selling prices of the cars owned by the Group will therefore directly affect the level of the car sales result.

Secondly, as the calculated residual value of vehicles in the Group's fleet, and so their depreciation rate, is determined at the beginning of the relevant lease, changes in prevailing market prices for used vehicles can result in the expected resale value of the fleet deviating from its net book value, which is its acquisition cost less accumulated depreciation. The Group reviews market prices at a country level on a semi-annual basis in the used vehicle markets to determine whether the estimated residual value of the Group's vehicles continues to reflect their expected resale value at the end of the relevant lease agreement. If, in a given country for a given year of restitution of vehicles, the total expected resale value of the Group's active vehicle fleet at the end of relevant lease agreements is likely to be less than the originally estimated residual values, the Group will recognise in its income statement additional depreciation charges made prospectively over the remaining lease terms to reflect the new accounting estimates. If the total expected resale value of its active fleet vehicles is greater than originally estimated, the Group does not make any adjustments to its income statement. The Group only recognises overall expected losses on a country’s total active fleet whereas for any countries with overall profits, these are not recognised.

The Group aims to mitigate the residual value risk resulting from decreases in used car prices through (1) pro-active contract management, and the possibility to negotiate amendments to extend on-going contracts (such as with respect to duration and kilometre limits), (2) remarketing expertise, including through the further development of an e-auction website and an efficient logistic network, and an increased ability to export more vehicles, resulting in lower associated risk on resale activity, (3) strong diversification of the fleet by brand and by geography, (4) development of a new product consisting in leasing used cars to private customers, as a way for the Group to further delay the sale of cars and (5) a semi-annual fleet re-evaluation in order to anticipate and provide for large changes in residual value.

9.3.4 Source and Cost of Funding

The financing component of the Group's leases is generally fixed at the commencement of the lease agreement and remains constant over the term of the lease agreements. In order to minimise the impact of changes in cost of funding, the Group aims to match the profile of its assets (lease contracts) with the profile of its funding as closely as possible as part of its Asset and Liability (‘ALM’) management.

The Group benefits from Société Générale funding for a significant part of its operations. The majority of the Group's funding has been sourced internally as part of an arrangement with Société Générale, with the remainder sourced from external sources. The funding the Group obtains from Société Générale (and other Société Générale group entities) is based on Société Générale's own cost of funding plus a credit premium. As part of its diversified sources of funding, the Group intends to continue to make use of Société Générale financing.

CHAPTER 10. LIQUIDITY AND CAPITAL RESOURCES

10.1 SOURCES AND AMOUNT OF GROUP CASH FLOW

	Year ended December 31	
(In € million)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax excluding discontinued operations	**713.6**	**666.1**
Adjustments for:		
Rental Fleet	3,181.2	2,846.2
Other property and equipment	17.7	15.3
Intangible assets	7.3	6.1
Financial assets	0.0	-
Regulated prov., contingency and expenses provisions	11.8	9.0
Depreciation and provision	**3,217.9**	**2,876.6**
NBV on disposal of other property and equipment	13.7	9.5
NBV on disposal of intangible assets	1.2	0.4
Profit and losses on disposal of assets	**14.8**	**9.9**
Fair value of derivative financial instruments	18.6	(3.4)
Interest Charges	229.6	205.9
Interest Income	(793.4)	(713.9)
Net interest income	**(563.8)**	**(508.1)**
Other (*)	(0.6)	1.5
Amounts received for disposal of rental fleet	2,513.9	2,157.2
Amounts paid for acquisition of rental fleet	(7,698.3)	(6,724.7)
Change in working capital	(374.2)	(167.7)
Interest Paid	(251.3)	(171.0)
Interest Received	821.6	741.3
Net interest paid	**570.4**	**570.2**
Income taxes paid	(148.0)	(108.2)
Cash generated from operations (continuing activities)	**(1,735.6)**	**(1,230.9)**
Net cash inflow/(outflow) from operating activities	**(1,735.6)**	**(1,230.9)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of other property and equipment	-	-
Acquisition of other property and equipment	(50.2)	(34.3)
Divestments of intangible assets	-	-
Acquisition of intangible assets	(14.3)	(14.6)
Proceeds from sale of financial assets	-	-
Acquisition of financial assets (non-consolidated securities)	-	(0.2)
Effect of change in group structure	(125.1)	(328.3)
Dividends received	0.0	(0.0)
Long term investment	152.0	90.2
Loans and receivables from related parties	1.6	(14.9)
Other financial investment	(30.1)	(51.7)
Cash flows from investing activities (continuing activities)	**(66.1)**	**(353.8)**
Cash flows from investing activities (discontinued operations)	-	-
Net cash inflow/(outflow) from investing activities	**(66.1)**	**(353.8)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of borrowings from financial institutions	8,637.7	10,398.5
Repayment of borrowings from financial institutions	(7,020.7)	(8,872.3)
Proceeds from issued bonds	1,400.1	536.0
Repayment of issued bonds	(1,020.1)	(528.0)
Dividends paid to company's shareholders	(155.6)	(149.5)
Dividends paid to minority interest	(5.8)	(0.9)
Increase/decrease in shareholders capital	-	(100.2)
Other	-	-
Cash flows from financing activities (continuing activities)	**1,835.5**	**1,283.7**
Cash flows from financing activities (discontinued operations)	-	-
Net cash inflow/(outflow) from financing activities	**1,835.5**	**1,283.7**
Exchange gains/(losses) on cash and cash equivalents	**(2.3)**	**(6.0)**
Effect of change in accounting policies	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**31.5**	**(307.0)**
Cash & cash equivalents at the beginning of the period	**(24.8)**	**282.3**
Cash & cash equivalents at the end of the period	**6.7**	**(24.8)**

10.1.1 Net cash flows from operating activities

Amounts received for disposal of rental fleet

Amounts received for disposal of rental fleet increased to €2,513.9 million during the year ended 31 December 2017 compared to €2,157.2 million during the year ended 31 December 2017, primarily as a result of a higher number of cars being disposed of in 2017 compared to 2016.

Amounts paid for acquisition of rental fleet

Amounts paid for acquisition of rental fleet increased to €7,698.3 million during the year ended 31 December 2017 compared to €6,724.7 million during the year ended 31 December 2016, primarily as a result of more vehicles being acquired in 2017 compared to 2016.

See Section 10.2 "Rental fleet" for the evolution of the rental fleet.

Change in working capital

Working capital (comprising short term assets and liabilities) changes resulted in a net contribution to decrease the cash generated from operating activities of €374.2 million during the year ended 31 December 2017 compared to a net contribution to decrease the cash generated from operating activities of €167.7 million during the the year ended 31 December 2016. The main driver behind this increased net contribution is fleet growth resulting in an increase in prepaid expense and VAT payable.

Net interest paid

Net interest paid on funding remained virtually stable at €570.4 million during the year ended 31 December 2017.

10.1.2 Net cash flows from investing activities

Effect of change in group structure

Net cash outflows from the effect of change in group structure amounted to €125.1 million during the year ended 31 December 2017 compared to a net cash outflow of €328.3 million during the year ended 31 December 2016, down primarily as a result of acquisitions done at lower costs than in 2016.

Long term investment

Net cash inflows from long term investment amounted to €152.0 million during the year ended 31 December 2017 compared to a net cash inflow of €90.2 million during the year ended 31 December 2016, up primarily as a result of the fact that the Group is no longer renewing its long-term deposits.

10.1.3 Net cash flows from financing activities

Proceeds of borrowings from financial institutions

Proceeds of borrowings from financial institutions decreased to €8,637.7 million during the year ended 31 December 2017 compared to €10,398.5 million during the year ended 31 December 2016, despite higher fleet growth in 2017 compared to 2016, mainly due to the replacement of a matured bond in 2016.

Repayment of borrowings from financial institutions

A lower repayment of borrowings from financial institutions of €7,020.7 million occurred during the year ended 31 December 2017 compared to €8,872.3 million repaid during the year ended 31 December 2016, primarily as a result of the replacement in 2016 of debt of Parcours with new loans.

Proceeds from issued bonds

Proceeds from issued bonds increased to €1,400.1 million during the year ended 31 December 2017 compared to €536.0 million during the year ended 31 December 2016, primarily as a result of more bond issues during 2017.

Repayment of issued bonds

Repayment of issued bonds increased to €1,020.1 million during the year ended 31 December 2017 compared to €528.0 million during the year ended 31 December 2016, primarily as a result of more bonds maturing.

10.2 RENTAL FLEET

Rental fleet increased from €14,075.0 million as at 31 December 2016 to €16,336 million as at 31 December 2017. This increase is mainly driven by the growth in funded fleet but also a number of other factors such as the evolution of the fleet mix, the geographical distribution of the fleet and the embedded parameters of the leasing contracts.

As at 31 December 2017 and 31 December 2016 there were no impairments on the “Rental fleet”. ALD continues to retain substantially all of the risks and rewards of the lease receivables, as in all asset-backed securitisation programmes ALD has subscribed to the first class of notes, which will result in ALD bearing any realised losses. Therefore ALD continues to recognise the transferred lease receivables in their entirety for a present value of €2.027 million and a net book value of €1.953 million at December 31, 2017. The transferred lease receivables cannot be sold.

10.3 EQUITY AND LIABILITIES

10.3.1 Equity

Information on the Group's equity is provided in section 20, NOTE 25 “SHARE CAPITAL AND SHARE PREMIUM” of this registration document.

10.3.2 Liabilities

(in EUR million)	**2017**	**2016**
Bank borrowings	7,660.9	7,665.6
Non-current borrowings from financial institutions	**7,660.9**	**7,665.6**
Bank overdrafts	187.9	189.3
Bank borrowings	4,000.7	2,095.5
Current borrowings from financial institutions	**4,188.6**	**2,284.8**
Total borrowings from financial institutions	**11,849.4**	**9,950.5**
Bonds and notes-originated from securitisation transactions	882.4	896.7
Bonds and notes-originated from EMTN programme	1,400.0	1,020.0
Other non-current bonds issued	-	-
Non-current bonds and notes issued	**2,282.4**	**1,916.7**
Bonds and notes-originated from securitisation transactions	491.9	489.9
Bonds and notes-originated from EMTN programme	506.0	509.7
Other current bonds issued	-	-
Current bonds and notes issued	**997.9**	**999.6**
Total bonds and notes issued	**3,280.3**	**2,916.3**
Total borrowings from financial institutions and bonds	**15,129.8**	**12,866.8**

As part of its funding diversification strategy, the Group successfully returned to the bond market in July to raise €600 million through a 5 year senior bond issue and €200 million through a 2 year private bond issue, under its existing €6 billion EMTN program. In November, the Group raised a further €600 million through a 3 year senior bond issue.

ALD is rated BBB/A-2 by S&P Global Ratings. On 19 October 2017, S&P Global Ratings revised its outlook on ALD to positive from stable.

Information on the Group's liabilities is provided in section 20. NOTE 26 “BORROWING FROM FINANCIAL INSTITUTIONS, BONDS AND NOTES ISSUED” of this registration document.

10.4 RESTRICTION ON THE USE OF CAPITAL

Not applicable

10.5 ANTICIPATED SOURCES OF FUNDS NEEDED TO FULFIL PLANNED ACQUISITIONS AND COMMITMENTS

As of the date of the Registration Document, the Group does not have any planned acquisitions or commitments which will require additional sources of funding.

CHAPTER 11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 RESEARCH AND DEVELOPMENT

The Group is committed to innovating and offering value added solutions. Indeed, it continues to strive to develop new products and new expertise. An innovation committee has been created to share, prioritise and accelerate innovation initiatives.

As a pioneer in mobility solutions, the Group is also challenging its offer and innovating to be able to provide the best products to its customers, to support fleet managers in their daily work and to provide drivers with the solutions that best fit their needs.

The Group's innovation portfolio includes the development of its private leasing offer, which is already operating in 16 countries, a telematics global solution for all countries, an ALD fuel card and a digital ecosystem built in house. It also plans to upgrade and remarket the current sales platform to an e-commerce platform.

In 2017 ALD has also upgraded its e-commerce platform for used car sales with the aim to improve customer experience and sales management.

The Group has notably developed driver portals and mobile applications, which were deployed in 32 countries in 2017. The Company's objective in the near future is to have a driver and fleet manager portal available in each country in which it does business, as a web and mobile version.

Since 2016, ALD has actively built internal awareness of an innovation culture through the Group ALD Way program for emerging talents.

11.2 INTELLECTUAL PROPERTY, LICENSES, USAGE RIGHTS AND OTHER INTANGIBLE ASSETS

The Group's intellectual property rights essentially comprise the following:

- Rights to trademarks and other distinctive signs used by the Group in the ordinary course of business.

  Further to the listing of shares of ALD on Euronext Paris, a trademark assignment agreement and a trademark license agreement were concluded between ALD and Société Générale so as to regulate ALD's use of these trademarks. The trademark assignment agreement aimed at transferring to ALD the ownership of the trademarks which do not contain any elements of the Société Générale's brand and previously owned by Société Générale, in the countries where they are registered. As a result, under the agreement, ALD can file any trademarks, notably incorporating the sign ALD, which do not include Société Générale's branding codes. In addition, following the contemplated listing of shares of ALD on Euronext Paris, Société Générale still owns several trademarks which are used by the Group and include either some elements of the Société Générale's brand or are used by other entities of the Société Générale's Group. However, Société Générale has awarded ALD a license to use these trademarks, under a trademark license agreement, concluded for a term of 99 years and permitting for such trademarks to be sub-licensed. The trademark license agreement provides for Société Générale's right to terminate the agreement in the event of a reduction of Société Générale's holding in ALD below 50% and of insolvency, winding-up or dissolution of ALD. In case of such termination, the proposed agreement provides for an additional period of 18 months post termination for the use of the licensed trademarks.

The Group has filed a number of website domain names in the countries where it does business. The Group centrally registers its ownership of various domain names (including aldautomotive, aldcar, aldcarmarket, aldmobile and aldnet), mostly through the external company CSC.

- Rights relating to information systems, data protection and software licenses that the Group uses in connection with its business.

  The Group has developed information systems it uses on a daily basis in connection with its business, notably relating to data protection and security. Indeed, it has issued certain policies relating to the classification and protection of sensitive information and the general security guidelines. For more information on the Group's security policy and related information systems, see Section 6.4 "Information Technology".

  The Group and its subsidiaries hold licenses for the main software it uses in conducting its business.

CHAPTER 12. TREND INFORMATION

12.1 BUSINESS TRENDS

Detailed descriptions of the Group's results for the year ended 31 December 2017, and of the principal factors affecting the Group's results of operations are contained in Chapter 9 "Operating and Financial Review" of this Registration Document.

12.2 MEDIUM-TERM OBJECTIVES

The individual elements of the Medium-Term outlook presented below do not constitute forecast data or profit estimates.

Objectives are based on data, assumptions, and estimates that the Group considers reasonable as of the date of this Registration Document in light of anticipated future economic conditions for the medium term and the expected impact of the Group’s successful implementation of its strategy. The data, assumptions and estimates on which the Group has based its objectives may change or be modified during the relevant period in particular as a result of changes in the economic, financial, competitive, tax or regulatory environment, market changes or other factors of which the Group is not aware as of the date of this Registration Document. The occurrence of one or more of the risks described in Chapter 4 “Risk Factors” could affect the Group’s business, market situation, financial condition, results or future prospects, and therefore its ability to achieve the objectives presented below.

The Group can give no assurances or provide any guarantee that the objectives set forth in this section will be met.

2018 and Medium-Term Outlook

Total Fleet Growth

On the basis of market trends and opportunities, the Group has previously indicated that its Total Fleet has the potential to continue to grow at a compound annual growth rate of between 8% and 10% over the period 2016 to 2019.

For 2018, the Group expects annual growth in Total Fleet to be between 8% and 10%.

The key growth drivers that the Group expects to support this growth are as follows:

1. An increasing SME client penetration, especially through further development of our existing partnerships with car manufacturers and banks;
2. The development of the Group's Private Lease offering through the launch of additional B2C products, leveraging existing and new partnerships, supported by the anticipated rapid growth in the Private Lease market, as a result of the convergence of various societal trends, including: a cultural shift from "car ownership" towards "car usership", more demand for flexible use and availability of cars; new transport alternatives and a collaborative economy; and increased environmental regulation and awareness.

3. The continuing trend of corporate clients to outsource their mobility needs, so that they can focus on their core business and benefit from the scale of operations and investments in technology of specialist players such as ALD. The Group expects this trend to underpin continued strong organic growth of its corporate fleet, in line with its performance of recent years;
4. High levels of growth full service leasing penetration in emerging markets from current low levels , in a context of economic growth and growing car sales volumes;
5. Selected bolt-on acquisitions allowing the Group to acquire leasing portfolios to integrate within its existing operations, as consolidation trends in the full service leasing market continue.

Gross Operating Income

On the basis of the anticipated Total Fleet Growth, the Group has previously indicated that it expects Leasing Contract & Services margins to grow at a compound annual rate of 8-10% from 2016 to 2019, while the contribution of Car Sales Result within Gross Operating Income is expected to decrease by 2019.

For 2018, the Group expects annual growth in Leasing Contract & Services margins to be between 8% and 10%.

With concerns around Diesel putting downward pressure on the sales price of Diesel cars in 2017 and increased focus by the investment community on the subject of used car price trends, the Group has further indicated that it expects average Car Sales Result per unit for 2018 to be between EUR 200 and EUR 400.

Cost to Income ratio excluding Car Sales is expected to improve to 50% in 2018.

Net Income

In light of the growth in Total Fleet and Gross Operating Income mentioned above as well as strong focus on controlling operating expenses, the Group has previously indicated that it expects Net Income to grow at an average annual rate of 7% between 2016 and 2019.

Capital and Dividend Policy

The Group intends to maintain its leverage and shareholder return ratios at levels consistent with capital generation and total asset growth. For 2018 the Group has announced its intention to raise its pay-out ratio to between 40% and 50% and maintain an equity to total assets ratio between 15% and 17%, it being specified that the dividend policy of the Group will take into account the Group's results and financial situation, the implementation of its strategy and the achievement of its objectives.

Regarding the Group's financing conditions, the Group expects to maintain funding margins at current levels. Due to the Asset / liability management policy on existing fleet, any changes in interest rates are not expected to have a material impact.

CHAPTER 13. PROFIT FORECASTS

None

CHAPTER 14. ADMINISTRATIVE, MANAGEMENT AND CONTROL BODIES AND STATUTORY CORPORATE OFFICERS

The annual report on corporate governance is disclosed in the following sections: section 14.1 “Composition of Management and Control Bodies”, section 15.1 “Compensation and benefits of statutory corporate officers and company officers”, section 16.2 “Information on service contracts between members of the administrative and management bodies and the company or any one of its subsidiaries”, section 16.3 “Internal regulations of the board of directors”, section 16.4 “Committees of the Board of Directors”, section 16.5 “Statement relating to corporate governance”, section 18.6 “Factors that could come into play in the event of a takeover bid”, section 21.1.1 “Subscribed share capital and authorised but unissued share capital”, section 21.2.4 “Shareholders’ meeting”.

14.1 COMPOSITION OF MANAGEMENT AND CONTROL BODIES

The Company is a limited liability company (*société anonyme*) with a Board of Directors. A description of the main provisions of the Bylaws that the Company plans to adopt subject to the listing of its shares on Euronext Paris (the "**Bylaws**"), relating to the functioning and powers of the Board of Directors of the Company (the "**Board of Directors**"), as well as a summary of the main provisions of the internal regulations of the Board of Directors and of the committees of the Board of Directors are included in Chapter 16 "Rules Applicable to Corporate Bodies and Management Committees" and Chapter 21 "Additional Information" of this Registration Document.

14.1.1 Board of Directors

The table below shows the members of the Board of Directors:

Member of the board	Age	Gender	Nationality	Year of first appointment	Term of the mandate[26]	Years of service on the Board	Independent director	Member of a Board committeee	Number of mandates in listed companies
Didier HAUGUEL (Chairman of the Board)	58	M	French	30/6/09	31/12/20	8	No	-	2
Michael MASTERSON (CEO)	57	M	British	28/2/06	31/12/18	12	No	-	1
Karine DESTRE-BOHN	47	F	French	15/11/11	31/12/18	6	No	Audit, Internal Control and Risk committee	1
Xavier DURAND	53	M	French	16/6/17	31/12/20	1	Yes	Chairman of the Audit, Internal Control and Risk committee	1
Jean-Louis KLEIN	57	M	French	29/6/15	31/12/20	3	No	-	1

[26] Until the Shareholders’ Meeting approving the following financial statement

Member of the board	Age	Gender	Nationality	Year of first appointment	Term of the mandate[26]	Years of service on the Board	Independent director	Member of a Board committeee	Number of mandates in listed companies
Patricia LACOSTE	56	F	French	16/6/17	31/12/18	1	Yes	Chairman of the Nomination and compensation committee	1
Nathalie LEBOUCHER	52	F	French	16/6/17	31/12/19	1	Yes	Audit, Internal Control and Risk committee	1
Giovanni Luca SOMA	57	M	Italian	6/2/08	31/12/18	10	No	-	1
Christophe PÉRILLAT	52	M	French	16/6/17	31/12/19	1	Yes	Nomination and compensation committee	1
Sylvie RÉMOND	55	F	French	29/6/15	31/12/20	3	No	Nomination and compensation committee	2

Please note that the subsidiaries of ALD are not mentioned in the charts below and that companies followed by (*) refer to companies within SG group

Didier HAUGUEL

Chairman of the Board
Director

Chief Country Officer for Russia for Société Générale Group

Date of birth: December 14th, 1959

Year of first appointment: June 30th, 2009

Term of office expires in: Shareholders' Meeting approving the 2020 financial statements in 2021

Holds: 1,000 ALD shares

Professional address:
Tours Société Générale
75886 Paris Cedex 18

Biographical information:

Didier HAUGUEL has been a member of the Board of Directors of ALD since 2009. He has served as Chairman of the Board from 2009 to 2011 and again since 2017. Member of Société Générale Group Management Committee since 2000, he is Country Officer for Russia since 2012.Member of the Société Général Group Executive Committee from 2007 to 2017, he had been Co-Head of International Banking and Financial Services from 2013 to 2017 and held several positions in Société Générale Group as Head of Specialized Financial Services and Insurance from 2009 to 2013 and Chief Risk Officer from 2000 until 2009. When appointed in New York, he was Chief Operating Officer of SG Americas from 1998 to 2000 and Assistant General Manager of SG USA from 1995 to 1998. Before moving to the US, he served as Head of Central Risk Management Unit within the Office of the Group CEO from 1991 to 1995. He joined the General Inspection Department of Société Générale in 1984. Didier HAUGUEL has graduated from the Institut d'Etudes Politiques (IEP) de Paris and holds a Bachelor's degree in Public Law.

Other offices held currently:

<u>In French unlisted companies :</u>
- La Banque Postale Financement* - Vice chairman and Member of the supervisory board
- Franfinance* – Board member

Other offices and positions held in other companies in the past five years:

<u>In French unlisted companies:</u>
- Sogessur* – Board member
- SG Consumer Finance* – Chairman and Board member

- Sogecap * –Board member
- SG Equipment Finance SA * – Chairman and Board member

In foreign unlisted companies :

- GEFA Bank Gmbh * – Germany – Chairman and Board member
- CB DeltaCredit* – Russia – Chairman and Board member
- LLC Rusfinance Bank* – Russia – Chairman and Board member

In foreign listed companies:

- PJSC Rosbank* – Russia – Chairman and Board member

-

- Compagnie Générale de location d'équipements* – Board member
- SG Financial Services Holding* – France – Board member
- Franfinance* – Chairman

In foreign unlisted companies :

- ALD Autoleasing D GmbH* - Germany – Chairman and Board Member
- Banco Cacique S.A.* – Brazil – Board member
- Rusfinance SAS* – Russia – Chairman and Board member
- SG Equipment Finance Czech Republic S.R.O.* –Czech Republic – Chairman and Board Member
- Essox sro* – Czech Republic – Board member
- Gefa Leasing Gmbh* – Germany – Chairman and Board Member
- Hanseatic Bank GmbH & Co KG* – Germany – Chairman
- SG Equipment Finance USA Corp.* – Board member
- Family Credit Limited* – Board member
- Fiditalia Spa* – Italia – Board member
- Eqdom* – Morocco – Board member
- Euro Bank* – Poland – Vice Chairman and Board Member.

Michael MASTERSON

Chief Executive Officer

Director

Date of birth: December 17th, 1960

Year of first appointment: February 28th, 2006

Term of office expires in: Shareholders' Meeting approving the 2018 financial statements in 2019

Holds: 6,000 ALD shares

Professional address:
1-3 rue Eugène et Armand Peugeot
92500 Rueil-Malmaison

Biographical information:

Michael MASTERSON has been CEO of ALD and member of Société Générale's Group management committee since 2011. He was CFO of ALD from 2003 until 2011 and, from 1988, active at Hertz Lease Group (which was acquired by ALD in 2003). Michael MASTERSON was Senior Auditor, Business Analyst, Finance and Administration Manager for Hertz Europe from 1988 to 1995, Financial Controleur at Hertz Lease from 1995 to 1997, and Group Financial and IT Director at Hertz Lease from 1997 to 2003.
Michael. MASTERSON holds an Upper Second Class Degree in Economics from Nottingham University and has been a Chartered Accountant since 1988.

Other offices held currently:	**Other offices and positions held in other companies in the past five years:**
None.	**<u>In foreign unlisted companies:</u>** - Socgen Inversiones Financieras SA* - Spain – Chaiman and Board Member

Karine DESTRE-BOHN

Director, Member of the Audit, Internal Control and Risk Committee

Head of Customer Relationship Transformation in SG Insurance Business Unit (ASSU)

Date of birth: January 20th, 1971

Year of first appointment: November 15th, 2011

Term of office expires in: Shareholders' Meeting approving the 2018 financial statements in 2019

Holds: 250 ALD shares

Professional address:
Tours Société Générale
75886 Paris Cedex 18

Biographical information:

Karine DESTRE-BOHN has been Head of Clients Relationship Transformation in SG Insurance Business Unit (ASSU) since 1st January 2018. Previously, Karine was Corporate Secretary of the International Banking and Financial Services Division of Société Générale (a Division supervising some 80 entities in 65 countries) from 2010 to 2017, Corporate Secretary of ALD (2008-2010), the holding supervising the development of ALD (Full Leasing Services and Car Fleet Management) in some 40 countries. Still before, Karine was the CFO of ALD France (2003 – 2008) and CFO of Hertz Lease France (1996-2003). She started her career as Auditor for Deloitte & Touche (1993-1996). Karine DESTRE-BOHN holds a degree from Amiens Business School and a Bachelor's degree in Accounting & Finance.

Other offices held currently:	**Other offices and positions held in other companies in the past five years:**
- Mobiasbanca* – Moldova – Vice Chairman and Board member - SKB Banka* – Slovenia – Board member	- SG Viet Finance Company Ltd* – Vietnam – Supervisory Board member - SFS Holding Hellas* – Greece – Chairman and Board Member - SFS Hellasfinance Société Anonyme of Car Lease and Trade* – Greece – Chairman and Board Member - SFS Hellasfinance Consumer Société Anonyme for Granting Credit* – Greece – Chairman and Board Member - LLC Rusfinance* – Russia – Board member - Rusfinance SAS* – Russia – Board member - Socgen Inversiones Financiers SA* - Spain – Board Member

Xavier DURAND

Independent Director, Chairman of the Audit, Internal Control and Risk Committee

Chief Executive Officer of the Insurance Group Coface

Date of birth: April 27th, 1964

Year of first appointment: 16 June 2017

Term of office expires in: Shareholders' Meeting approving the 2020 financial statements in 2021

Holds: 1,100 ALD shares

Professional address:
Place Costes et Bellonte
92270 Bois-Colombes

Biographical information:

Xavier DURAND has been Chief Executive Officer of the Insurance Group Coface since February 2016. Previously, Xavier DURAND had an extensive international career within the financial activities of the General Electric Company where, prior of being Head of Strategy & Growth for GE Capital International based in London (2013-2015), he was CEO of GE Capital Asia Pacific (2011- 2013) based in Tokyo, CEO of the Europe and Russia banking activities of GE Capital (2005-2011), Chairman and CEO of GE Money France (2000- 2005) and Head of Strategy and New Partnerships of GEC Auto Financial Services based in Chicago (1996-2000). Earlier, Xavier DURAND was Deputy General Manager of the Sovac Real Estate Bank in France from 1994 to 1996. Xavier DURAND has graduated from l'École Polytechnique and from l'École Nationale des Ponts et Chaussées, and he started his career in 1987 in Consulting (Gemini Group) and Strategy Project Management (GMF Insurer 1991-1993).

Other offices held currently:

Within COFACE Group – in French and foreign unlisted companies :

- Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE) - Chairman and Chief Executive Officer
- Coface North America Holding Company – Chairman

Other offices and positions held in other companies in the past five years:

Within French and foreign unlisted companies :

- AXA France Vie - France – Board Member
- AXA France Iard – France – Board Member
- Wizink Bank (Banco Popular et Varde) - Spain – Independent Board Member
- GE Capital International - UK – Head of strategy and development
- GE Capital Asia Pacific - Japan – Chairman and Chief Executive Officer
- Krungsri Group - Thailand - Board Member & Chairman of Compliance Committee

Listed foreign company:

- Hyundai Capital Cards – South-Korea – Board Member and Chairman of the compliance committee

Jean-Louis KLEIN

Director

Head of Large Corporate Accounts for Société Générale Retail Network in France

Date of birth: August 2nd, 1960

Year of first appointment: June 29th, 2015

Term of office expires in: Shareholders' Meeting approving the 2020 financial statements in 2021

Holds: none ALD shares

Professional address:
Tours Société Générale
75886 Paris Cedex 18

Biographical information:

Jean Louis KLEIN has currently been Head of Large Corporate Accounts for Société Générale Retail Network in France (since 2013) and member of Société Générale's Group management committee since 2015. Previously, Jean-Louis KLEIN made most of his career within Credit du Nord, up to the position of Deputy General Manager (2011-2013). Before, he was Head of the Large Corporate Department (2004-2010), Chief Executive Officer of the Banque Kolb subsidiary (2000-2004), Deputy CEO of the Banque Laydernier subsidiary (1997-2000), Internal Auditor (1996-1997), Head of Aisne & Oise Branch (1990-1996), and account manager for large corporate (1986 – 1990). Jean Louis KLEIN has graduated from HEC Business School.

Other offices held currently:	Other offices and positions held in other companies in the past five years:
- Pirix* – France – Deputy Chief Executive Officer - Société Générale pour le développement des opérations de crédit-bail immobilier "Sogebail"* – Board member	- Pirix* – France – Deputy Chief Executive Officer and Board Member - SG Participations Industrielles – France – Chairman - Banque Tarneaud – France – Vice-Chairman and Board Member - Banque Rhône Alpes – France – Chairman and Board Member - Norbail Immobilier – France – Chairman and Board Member - Norbail Sofergie – France – Board member - Etoile ID – France – Board member - Société de bourse Gilbert Dupont – France – Chairman - Star Lease – France – Chairman and Board Member - Banque Laydernier – France – Chairman and Board Member - Union financière pour le développement de l'économie céréalière* – Board member

Patricia LACOSTE

Independent Director, Chairman of the Nomination and Compensation Committee

Chairman and Chief Executive Officer of the Insurance Group Prévoir

Date of birth: December 5th, 1961

Year of first appointment: June 16th, 2017

Term of office expires in: Shareholders' Meeting approving the 2018 financial statements in 2019

Holds: 1,500 ALD shares

Professional address:
19 rue d'Aumale
75009 Paris

Biographical information:

Patricia LACOSTE has been Chairman and Chief Executive Officer of the Insurance Group Prévoir since 2012. Previously, Patricia LACOSTE spent some twenty years in SNCF (French Railways National Company), where she held several executive positions, notably Director in charge of managing Top Executives within the HR Division (2008-2010), Director of the Eastern Paris Region, in charge of preparing the launch of the East Europe high speed train TGV (2005-2008), and Director of Sales to individuals (1995-2004). Patricia LACOSTE has graduated from l'Ecole Nationale de la Statistique et de l'Administration Economique (ENSAE), and she holds a Master in Econometrics. She started her career as study engineer in the Consulting firm Coref (1985–1992).

Other offices held currently:

<u>Within Prévoir group– in French and foreign unlisted companies :</u>

- Société Centrale PREVOIR – Chaiman and Chief Executive Officer
- PREVOIR-Vie – Chaiman and Chief Executive Officer
- PREVOIR- Risques Divers - – Chaiman and Chief Executive Officer
- Société de Gestion PREVOIR – Legal representative of Société Centrale PREVOIR – Board Member
- PREVOIR Vietnam – Chairman of the Shareholders and Control Committee
- PREVOIR Vietnam – Legal Representative of PREVOIR-Vie – Board Member
- PKMI (PREVOIR Kampuchea Micro Life Insurance) – Legal representative of PREVOIR-Vie – Board Member
- SARGEP – Board Member
- Fondation PREVOIR – Board Member

<u>Outside Prévoir group– in French unlisted companies :</u>

- SNCF Réseau – Board Member
- Fédération Française d'Assurance – Member of executive committee

Other offices and positions held in other companies in the past five years:

<u>In French unlisted companies :</u>

- RFF (Réseau Féré de France)– Board Member

Nathalie LEBOUCHER

Independent Director, Member of the Audit, Internal Control and Risk Committee

General Manager of Kapsch TrafficCom France

Date of birth: July 24th, 1966

Year of first appointment: June 16th, 2017

Term of office expires in: Shareholders' Meeting approving the 2019 financial statements in 2020

Holds: 1,000 ALD shares

Professional address: 1 rue Jean-Pierre Timbaud 78180 Montigny-le-Bretonneux

Biographical information:

Nathalie LEBOUCHER has been General Manager since May 2017 of Kapsch TrafficCom France, a company specialized in mobility and automatic payments systems for highways. Since 2015, Nathalie LEBOUCHER was in charge of Strategy and Innovation for the RATP Group (Paris Public Transportation Company). From 2011 to 2015, she run the Orange Western Paris Office in charge of Communication Solutions for Businesses. From 2007 to 2011, she had a first experience leading the Kapsch TrafficCom Group, following a position of Development Director for the Paris Rhin Rhône Highway Company from 2002 to 2007. From 1993 to 2002, Nathalie LEBOUCHER had worked for the French Development Agency in charge of Water & Power area for Central Africa, then as Head of infrastructure projects for PROPARCO. Nathalie LEBOUCHER has graduated from l'Ecole Polytechnique and from l'Ecole Nationale de la Statistique et de l'Administration Economique (ENSAE). She started her career in 1990 in Consulting before joining the World Bank in the USA in 1991 as junior economist.

Other offices held currently:	Other offices and positions held in other companies in the past five years:
None.	<u>**Within French unlisted companies :**</u> - RATP Group – Strategy, Innovation and Development officer (ending May 2017) - Orange/France Telecom – Head of the agency "Entreprise Défense Ouest Francilien" and Senior Vice-President of the Smart-Cities program - RATP Dev – Board member - Ixxi, Telcité/Naxos – Board member - RATP I – Board member - Systra – Board member - M2OCity – Board member - EcoMobilité Ventures – Orange's representative to the strategic committee

Giovanni Luca SOMA

Director

Head of the Retail European Banking Business Unit of Société Générale

Date of birth: August 21st, 1960

Biographical information:

Giovanni Luca SOMA has been Head of the European Banking Business Unit of Société Générale since 2012, and member of the Société Générale's group Management Committee since 2010. Previously,

Year of first appointment: February 6th, 2008

Term of office expires in: Shareholders' Meeting approving the 2018 financial statements in 2019

Holds: none ALD shares

Professional address:
Tours Société Générale
75886 Paris Cedex 18

he occupied several managerial positions in the Société Générale group, notably Head of the Consumer Finance Business Line (2010- 2012), Chief Executive Officer of ALD International (2008-2010), ALD Regional Director (2005-2008), and CEO of ALD Italy (2000-2005). Still before, Giovanni Luca SOMA worked for the GE Group, as Sales Director for GE Capital Italy (1998-1999) and Managing Director for GE Capital Insurance Italy (1997-1998). He was also Sales and International Development Director for Hyperion Software Inc. based in Milan (1994-1997). Giovanni Luca SOMA started his career as Financial Auditor, with Deloitte (1989 – 1994) and Arthur Young (1984-1989). Giovanni Luca SOMA holds a MBA from Turin University and he is qualified as Certified Public Accountant and Certified Auditor.

Other offices held currently:

In French unlisted companies :

- Compagnie Générale de Location d'Equipements* - Chaiman and Member of the Board

In foreign unlisted companies :

- SG Express Bank* - Bulgaria – Board member
- Hanseatic Bank GMBH & Co KG* - Germany – Chairman and Board Member
- Fiditalia S.p.A* - Italy – Vice-Chairman and Board Member
- Euro Bank SA* - Poland – Chairman and Board Member
- SG Banka Srbija* – Serbia – Board member
- SKB Banka* – Slovenia – Deputy Chairman and Board Member
- CGI North America* – United States – Board member

- **In foreign listed companies :**
- Komercni Banka AS* - Czech Republic – Vice Chairman and Board Member
- BRD* – Romania – Chairman and Board member

Other offices and positions held in other companies in the past five years:

In French unlisted companies :

- SG Consumer Finance* - France – Chief Executive Officer and Board Member
- Sogessur* – France – Board member
- Franfinance* – France – Board member

In foreign unlisted companies :

- SG Splitska Banka* - Croatia – Board member
- Ohridska Banka AD Skopje* – Macedonia – Chairman and Board Member
- LLC Rusfinance Bank – Russia – Board member
- Capital Credit Comradeship Bank* – Russia – Board member
- Banco Pecunia S.A.* – Brazil – chairman and Board Member
- Banco Cacique S.A.* – Brazil – Chairman and Board Member
- Banco SG Brasil S.A.* – Brasil– Board Member
- Essox sro – Czech Republic – Chairman and Board Member
- SG Viet Finance Company Ltd – Vietnam – Chairman
- Socgen Inversiones Financieras SA – Spain – Board Member

Christophe PÉRILLAT

Independent Director, Member of the Nomination and Compensation Committee

Chief Operating Officer of the Valeo Group

Date of birth: September 12th, 1965

Biographical information:

Christophe PÉRILLAT has been Chief Operating Officer of the Valeo Group since 2011. Previously, Christophe PÉRILLAT occupied several managerial positions in the Valeo Group, notably Head of the Business Group « Comfort and Driving Assistance Systems » from 2009 to 2011, Head of the Branch « Switches and Detection Systems » from 2003 to 2009, and Head of a Division of the « Electronics and

Year of first appointment:
June 16th, 2017

Term of office expires in:
Shareholders' Meeting approving the 2019 financial statements in 2020

Holds: 500 ALD shares

Professional address:
43 rue Bayen
75848 Paris Cedex 17

Connective Systems» Branch from 2001 to 2002. Prior to that, Christophe PÉRILLAT worked in the aerospace industry for the Labinal Group, as Head of Labinal Aero & Defense North America from 1996 to 2000 and Head of a production site in Toulouse from 1993 to 1995. Christophe PÉRILLAT is a graduate of l'Ecole Polytechnique and from l'École des Mines.

Other offices held currently:	Other offices and positions held in other companies in the past five years:
None.	None.

Sylvie RÉMOND

Director, member of the Nomination and Compensation Committee

Global Co-Head of Coverage and Investment Banking of Société Générale Group

Date of birth: July 20th, 1963

Year of first appointment:
June 29th, 2015

Term of office expires in:
Shareholders' Meeting approving the 2020 financial statements in 2021

Holds: none ALD shares

Professional address:
Tours Société Générale
75886 Paris Cedex 18

Biographical information:

Sylvie RÉMOND has been Global Co-Head of Coverage and Investment Banking since March 2015. She has been a member of Société Générale's Group Management Committee since January 2011. She joined Sociéte Générale in 1985 and where she held several positions within the Individual Client and Large Corporate divisions. In 1992, she joined the Structured Finance activity in Acquisition Finance and was appointed Head of Corporate and Acquisition Finance syndication in 2000. She then joined the Risk division in 2004 as Head of Credit Risk for the Corporate and Investment Banking activity and became in 2010, Deputy Group Chief Risk Officer, until February 2015.

Other offices held currently:

<u>**In French unlisted companies :**</u>
- Sopra Steria Group – France – Board member

<u>**In foreign unlisted companies :**</u>
- Société Générale Bank & Trust* – Luxembourg – Board member
- PJSC Rosbank* – Russia – Board member

<u>**In foreign listed companies :**</u>
- Komercni Banka A.S*– Czech Republic – Board member

Other offices and positions held in other companies in the past five years:

<u>**In French and foreign unlisted companies :**</u>
- Generas SA* – Luxembourg – Board member
- Société Générale Re SA* - Luxembourg– Board member

14.1.1.1 *Independence of the members of the Board of Directors*

Four independent Directors were appointed on 20 April 2017 by the Mixed Shareholders' Meeting (i.e. before the creation of the Nomination and Compensation Committee) subject to the completion of the listing of the Company's shares on Euronext (their mandates becoming active at that date). The assessment of their independence – and notably the respect of the criteria set in article 8.5 of the AFEP-MEFEF Code - had been assessed by the Board itself, taking into account the information provided by the applicants about their professional career, their actual and past mandates, and the business relationships of their employers with the Company and the Société Générale group.

Appointments of new independent Directors will henceforth be examined by the Compensation and Nomination Committee using the same set of criteria.

The table below shows the evaluation of the independence of the directors pursuant to such criteria from the AFEP-MEDEF Code.

Name of the directors	Not to be an employee or an executive officer or director of the Company or a controlled entity (including over the past 5 years)	No cross-directorships (including over the past 5 years)	No business relation-ships (client, supplier, bank providing significant funding)	No family ties	Not to be an auditor of the Company (including over the past 5 years)	Not to have been a director of the Company for more than twelve years	Not receive any variable compensation or compensation related to the Company's or the Group's performance	Not hold more than 10% of the shares or voting rights	Inde-pendent
Didier HAUGUEL			✓	✓	✓	✓		✓	
Michael MASTERSON			✓	✓	✓			✓	
Karine DESTRE-BOHN		✓	✓	✓	✓	✓		✓	
Xavier DURAND	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jean-Louis KLEIN	✓	✓	✓	✓	✓	✓		✓	
Patricia LACOSTE	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nathalie LEBOUCHER	✓	✓	✓	✓	✓	✓	✓	✓	✓
Giovanni Luca SOMA		✓	✓	✓	✓	✓		✓	
Christophe PÉRILLAT	✓	✓	✓	✓	✓	✓	✓	✓	✓

Name of the directors	Not to be an employee or an executive officer or director of the Company or a controlled entity (including over the past 5 years)	No cross-directorships (including over the past 5 years)	No business relation-ships (client, supplier, bank providing significant funding)	No family ties	Not to be an auditor of the Company (including over the past 5 years)	Not to have been a director of the Company for more than twelve years	Not receive any variable compensation or compensation related to the Company's or the Group's performance	Not hold more than 10% of the shares or voting rights	Inde-pendent
Sylvie RÉMOND	✓	✓	✓	✓	✓	✓		✓	

Changes in the composition of the Board of Directors in 2017

Director	Departure	Appointment	Renewal	Nationality	Gender
Didier HAUGUEL		As Chairman of the Board in replacement of Giovanni Luca SOMA 2 March 2017		French	M
Giovanni Luca SOMA	He resigned of his position of Chairman of the Board and remains Director 2 March 2017			Italian	M
Xavier DURAND		16 June 2017 Independent director		French	M
Nathalie LEBOUCHER		16 June 2017 Independent director		French	F
Christophe PÉRILLAT		16 June 2017 Independent director		French	M
Patricia LACOSTE		16 June 2017 Independent director		French	F
SOCIÉTÉ GÉNÉRALE	16 June 2017				

14.1.1.2 *Balance in the composition of the Board of Directors*

There are four women and six men on the Board of Directors, providing a balanced representation of men and women, in proportions that comply with applicable legal requirements and the recommendations of the AFEP-MEDEF Code

14.1.1.3 *Directors' expertise*

The table below summarizes the Directors' main area of expertise and experience.

DIRECTORS	LEASING, MOBILITY	FINANCE	OTHER BUSINESS	INTERNATIONAL	SECTOR
Didier HAUGUEL	X	X	X	X	International Banking and Financial Services
Michael MASTERSON	X	X		X	Leasing industry
Giovanni Luca SOMA	X	X		X	International Banking and Financial Services
Sylvie RÉMOND		X	X	X	Investment Banking
Jean-Louis KLEIN		X	X		Retail Banking
Karine DESTRE-BOHN	X	X		X	International Banking and Financial Services
Xavier DURAND	X	X	X	X	Insurance
Nathalie LEBOUCHER	X	X		X	Mobility industry
Patricia LACOSTE	X	X	X		Insurance
Christophe PÉRILLAT	X		X	X	Automotive and aerospace industry

14.1.1.4 *Diligent Directors*

In 2017, Didier HAUGUEL chaired all Board meetings. The Directors' attendance rates at Board and Committee meetings are very high.

ATTENDANCE IN 2017 (As of the IPO on June 17)	Board of Directors		Audit, Internal Control and Risk Committee		Compensation and Nomination Committee	
	Nb of meetings	Attendance rate	Nb of meetings	Attendance rate	Nb of meetings	Attendance rate
Didier HAUGUEL	4	100%				
Michael MASTERSON	4	100%				
Gianluca SOMA	4	75%				
Sylvie RÉMOND	4	75%			2	100%
Jean-Louis KLEIN	4	75%				

ATTENDANCE IN 2017 (As of the IPO on June 17)	Board of Directors		Audit, Internal Control and Risk Committee		Compensation and Nomination Committee	
	Nb of meetings	Attendance rate	Nb of meetings	Attendance rate	Nb of meetings	Attendance rate
Karine DESTRE-BOHN	4	75%	4	100%		
Xavier DURAND	4	100%	4	100%		
Nathalie LEBOUCHER	4	75%	4	100%		
Patricia LACOSTE	4	100%			2	100%
Christophe PÉRILLAT	4	75%			2	100%
Number of meetings	**4**		**4**		**2**	
Average attendance rate	**85%**		**100%**		**100%**	

14.1.2 Statutory Corporate Officers (*Mandataires Dirigeants Sociaux*)

Didier HAUGUEL is the Chairman of the Board of Directors (the "**Chairman**"), Michael MASTERSON is Chief Executive Officer (the "**CEO**") of the Company, Tim ALBERTSEN and Gilles BELLEMÈRE are Deputy Chief Executive Officers (each a "**Deputy CEO**" and together with the Chairman and the CEO , the "**Statutory Corporate officers**") of the Company.

14.1.3 The Chairman

The Chairman of the Board, through direct supervision of the Secretary, plays a decisive role in planning and organizing the works of the board, and of the specialized committees.

He chairs every Board meeting, and attends the meetings of the specialized committees.

Following the legal indications given by the Secretary, he pays attention that all Directors can adequately express their opinions, as well as the Auditors and the Chairman’s of the specialized committees.

He also pays attention that all the debates are correctly reported in the body minutes.

With the help of the Chief Executive officers, meetings have also been organized with the Directors aside of the board meetings themselves, to favour informal exchanges within the college of Directors and to make the Directors more familiar with the activity of the Company.

14.1.4 Executive Committee

The role of the executive committee of the Group (the "**Executive Committee**") is to define, implement and develop the Group's strategy, driving future growth and profitability improvement for the benefit of its clients, shareholders and employees. The Executive Committee is also responsible for supervising and driving cooperation among the Group's entities and geographic markets.

The composition of the Group's Executive Committee comprises the Group's main operational and functional executives and is as follows:

Michael MASTERSON

Chief Executive Officer

Since 2011, 30 years of sector experience

Date of birth:
December 17th, 1960

Nationality: British

Holds: 6,000 ALD shares

Biographical information:

See section 14.1.1 "Board of Directors"

Other offices held currently:	**Other offices and positions held in other companies in the past five years:**
None.	**<u>In foreign unlisted companies:</u>** - Socgen Inversiones Financieras SA* - Spain – Chaiman and Board Member

Tim ALBERTSEN

Deputy Chief Executive Officer

Since 2011, 26 years of sector experience

Date of birth:
February 9, 1963

Nationality: Danish

Holds: 5,520 ALD shares

Biographical information:

Tim ALBERTSEN has served as Deputy CEO of the Company since 2011. He has been active with the Group since 1997, the year he joined Hertz Lease (which was acquired by the Group in 2003). He was Chief Operating Officer from 2008 until 2011 and Senior Vice President for the Group from 2005 until 2008. Prior to that, he was Regional Director for the Group in the Nordic & Baltic Countries and General Manager at Hertz Lease Denmark from 1997 until 2003. Previously to the Group, he was General Manager at Avis Leasing from 1995 until 1997 and Operations Manager at Avis Rent a Car from 1992 until 1995. Mr. ALBERTSEN holds an Economics Bachelor degree in Business Administration from the University of South Denmark. He also holds a Graduate Diploma in Business Administration from the Copenhagen Business School.

Other offices held currently:	**Other offices and positions held in other companies in the past five years:**
- Mil-tekUS – USA - Board Member; - CarTime Technologies – Denmark – Board Member.	None.

Gilles BELLEMÈRE

Deputy Chief Executive Officer

Since 2017, 13 years of sector experience

Date of birth:
February 23rd, 1965

Nationality: French

Holds: 600 ALD shares

Biographical information:

Gilles BELLEMÈRE has served as Deputy CEO of the Company since 2017. He has also been active within the Group between 2001 and 2013, first as Operations Director (until 2006) of the Group France and then as Deputy General Manager of the Group. Since 2013, he was Regional Director within Société Générale Retail Branch. Previously to 2001, he held various positions within Société Générale Retail Branch since 1987. Mr. BELLEMÈRE holds a Master degree ('Maitrise') in Management from Paris Dauphine University and a Postgraduate degree ('DESS') in Foreign Trade from Paris Panthéon-Sorbonne University.

Other offices held currently:	**Other offices and positions held in other companies in the past five years:**
None.	None.

Gilles MOMPER

Chief Financial Officer

Since 2012, 23 years of automotive and car rental experience

Date of birth:
December 25th, 1972

Nationality: French

Biographical information:

Gilles MOMPER has served as CFO of the Company since 2012. He has been active at the Group since 2007. He was Group Financial Controller from 2010 until 2012 and Holding Financial Controller of ALD from 2007 until 2009. In addition, he was Financial Controller for Europe at Renault Retail Group from 2001 to 2004 and then Financial Controller for the Commercial Network at Renault Group from 2004 until 2007. He was also at the Finance Department (Internal Auditor, Business Planning Manager and Deputy Accounting Director) of Hertz France and Hertz Germany from 1995 until 2001. Mr. MOMPER holds a degree from the French Business School ESC Dijon.

Other offices held currently:	**Other offices and positions held in other companies in the past five years:**
None.	None.

John SAFFRETT

Chief Operating Officer

Since 2017, 12 years of sector experience

Date of birth:
June 3rd, 1972

Nationality: British

Biographical information:

John SAFFRETT has served as COO of the Company since 2017. He has also been active within the Group between 1997 and 2006, first as Sales Account Manager and eCommerce (until 2002) of the Group UK and then as IT Director UK from 2002 to 2006. He was also Managing Director, Program Director of Fimat/Newedge UK from 2011 to 2015 and Europe CIO / Global Head of Corporate Services IT for Fimat/Newedge UK from 2006 to 2011. He was also Chief Administration Officer of the Company from 2015 to 2017. Mr. SAFFRETT holds a Bachelor degree in IT from Hertfordshire University and an MBA in Automotive from Nottingham Trent University.

Other offices held currently:	**Other offices and positions held in other companies in the past five years:**
None.	None.

14.1.5 Statement regarding the members of the Board of Directors and the Statutory Corporate Officers

As of the date of this Document de Reference, to the Board of Directors' knowledge, there are no family relationships among the members of the Board of Directors and Statutory Corporate Officers.

To the Board of Directors' knowledge, over the course of the past five years: (i) none of the above persons has been convicted of fraud; (ii) none of the above persons has been associated with any bankruptcy, receivership or judicial liquidation; (iii) no accusations or official public sanctions have been brought against any of the above persons by statutory or regulatory authorities (including designated professional bodies); and (iv) none of the above persons has been disqualified by a court from acting as a member of the administrative, management or supervisory body of any company, or from being involved in the management or performance of business of any company.

14.2 CONFLICTS OF INTEREST

As of the date of the Document de Reference and to the Board of Director's knowledge, there are no potential conflicts of interest between the duties of the members of the Board of Directors and Statutory Corporate Officers of the Company and their private interests. In line with article 13.5 of the Board's internal rules (https://www.aldautomotive.com/), the Secretary of the Board has also individually solicited all the Directors and Statutory Corporate Officers, who have explicitly declared the absence of conflict of interest with the company for the exercise of their mandate / function.

CHAPTER 15. COMPENSATION AND BENEFITS

15.1 COMPENSATION AND BENEFITS OF STATUTORY CORPORATE OFFICERS AND COMPANY OFFICERS

Further to the listing of the Company's shares on Euronext Paris, the Company follows the AFEP-MEDEF Code (see Section 16.5 “Statement relating to corporate governance").

The tables below summarise the compensation and benefits of any kind paid to the Statutory Corporate Officers and the members of the Board of Directors by: (i) the Company; (ii) companies controlled by the Company; (iii) the companies controlled by companies that also control the Company, within the meaning of Article L. 233-16 of the French Commercial Code; and (iv) companies that control the Company.

The CEO and the Deputy CEOs were previously employees of Société Générale. Their employment agreements with Société Générale have been suspended after the listing of the Company's shares on Euronext Paris.

15.1.1 Compensation principles in respect of 2017

The compensation policy of the Statutory Corporate Officers was validated by the Board of Directors of the 4th of April 2017. This policy was also approved by the General Assembly of the 20th of April 2017, subject to the validation of the General Assembly of May 2018” (vote ex post).

This policy considers holistically the components of the compensation and the other advantages granted, if applicable, in the overall evaluation of the compensation of the Statutory Corporate Officers. The compensation policy ensures that these different elements are balanced between the general interests of the Company and the shareholders.

In addition, the compensation of the Statutory Corporate Officers complies with the CRD4 Directive of 26 June 2013, the aim of which is to impose compensation policies and practices compatible with effective risk management, as the Company is identified on a consolidated basis as a material business unit of Société Générale Group. The CRD4 Directive was transposed into French law and its policies have been in effect since 1 January 2014.

15.1.2 Compensation of the Chairman

Mr. Giovanni Luca SOMA was the Chairman of the Board of Directors until 2 March 2017, at which date he was replaced by Mr. Didier HAUGUEL.

Mr. Giovanni Luca SOMA and Mr. Didier HAUGUEL do not receive any compensation for performing their role of Chairman of the Board of Directors. However, as employees, they are directly compensated by Société Générale.

15.1.3 Compensation of the CEO and the Deputy CEOs

For 2017, the compensation of the CEO and the Deputy CEOs is broken down into three components:

-Fixed Remuneration: which rewards experience and responsibilities, and takes into account market practices;

-Annual Variable Remuneration: which rewards the contribution of the CEO and the Deputy CEOs to the Company’s performance, and takes into account market practices;

- for 2017, an exceptional premium related to the success of the listing of the Company's shares on Euronext Paris, incorporated in the variable compensation payable in 2018; the modality of payment is the same than for the annual variable remuneration.

15.1.3.1 *Fixed compensation*

The annual fixed compensation amounts at the end of 2017 are the following:

– Mr. Michael MASTERSON, Chief Executive Officer: €350,000
– Mr. Tim ALBERTSEN, Deputy Chief Executive Officer: €250,000
– Mr. Gilles BELLEMÈRE, Deputy Chief Executive Officer: €180,000

The fixed compensation has been validated in the compensation policy of ALD subject to the Initial Public Offer. The new fixed salary has been in force since the 16th of June 2017, the date of the initial public offering. The previous fixed salary amounts were the following:

– Mr. Michael MASTERSON: €260,000
– Mr. Tim ALBERTSEN: €180,000
– Mr. Gilles BELLEMÈRE: €150,000

15.1.3.2 *Variable compensation*

Main principle

The validated target bonus amounts of the variable compensation related to 2017 performance year were the following:

– Mr. Michael MASTERSON: €550,000
– Mr. Tim ALBERTSEN: €350,000
– Mr. Gilles BELLEMÈRE: €100,000

The components of the variable compensation for 2017 have been defined by the Board of Directors on 4 April 2017 and approved by the Shareholder meeting on 20 April 2017. The annual variable compensation is evaluated through quantitative criteria for 60% and qualitative criteria for 40%.

In case of over-performance, the quantitative portion is capped at 130% of the annual fixed compensation. The qualitative part is capped at 100% of the annual fixed compensation. In accordance with the CRD4 Directive, variable compensation may not exceed 200% of annual fixed compensation, even if the objectives are exceeded.

Cap of 130% applicable to target bonus amount evaluated through quantitative criteria i.e.:

- Mr. Michael MASTERSON: €330,000 (60% of target bonus amount of €550,000)
- Mr. Tim ALBERTSEN: €210,000 (60% of target bonus amount of €350,000)
- Mr. Gilles BELLEMÈRE: €60,000 (60% of target bonus amount of €100,000)

Cap of 100% applicable to target bonus amount evaluated through qualitative criteria i.e.:

- Mr. Michael MASTERSON: €220,000 (40% of target bonus amount of €550,000)
- Mr. Tim ALBERTSEN: €140,000 (40% of target bonus amount of €350,000)
- Mr. Gilles BELLEMÈRE: €40,000 (40% of target bonus amount of €100,000)

Quantitative part

The quantitative portion is be assessed on the basis of four indicators as follows:
- the annual growth of the fleet;
- the growth of the service and Leasing Contract Margin;
- the Cost/Income ratio excluding used car sales; and
- the earnings per share.

For 2017, the achievement rate for the quantitative part is 62.62% as described as follows:

Indicators	weight	achievement rate	achievement rate (total quantitative part)
Annual growth of the fleet (2017 vs. 2016)	10%	**11.38%**	**62.62%**
Growth of the service and Leasing Contract Margin	10%	**11.18%**	
Cost/Income ratio excluding used car sales	10%	**8.40%**	
Earnings per share	30%	**31.67%**	

The level of achievement for these quantitative criteria has been established precisely by the the Remuneration Committee and validated by Board Committee but is not made public for reasons of confidentiality.

Qualitative part

The qualitative portion is determined on innovation, client satisfaction, CSR indicators, employee barometer, the quality of the risk management of residual value, the managerial development, the operational efficiency and any other operational objective specific to the Company. Some collective and individual objectives have been defined. The weight of collective and individual objectives are equal i.e. 50% for both in the qualitative portion.

Based on 2017 evaluation, the achievement rate of the qualitative part is 40% for Mr. Michael MASTERSON, Mr. Tim ALBERTSEN and Mr. Gilles BELLEMÈRE.

Qualitative criteria have been pre-established and precisely defined by the the Remuneration Committee and validated by Board Committee but are not published for reasons of confidentiality.

Amounts 2017

Based on the evaluation of quantitative and qualitative indicators (global achievement rate of 102.62%), the variable compensation 2017 amounts are the following:

- Mr. Michael MASTERSON: €564,432;
- Mr. Tim ALBERTSEN: €359,184;
- Mr. Gilles BELLEMÈRE: €102,624.

15.1.3.3 *Exceptional premium*

For 2017, the principle of an exceptional premium to reward the success of the initial public offer has also been validated. This premium is in addition to the variable compensation related to 2017.

The maximum amounts of the premium were the following:

- Mr. Michael MASTERSON: €300,000;
- Mr. Tim ALBERTSEN: €100,000;
- Mr. Gilles BELLEMÈRE: €100,000.

The amounts of exceptional bonus to be paid are the following:

- Mr. Michael MASTERSON: €300,000;
- Mr. Tim ALBERTSEN: €100,000;
- Mr. Gilles BELLEMÈRE: €100,000.

15.1.3.4 *Global variable compensation*

Based on amounts mentioned in 15.1.3.2 and 15.1.3.3, the global amounts of variable 2017 compensation (including the annual variable compensation 2017 and the exceptional premium related to the success of the initial public offer) are the following:

- Mr. Michael MASTERSON: €864,432;
- Mr. Tim ALBERTSEN: €459,184;
- Mr. Gilles BELLEMÈRE: €202,624.

These amounts are subject to the final validation of the Annual General Meeting of May 2018. No payment will occur before this validation.

Vesting procedure for global variable compensation:

In compliance with the CRD4 Directive, the Board of Directors defined the following vesting and payment conditions for the annual variable compensation:

- a deferred portion subject to a condition of presence in the Company and a performance condition, vesting in equal instalments of one-fourth over a five years period with a minimum deferral rate of 40%;

- at least 50% is indexed to the ALD share price (share equivalents), resulting in 50% of the vested portion and a minimum of 50% of the unvested portion.

- Additionally, the amount of the variable portion immediately granted in cash shall not exceed 30%.

The deferred portion is vested subject to:

- A malus condition in case of significant deterioration of financial performance or in case of misconduct,
- A profitability condition based on positive net result of ALD (arithmetic average) on the vesting period.

The last installment of deferred variable paid after 5 years is also subject to an additional condition based on RoAEA (defined as Return on Average Earning Assets - RoAvEA[27]). The full amount will be paid only if the RoA is above (arithmetic average) 3.5% during the vested period. Below 3%, no amount is paid. Between 3% and 3.5%, the Remuneration Committee will recommend to the Board of Directors for validation the validation to be paid.

If either the condition of presence or the performance condition is not met, the unvested portion may be reduced or even cancelled in whole.

Moreover, the Chief Executive Officer and the deputy Chief Executive Officers are prohibited from hedging their shares or options throughout the vesting and holding periods.

15.1.3.5 *Other benefits*

The Statutory Corporate Officers benefit from a car made available by the Company. Mr. Michael MASTERSON and Mr. Tim ALBERTSEN also benefit from a housing benefit.

15.1.4 Compensation principles in respect of 2018

The compensation policy of the Statutory Corporate Officers was validated by the Board of Directors of the 29th of March 2018. This policy is subject to the approval of the General Assembly of May 2018" (vote ex ante).

[27] See definition in chapter 3

The compensation principles remain unchanged vs. 2017.

This policy considers holistically the components of the compensation and the other advantages granted, if applicable, in the overall evaluation of the compensation of the Statutory Corporate Officers. The compensation policy ensures that these different elements are balanced between the general interests of the Company and the shareholders.

In addition, the compensation of the Statutory Corporate Officers complies with the CRD4 Directive of 26 June 2013, the aim of which is to impose compensation policies and practices compatible with effective risk management, as the Company is identified on a consolidated basis as a material business unit of Société Générale Group. The CRD4 Directive was transposed into French law and its policies have been in effect since 1 January 2014.

15.1.5 Compensation of the Chairman

Mr. Didier HAUGUEL does not receive any compensation for performing his role of Chairman of the Board of Directors. However, as an employee, he is directly compensated by Société Générale.

15.1.6 Compensation of the CEO and the Deputy CEOs

For 2018, the compensation of the CEO and the Deputy CEOs is broken down into two components:

-Fixed Remuneration: which rewards experience and responsibilities, and takes into account market practices;

-Annual Variable Remuneration: which rewards the contribution of the CEO and the Deputy CEOs to the success of the Company, and takes into account market practices.

15.1.6.1 *Fixed compensation*

The annual fixed compensation proposed for 2018 for the approval of the General Assembly of May 2018 are the following:

- Mr Michael MASTERSON, Chief Executive Officer: €375,000
- Mr Tim ALBERTSEN, Deputy Chief Executive Officer: €280,000
- Mr Gilles BELLEMÈRE, Deputy Chief Executive Officer: €220,000

15.1.6.2 *Variable compensation*

Main principle

Subject to the approval of the General Assembly of May 2018, the proposed target bonus amounts of the variable compensation related to 2018 performance year are the following:
- Mr. Michael MASTERSON: €650,000;
- Mr. Tim ALBERTSEN: €380,000;

- Mr. Gilles BELLEMÈRE: €180,000.

The components of the variable compensation for 2018 have been defined by the Board of Directors on 29th of March 2018 and subject to the approval of the Shareholder meeting of the May 2018. The annual variable compensation is evaluated through quantitative criteria for 60% and qualitative criteria for 40%.

In case of over-performance, the quantitative portion is capped to 130% of the annual fixed compensation. The qualitative part is capped to 100% of the annual fixed compensation. In accordance with the CRD4 Directive, variable compensation may not exceed 200% of annual fixed compensation, even if the objectives are exceeded.

Cap of 130% applicable to target bonus amount evaluated through quantitative criteria i.e.:

- Mr. Michael MASTERSON: €390,000 (60% of target bonus amount of €650,000)
- Mr. Tim ALBERTSEN: €228,000 (60% of target bonus amount of €380,000)
- Mr. Gilles BELLEMÈRE: €108,000 (60% of target bonus amount of €180,000)

Cap of 100% applicable to target bonus amount evaluated through qualitative criteria i.e.:

- Mr. Michael MASTERSON: €260,000 (40% of target bonus amount of €650,000)
- Mr. Tim ALBERTSEN: €152,000 (40% of target bonus amount of €380,000)
- Mr. Gilles BELLEMÈRE: €72,000 (40% of target bonus amount of €180,000)

Quantitative part

The quantitative portion is be assessed on the basis of four indicators as follows:
- the annual growth of the fleet;
- the growth of the service and Leasing Contract Margin;
- the Cost/Income ratio excluding used car sales; and
- the earnings per share.

The level of achievement for these quantitative criteria has been established precisely by the the Remuneration Committee and validated by Board Committee but is not made public for reasons of confidentiality.

Qualitative part

The qualitative portion is determined on innovation, client satisfaction, CSR indicators, employee barometer, the quality of the risk management of residual value, the managerial development, the operational efficiency and any other operational objective specific to the Company. Some collective and individual objectives have been defined. The weight of collective and individual objectives are equal i.e. 50% for both in the qualitative portion.

Vesting procedure for global variable compensation:
The compensation principles remain unchanged vs. 2017 as mentioned in part 15.1.3.4

15.1.7 Summary table of Compensation, Options and Performance Shares Granted to Statutory Corporate Officers for the fiscal years ended 31 December 2016 and 2017 (AMF Table 1)

Giovanni Luca SOMA (Chairman of the Board until 2 March 2017, Board Member)	**2017[28]**	**2016**
Compensation due for the fiscal year (detailed under Section 15.1.5)	49,750	762,224
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
Total	**49,750**	**762,224**

Didier HAUGUEL (Chairman of the Board from 2 March 2017, Board Member)	**2017**	**2016**
Compensation due for the fiscal year (detailed under Section 15.1.5)	1,188,260	-
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
Total	1,188,260	-

Michael MASTERSON (Chief Executive Officer, Board Member)	**2017**	**2016**
Compensation due for the fiscal year (detailed under Section 15.1.5)	1,233,058	702,487
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
Total	**1,233,058**	**702,487**

	2017	**2016**

[28] For 2017, compensation from the 1st of January until 2nd of March 2017

Tim ALBERTSEN (Deputy Chief Executive Officer)		
Compensation due for the fiscal year (detailed under Section 15.1.5)........	715,124	496,582
Valuation of multi-year variable compensation granted in the course of the fiscal year........	-	-
Valuation of options granted during the fiscal year........	-	-
Valuation of performance shares granted during the fiscal year........	-	-
Total........	**715,124**	**496,582**

Gilles BELLEMÈRE (Deputy Chief Executive Officer)	2017	2016
Compensation due for the fiscal year (detailed under Section 15.1.5)........	338,955	149,400
Valuation of multi-year variable compensation granted in the course of the fiscal year........	-	-
Valuation of options granted during the fiscal year........	-	-
Valuation of performance shares granted during the fiscal year........	-	-
Total........	**338,955**	**149,400**

Pascal SERRES (Deputy Chief Executive Officer until 15th of March 2017)	2017[29]	2016
Compensation due for the fiscal year (detailed under Section 15.1.5)........	56,187	347,152
Valuation of multi-year variable compensation granted in the course of the fiscal year........	-	-
Valuation of options granted during the fiscal year........	-	-
Valuation of performance shares granted during the fiscal year........	-	-
Total........	**56,187**	**347,152**

15.1.8 Compensation received by Statutory Corporate Officers and Company Officers (AMF Table 2)

The table below set forth a breakdown of the fixed, variable, and other compensation paid and due to Statutory Corporate Officers and Company Officers.

[29] For 2017, compensation from the 1st of January until 15th of March 2017

Giovanni Luca SOMA (Chairman of the Board until 2 March 2017, Board Member)	**2017[30]**		**2016**	
	Amount due in respect of 2017	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Fixed Compensation ..	45,680	45,680	272,796	272,796
Variable compensation	-	-	465,000	512,731
Of which				
Deferred variable compensation	-	-	342,000	400,731
Non-deferred variable compensation	-	-	123,000	112,000
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-	-	-
Exceptional Compensation	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in kind[31]	4,070	4,070	24,428	24,428
Total	**49,750**	**49,750**	**762,224**	**809,955**

Didier HAUGUEL (Chairman of the Board from 2nd March 2017, Board Member)	**2017**		**2016**	
	Amount due in respect of 2017	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Fixed Compensation ..	384,457	384,4576	-	-
Variable compensation	800,000	704,458	-	-
Of which				

[30] For 2017, compensation from the 1st of January until 2nd of March 2017

[31] This amount corresponds to the car and housing benefits

Didier HAUGUEL (Chairman of the Board from 2nd March 2017, Board Member)	**2017**		**2016**	
	Amount due in respect of 2017	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Deferred variable compensation	640,000	549,958	-	-
Non-deferred variable compensation	160,000	154,500	-	-
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-	-	-
Exceptional Compensation	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in kind[32]	3,803	3,803	-	-
Total	**1,188,260**	**1,092,718**	**-**	**-**

Michael MASTERSON (Chief Executive Officer, Board Member)	**2017**		**2016**	
	Amount due in respect of 2017[33]	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Fixed Compensation	308,750	308,750	189,563	189,563
Variable compensation[34]	864,432	438,805	500,000	488,304
Of which				
Deferred variable compensation	697,989	308,805	370,000	368,304
Non-deferred variable compensation	166,443	130,000	130,000	120,000

[32] This amount corresponds to the car and housing benefits.

[33] Variable 2017 subject to the validation of the General Assembly of May 2018

[34] Including exceptional premium in 2017 of €300,000 for the IPO

Michael MASTERSON (Chief Executive Officer, Board Member)	**2017**		**2016**	
	Amount due in respect of 2017[33]	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-	-	-
Exceptional Compensation[35]	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in kind[36]	59,896	59,896	12,924	12,924
Total	**1,233,078**	**807,451**	**702487**	**690,791**

Tim ALBERTSEN (Deputy Chief Executive Officer)	**2017**		**2016**	
	Amount due in respect of 2017[37]	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Fixed Compensation	214,167	214,167	165,000	165,000
Variable compensation[38]	459,184	253,109	285,000	304,781
Of which				
Deferred variable compensation	337,347	167,609	199,500	223,781
Non-deferred variable compensation	121,837	85,500	85,500	81,000
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-	-	-

[35] Jubilee plan

[36] This amount corresponds to the car and housing benefits

[37] Variable 2017 subject to the validation of the General Assembly of May 2018

[38] Including exceptional premium in 2017 of €100,000 for the IPO

Tim ALBERTSEN (Deputy Chief Executive Officer)	2017		2016	
	Amount due in respect of 2017[37]	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Exceptional Compensation[39]	-	-	5,336	5,336
Directors' Fees	-	-	-	-
Benefits in kind[40]	41,773	41,773	41,247	41,247
Total	**715,124**	**509,049**	**496,582**	**516,364**

Gilles BELLEMÈRE (Deputy Chief Executive Officer)	2017		2016	
	Amount due in respect of 2017[41]	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Fixed Compensation ...	135,417	135,417	104,400	104,400
Variable compensation[42]	202,624	45,000	71,000	45,000
Of which				
Deferred variable compensation	141,837	-	26,000	-
Non-deferred variable compensation	60,787	45,000	45,000	45,000
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-	-	-
Exceptional Compensation	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in kind[43]	914	914	-	-

[39] Jubilee plan

[40] This amount corresponds to the car and housing benefits.

[41] Variable 2017 subject to the validation of the General Assembly of May 2018

[42] Including exceptional premium in 2017 of €100,000 for the IPO

[43] This amount corresponds to the car benefit.

Gilles BELLEMÈRE (Deputy Chief Executive Officer)	**2017**		**2016**	
	Amount due in respect of 2017[41]	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Total	**338,955**	**181,331**	**175,400**	**149,400**

Pascal SERRES (Deputy Chief Executive Officer until 15th of March 2017)	**2017[44]**		**2016**	
	Amount due in respect of 2017	Amount paid in 2017	Amount due in respect of 2016	Amount paid in 2016
Fixed Compensation	33,333	33,333	160,000	157,500
Variable compensation	22,475	43,608	180,000	180,507
Of which				
Deferred variable compensation	-	21,133	126,000	132,507
Non-deferred variable compensation	22,475	22,475	54,000	48,000
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-	-	-
Exceptional Compensation[45]	-	-	5,336	5,336
Directors' Fees	-	-	-	-
Benefits in kind[46]	378	378	1,816	1,816
Total	**56,187**	**77,320**	**347,152**	**345,159**

[44] For 2017, compensation from the 1st of January until 15th of March 2017

[45] Jubilee plan

[46] This amount corresponds to the car and housing benefits.

15.1.9 Directors' attendance fees and other compensation received by members of the Board of Directors (AMF Table 3)

The table below shows directors' fees and other types of compensation received by the members of the Board of Directors.

	2017 (paid in 2017 for 2016)	2016 (paid in 2016 for 2015)
Giovanni Luca SOMA (Chairman of the Board until 2 March 2017, Board Member)		
Directors' attendance fees	-	-
Other compensation	49,750	809,955
Didier HAUGUEL (Chairman of the Board from 2 March 2017, Board Member)		
Directors' attendance fees	-	-
Other compensation	1,092,718	1,328,198
Société Générale represented by Anne MASCLE-ALLEMAND (Board Member until the 16th of June 2017)		
Directors' attendance fees	-	-
Other compensation	-	-
Karine DESTRE-BOHN (Board Member)		
Directors' attendance fees	-	-
Other compensation	-	-
Jean-Louis KLEIN (Board Member)		
Directors' attendance fees	-	-
Other compensation	-	-
Sylvie RÉMOND (Board Member)		
Directors' attendance fees	-	-
Other compensation	-	-

	2017 (paid in 2017 for 2016)	2016 (paid in 2016 for 2015)
Xavier DURAND (Board Member)		
Directors' attendance fees	-	-
Other compensation	-	-
Christophe PÉRILLAT (Board Member)		
Directors' attendance fees	-	-
Other compensation	-	-
Nathalie LEBOUCHER (Board Member)		
Directors' attendance fees	-	-
Other compensation	-	-
Patricia LACOSTE (Board Member)		
Directors' attendance fees	-	-
Other compensation	-	-

15.1.10 Stock subscription, option plans and performance share grant plans allocated by the Company or by any Group company

The long-term incentive plans referred to below provides for the grant of Société Générale's shares.

In addition, the Shareholder meeting of ALD was given on 20 April 2017 an authorization to grant performance shares (existing or newly issued) to some or all of the Group's employees, subject to the listing of the Company's shares on Euronext Paris.

15.1.10.1 *Stock subscription or purchase options*

Stock subscription or purchase options allocated during the year to each executive officer by the issuer or by any Group company (AMF Table 4)

Name of the executive officer	Plan No. and date	Option type (subscription or purchase)	Valuation of the options using the method used for the consolidated financial statements	Number of options allocated during the financial year	Exercise price	Exercise period
Nil	Nil	Nil	Nil	Nil	Nil	Nil

Stock subscription or purchase options exercised during the year by each executive officer (AMF Table 5)

Name of the Statutory Executive Officer	Plan No. and date	Number of options allocated during the financial year	Exercise price
Giovanni Luca SOMA	Plan 2010 attributed the 09/03/2010	2,567	43.91
Didier HAUGUEL	-	-	-
Michael MASTERSON	-	-	-
Gilles BELLEMÈRE	-	-	-
Tim ALBERTSEN	-	-	-
Pascal SERRES	Plan 2010 attributed the 09/03/2010	395	47.38

History of allocation of stock subscription or purchase options. Information on the stock subscription or purchase options (AMF Table 8)

Shareholders' meeting dated 27 May 2008	Plan 2010 SO 2010-03 L2NR
Board of Directors meetings'	9,March,2010
Number of total subscription[47] or purchase options, of which number are available for subscription or purchased by:	15,102
The Statutory Corporate Officers [48]	
Giovanni Luca SOMA	5,133
Didier HAUGUEL [49]	18,324
Michael MASTERSON	888
Tim ALBERTSEN	790
Gilles BELLEMÈRE	
Pascal SERRES	790
Starting date for option exercise	9 March 2014
Expiration date	8 March 2017
Stock or purchase option price (EUR)[50]	41.2
Number of shares issued on 31 December 2017	4,048
Cumulative number of stock subscription or purchase options cancelled or expired	5,921
Stock subscription or purchase options remaining at year end	0

[47] The personnel costs generated by these option plans are described note 33 of the ALD Registration Document.

[48] The exercise of an option entitles the holder to one share Société Générale share. This table includes adjustments made as a result of capital increases. This line does not take into account the lifts realized since the allocation date. The subscription or purchase price is equal to the average of the 20 stock prices preceding the Board of Directors meeting.

[49] The options were awarded as part of his previous duties as a Head of Financial Services and Insurance. The number of options granted to Didier Hauguel is therefore not included in the total number of options granted to ALD employees.

[50] The subscription or purchase price is equal to the average of the 20 stock market prices preceding Société Générale's Board of Directors meeting.

15.1.10.2 *Stock subscription or purchase options granted to the top ten non-Statutory Corporate Officers employees who received the largest number of options exercised by such employees (Table 9)*

Stock subscription or purchase options granted to the top ten nonexecutive officer employees and options exercised by such employees	**Total number of options awarded / shares subscribed or purchased**	**Weighted average price**
Options granted during the year, by the issuer and by any company included in this scope to the ten employees of the issuer and any company included in this scope, whose number of options awarded is highest (overall figure)	Nil	Nil
Options held in respect of the issuer and the companies previously mentioned exercised during the year by the ten employees of the issuer and such companies whose number of purchased or subscribed options is highest (overall figure)	1,728	45.96

15.1.10.3 *Performance shares*

There was no performance shares plan directly granted by ALD in 2017. However, Société Générale's performance share plan was granted to a limited number of managers, subject to attendance conditions. As at 31 December 2017, 187 employees benefit from 27,777 shares (324 employees benefit from 109,716 shares as at December 31, 2016, 174 employees benefit from 26,580 shares as at December 31, 2015). For further information, see Section 17.2 "Shareholdings and free shares".

In 2017, Giovanni Luca SOMA was granted 2,482 performance shares for a value of €109,456.2,

Didier HAUGUEL was granted 5,931 performance shares for a value of €261,557.1,

Michael MASTERSON wasn’t granted any performance shares in 2017.

Tim ALBERTSEN, Deputy CEO was granted 1,723 performance shares for a value of €75,984 and Gilles BELLEMÈRE, Deputy CEO, was granted 589 performance shares for a value of €25,974.

Performance shares awarded during the fiscal year by each chief executive officer AMF table 6

Performance shares granted during the fiscal year to each chief executive officer	Grant date (board date)	Number of shares granted during the fiscal year	Valuation of shares according to the method used for the consolidated financial statements (IFRS 2)	Vesting date	Availability date	Performance conditions
Didier HAUGUEL	15/03/2017 15/03/2017	1,977 3,954	79,732 172,988	31/03/2020 31/03/2022	02/10/2020 02/10/2022	Op Inc IBFS 2019>0 TSR between 2016 & 2021
Giovanni Luca SOMA	15/03/2017 15/03/2017	1,241 1,241	50,050 54,294	31/03/2020 31/03/2022	02/10/2020 02/10/2022	Op Inc IBFS 2019>0 TSR between 2016 & 2021
Michael MASTERSON	Nil	Nil	Nil	Nil	Nil	Nil
Pascal SERRES	-	-	-		-	-
Tim ALBERTSEN	15/03/2017 15/03/2017	861 862	36,308 34,764	29/03/2019 31/03/2020	29/09/2019 02/10/2020	GNI group 2018>0 RNPG group 2019>0
Gilles BELLEMÈRE	15/03/2017	589	24,178	31/03/2020	31/03/2020	GNI average over the three years preceding the acquisition>0
Total		**10,725**	**452,314**			

Performance shares received during the fiscal year by each chief executive officer (AMF Table 7)

Performance shares received during the fiscal year by each chief executive officer	Number and grant date (board date)	Number of shares received during the fiscal year	Vesting conditions
Nil	Nil	Nil	Nil

Record of performance shares awarded (Table 10)

Information on performance shares

	Plan 2017	Plan 2016	Plan 2015	Plan 2014	Plan 2013
Date of General meeting	18 May 2016	18 May 2016	20 May 2014	22 May 2012	22 May 2012
Date of Board meeting................	15 May 2017	18 May 2016	12 March 2015	13 March 2014	14 March 2013
Total number of shares granted …………………………..	31,327	35,962	26,580	23,121	37,598
Of which number of shares granted to Chief Executive Officers …………………..					
Giovanni Luca SOMA[51]	2,482	2,825	0	0	0
Didier HAUGUEL[52]	5,931				
Michael MASTERSON	0	0	0	0	0
Tim ALBERTSEN	1,723	2,186	0	0	0
Gilles BELLEMÈRE[53]	589				

[51] Its AGAs should not have been included in the total number last year because they were not allocated by ALD.

[52] The performance shares were awarded as part of his previous duties as a Head of Financial Services and Insurance. The number of options granted to Didier Hauguel is therefore not included in the total number of options granted to ALD employees

[53] Appointed Statutory Corporate Officer the 2nd of March 2017. The options were awarded as part of his previous duties as a Regional Director in Société Générale French retail network. The number of options granted to Gilles Bellemère is therefore not included in the total number of options granted to ALD employees

Pascal SERRES	1,088	1,296	0	0	0
Vesting date ………………	See table below	See table below	31 March 2017	31 March 2016	31 March 2015
Holding period end date………	See table below	See table below	31 March 2019	31 March 2018	31 March 2017
Number of shares vested at 31.12.2017……………………..	0	0	5,169	4,219	33,924
Total number of cancelled or lapsed shares…………………..	0	755	1,968	1,800	3,674
Performance shares outstanding at year-end	31,327	35,207	19,443	17,102	0

Attributions of performance shares 2016 detailed:

Date of General meeting…………………		18.05.2016		
Date of Board meeting…………………..		18.05.2016		
Total number of shares granted………….		**35,962**		
Of which number of shares granted to Chief Executive Officers …………………..				
Giovanni Luca SOMA	1,412	0	0	1,413
Michael MASTERSON	0	0	0	0
Tim ALBERTSEN	2,186	0	0	0
Pascal SERRES	1,296	0	0	0
Vesting date ………………	29.03.2018 (1re tranche) 29.03.2019 (2e tranche)	29.03.2019	31.03.2020 31.03.2022 (2e tranche)	31.03.2021
Holding period end date………	30.09.2018 30.09.2019	N/A	01.04.2021 01.04.2023	02.10.2021

Attributions of performance shares 2017 detailed:

Date of General meeting…………………. 18/05/2016

Date of Board meeting…………………… 15/03/2017

Total number of shares granted…………. **31,327**

Of which number of shares granted to Chief Executive Officers …………………..

Giovanni Luca SOMA	1,241			1,241
Didier HAUGUEL	1,977			3,954
Michael MASTERSON	0			
Gilles BELLEMÈRE	589			
Tim ALBERTSEN	1,723			
Pascal SERRES	1,088			
Vesting date ………………				
	29.03.2019 (1re tranche) 31.03.2020 (2e tranche)	31.03.2020	31.03.2021 (1re tranche) 31.03.2023 (2e tranche)	31.03.2022
Holding period end date………	30.09.2019 02.10.2020	N/A	01.04.2022 01.04.2024	02.10.2022

15.2 EMPLOYMENT AGREEMENTS, RETIREMENT PAYMENTS AND DEPARTURE COMPENSATION OF STATUTORY CORPORATE OFFICERS

Supplementary pension allocation plan

The Statutory Corporate Officers retain the benefits of the supplementary pension allocation plan for senior managers that applied to them as employees prior to their appointment as Chief Executive Officers.

This supplementary plan was introduced in 1991. Conforming to the provisions of Article L137-11 of the French Social Security Code, it provides senior executives appointed as of this date, upon claiming their French Social Security pension, with a total pension equal to the product of the following:

- the average, over the last ten years of the career, of the proportion of basic salaries exceeding “Tranche B” of the AGIRC pension increased by a variable part limited to 5% of the basic fixed salary; and
- the rate equal to the number of years of professional service at Société Générale divided by 60, corresponding to an acquisition of potential rights of 1.67% a year, provide that the years of service taken into account cannot exceed 42.

The AGIRC “Tranche C” pension acquired in respect of their professional service at Société Générale is deducted from this total pension.

The supplementary amount covered by Société Générale is increased for beneficiaries who have raised at least three children, as well as for those who retire after the legal retirement age set by Social Security. It may not be less than one-third of the full-rate service value of the AGIRC “Tranche B” points acquired by the senior manager in question.

The rights are subject to the employees being employed by the Company upon claiming their pension.

Each year, potential rights are calculated according to seniority and projected salary at the age of retirement, based on recognised actuarial principles. They are subject to prefinancing with an insurance company.

In respect with French law, the acquisition of potential right is also subject to a performance condition. The rights of the years are vested only if 50% of criteria used to determine the amount of variable are achieved. Below 50%, the rights of the year are lost.

IP Valmy supplementary pension fund

The Statutory Corporate Officers retain the benefits of the supplementary defined contribution plan that applied to them as employees prior to their appointment as Chief Executive Officers.

This defined contribution plan, established within the framework of Article 83 of the French General Tax Code, was implemented in 1995. Membership is compulsory for all employees with at least one year’s seniority in the company and allows beneficiaries to acquire annual deferred life annuity rights of 0.1% of their remuneration, capped at two annual social security caps. This plan is financed 1.5% by the company and 0.5% by employees. It is insured with the company IP Valmy.

In respect with French law, the acquisition of potential right is also subject to a performance condition. The rights of the years are vested only if 50% of criteria used to determine the amount of variable are achieved. Below 50%, the rights of the year are lost.

For 2017, the overall achievement of indicators used for the variable is 102.62%. As a consequence, the rights of year 2017 due to the supplementary pension allocation plan and the IP Valmy supplementary pension fund are vested.

Severance pay

Mr Michael MASTERSON, Mr Tim ALBERTSEN and Mr Gilles BELLEMÈRE's employment contracts being suspended in the context of the listing of the Company's shares on Euronext Paris, it is contemplated that they would be granted an allowance in the event of termination of their respective office by the Board of Directors.

Non-compete clause

Mr Michael MASTERSON, Mr Tim ALBERTSEN and Mr Gilles BELLEMÈRE will be subject to a non-compete obligation for a period of 24 months as from the termination date of their Statutory Corporate Officers' duties and departure date from Société Générale group and compensated in the amount of their fixed salary.

15.2.1 Employment agreements, retirement payments, and departure compensation of Statutory Corporate Officers (AMF Table 11)

	Employment Agreement		**Supplemental pension plan**		**Severance or other benefits due or likely to become due as a result of termination or change of office**		**Compensation under a non-compete clause**	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Giovanni Luca SOMA (Chairman of the Board, Director) Mandate from 27/09/2010 to 2 March 2017	x*		x		x			x
Didier HAUGUEL (Chairman of the Board of Directors) Mandate from 02/03/2017 to 31/12/2020	x*		x		x			x

	Employment Agreement		Supplemental pension plan		Severance or other benefits due or likely to become due as a result of termination or change of office		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Michael MASTERSON (Chief Executive Officer) Mandate from 11/05/2011 to 31/12/2018	x*[1]		x		x		x	
Tim ALBERTSEN (Deputy Chief Executive Officer) Mandate from 11/05/2011 to 31/12/2018	x*[1]		x		x			x
Gilles BELLEMÈRE **(Deputy Chief Executive Officer)** Mandate from 02/03/2017 to 31/12/2018	x*[1]		x		x		x	
Pascal SERRES (Deputy Chief Executive Officer) Mandate from 02/10/02 to 02/03/2017	x*		x		x			x

* Employment agreements with Société Générale.

[1] These employment agreements have been suspended after the contemplated listing of the Company's shares on Euronext Paris.

15.3 AMOUNT OF PROVISIONS MADE OR RECORDED BY THE COMPANY OR BY ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT PLANS OR OTHER BENEFITS

The Company has not made provisions for any amounts for payment of pension or other similar benefits for its Statutory Corporate Officers other than provisions to cover the post-retirement benefits described in Note 27 "Retirement benefit obligations and long term benefits" and in Note 33 "Key management compensation" of the Group's consolidated financial statements for the year ending 31 December 2017.

15.4 ALD SHARE OWNERSHIP AND HOLDING OBLIGATIONS

Since the initial public offer, in line with the AMF's recommendations and in order to align the Chief Executive Officers' interests with those of the Company, the Chief Executive Officers have been required to hold a certain minimum number of ALD shares. On 30rd June 2017, the Board of Directors thus defined the following obligations:
- 28,000 shares for the Chief Executive Officer, Mr. Michael MASTERSON,
- 18,500 shares for the Deputy Chief Executive Officer, Mr. Tim ALBERTSEN,
- 8,500 shares for the Deputy Chief Executive Officer, Mr. Gilles BELLEMÈRE.

These obligations represent 50% of the target compensation package of 2017 (excluding the exceptional premium linked to the success of the initial public offer).

This minimum shareholding requirement must be satisfied by the end of 2022 after five years in office. The Chief Executive Officer and the Deputy Chief Officer should acquire progressively shares with a minimum of 20% per year. A follow up will be made yearly from 2018. End of 2018, the Chief Executive Officer and the Deputy Chief Officers should achieve at least 20% of their obligations.

Due to:

- the fact that ALD is part of Société Générale Group,
- the previous Société Générale share ownership and holding obligations applicable to Michael MASTERSON,

The Board of Directors of the 30rd June 2017, has allowed a partial substitution of ALD shares by Société Générale shares. The parity was fixed for 2017 as 1 Société Générale share for 3 ALD share. This parity will be reviewed yearly. In any case, ALD shares should represent 50% minimum of shares held.

In addition, and in accordance with the law, Chief Executive Officers are required to hold a certain percentage of vested shares granted through ALD share plans, if applicable. For shares, this percentage has been set by the Board at 20% of vested shares. They are prohibited from hedging their shares or options throughout the vesting and holding periods.

CHAPTER 16. RULES APPLICABLE TO CORPORATE BODIES AND MANAGEMENT COMMITTEES

16.1 TERMS OF OFFICE OF MEMBERS OF THE CORPORATE BODIES AND MANAGEMENT BODIES

The terms of office of the members of the Company's Board of Directors and Statutory Corporate Officers can be found in Section 14.1 "Composition of Management and Control Bodies" of this Registration Document.

16.2 INFORMATION ON SERVICE CONTRACTS BETWEEN MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIE AND THE COMPANY OR ANY ONE OF ITS SUBSIDIARIES

To the Company's knowledge, and other than as noted in Chapter 19 "Related-Party Transactions", there are no service contracts between members of the Company's Board of Directors and the Company or any of its subsidiaries providing for the granting of benefits.

16.3 INTERNAL REGULATIONS OF THE BOARD OF DIRECTORS

Internal regulations of the Board of Directors (the "Internal Regulations") describes its composition and duties and the rules governing its functioning in addition to applicable law and regulations and the Bylaws. Information about the powers and functioning of the Board of Directors specified in the Internal Regulations are included in Section 21.2.2 "Board of Directors and Statutory Corporate Officers" of this Registration Document.

The Internal Regulations contain the principal provisions described below.

The Internal Regulations are available on the Company’s website (www.aldautomotive.com).

16.3.1 Participation in the Board of Directors' Meetings, Videoconference and Telecommunication

Members of the Board of Directors who cannot physically attend the meetings of the Board of Directors can inform the Chairman of their intent to participate in the meeting by means of videoconference or any other means of telecommunication, provided that such means satisfies technical requirements ensuring the effective participation of each director in the Board of Directors' meeting. These provisions are not applicable in instances where the law excludes such possibility to participate in Board of Directors' meetings through videoconference or other means of telecommunication. Such resources shall transmit at least the participants' voices, and provide technical features allowing a continuous and simultaneous transmission.

Directors participating in a meeting by means of videoconference or other means of telecommunication will be deemed present for purposes of calculating the quorum and majority.

16.3.2 Decisions Requiring Board Approval

As defined in the Internal Regulations, the CEO may take the following decisions only with the prior approval of the Board of Directors:

- any organic growth transactions of an amount over €30 million in equity or overheads and not yet approved as part of the annual budget or strategic plan;

- any external growth transactions of a unit amount greater than 3% of the Group's consolidated accountable equity, or greater than 1.50% of the Group's consolidated accountable equity, in the event where these transactions do not fall within the priorities of development approved within the strategic plan;

- any sale transactions of an amount over 1.50% of the Group's consolidated accountable equity; and

- any partnership transactions entailing a balancing adjustment of an amount over 1.50% of the Group's consolidated accountable equity.

16.3.3 Activities and evaluation of the Work Performed by the Board of Directors

The new board established within the frame of the listing of the Company has met 4 times since the IPO on 16 June 2017:

- on 16/06/2017 to constitute the new specialized committees;

- on 28/06/2017 to finalize the detailed yearly objectives of the Group Chief Executive Officers, as well as their obligations to hold ALD shares;

- on 03/08/2017 to examine the half-yearly activity report and accounts;

- on 02/11/2017 to examine the third quarter accounts and approve the 2018 budget.

Beyond these core objectives, each session, in line with the internal rules of procedure, is an opportunity to:

- present the works of the audit, internal control and risk committee (the "Audit, Internal Control and Risk Committee"), which proceeds in the course of its meetings to a systematic review of the different risks implied by the activity as well as their related governance;

- present and approve key HR issues (issuance of LTI notably),

- present and approve some specific powers occasionally given to the Executive Officers (regarding bond issuance, the delivery of guarantees to third parties, etc.)

Some ad hoc issues have also been addressed in the course of the year:

- transfer of the head-office to the new premises in Rueil-Malmaison;

- analysis of the share price evolution, feed backs from the roadshows and understanding of the investor base.

External auditors systematically attend the Board meetings on the intermediary and annual accounts and provide independent opinion on the accounts.

Opinions from Audit, Internal Control and Risk Committee and the nomination and compensation committee (the "**Nomination and Compensation Committee**") Chairpersons are consistently solicited prior to any Risk or HR decision.

A first workshop regarding strategy has been organized.

The representant of the Work’s Council - DUP (“*Delegation Unique du Personnel*”) is invited to all meetings of the Board of Directors.

16.4 COMMITTEES OF THE BOARD OF DIRECTORS

Pursuant to article 10 of the internal regulations, the Board of Directors has created committees charged with examining questions submitted to them by the Board of Directors or its Chairman.

As of the listing of Company's shares on Euronext Paris, two committees have been created: the Audit, Internal Control and Risk Committee and the Nomination and Compensation Committee. The compositions of the committees (as set forth below) follows the recommendations of the AFEP-MEDEF Code.

For more details about the Committees, see section 14.1 “Administrative, management and control bodies and statutory corporate officers”.

16.4.1 Audit, Internal Control and Risk Committee

16.4.1.1 *Composition and meetings*

The Audit, Internal Control and Risk Committee is comprised of 3 members, two-thirds (66.7%) of whom are independent members, and none of whom hold management positions in the Group. The members of the Audit, Internal Control and Risk Committee have appropriate accounting and financial skills.

The composition of the Audit, Internal Control and Risk is as follows: Xavier DURAND (independent director) as Chairman, Nathalie LEBOUCHER (independent director)and Karine DESTRE-BOHN.

The Audit, Internal Control and Risk Committee may hear, in addition to the directors, the statutory auditors as well as the executives in charge of internal control and risk management, and compliance.

16.4.1.2 *Duties*

The Audit, Internal Control and Risk Committee, acting under the responsibility of the Board of Directors, has notably the following duties:

- to review the financial statements prior to their submission to the Board of Directors and to ensure the relevance and consistency of the accounting principles and methods applied to establish consolidated accounts;

- to monitor the process for the preparation of the financial information, and in particular its quality and reliability, to make any proposal for its improvement and to ensure that any corrective actions have been implemented in the event of malfunction in the process;

- to issue a recommendation regarding the statutory auditors to be appointed by the General meeting; to issue recommendations to the Board of Directors for the reappointment of the statutory auditors, as well as for their fees;

- to review the working program of the Company's statutory auditors, and more generally, to supervise the legal audit of the statutory and consolidated financial statements by the Company's statutory auditors;

- to ensure compliance by the statutory auditors with the conditions of independence provided by the French Commercial Code, and in particular through the review of their fees granted by the Group as well as any network to which they may belong and by the prior approval of any duty which does not strictly fall within the statutory audit of the accounts;

- to monitor the effectiveness and consistency of the internal control and risk management systems, and if necessary suggest complementary actions; and

- to report to the Board of Directors.

16.4.1.3 *Activities during the 2017 fiscal year*

The Audit, Internal Control and Risk Committee has held 4 meetings in 2017, all members were present at each meeting.

The Chairman of the Board of Directors attends the Audit, Internal Control and Risk Committee meetings, as well as the auditors (these ones also have direct contact with Audit, Internal Control and Risk Committee members without the presence of management).

The first sessions have been used to define the committee set-up, i.e. establishing direct contacts with auditors, the SG department in charge of Periodic Control and the Presidents of the Audit and Risk Committees of the SG Group. The Audit, Internal Control and Risk Committee reviewed the mapping of risks implied by the Company's activity and defined a working schedule so as to review methodically all the key risks implied by ALD activity throughout a 12-month period.

Beyond these initial set up issues, the first 2017 sessions of the Cacir have been dedicated to:

Regarding risks, detailed reviews of credit risk, residual value management, financial structural risks, and reputation and compliance risks.

In terms of finance, works have been centred on the analysis the 1st semester and 3rd quarter accounts.

And concerning Internal Control, works have been focused on :

- the 1st level control framework and results, –
- the periodic control set-up (dedicated resources and presentation of the risk assessment methodology used to cover the audit perimeter).

In addition to that, periodic control outcome are regularly reviewed:

- progress report of Audit Plan,
- review of the yearly assignments and their results,
- review of the pending recommendations
- discussion about the assignments retained for the 2018 Audit Plan.

16.4.2 Nomination and Compensation Committee

16.4.2.1 *Composition and meetings*

The Nomination and Compensation Committee is comprised of 3 members, two-thirds (66.7%) of whom are independent members, and none of whom hold management positions.

The composition of the Nomination and Compensation Committee is as follows: Patricia LACOSTE (independent director) as Chairman, Christophe PÉRILLAT (independent director) and Sylvie RÉMOND.

16.4.2.2 *Duties*

The Nomination and Compensation Committee is a specialised committee of the Board of Directors whose principal duty is to help the Board of Directors in the composition of the managing bodies of the Company and the Group and in determining and regularly evaluating the compensation and benefits of the executives of the Group (including all deferred benefits and/or compensation for voluntary or involuntary departures from the Group).

In this context and in accordance with AFEP-MEDEF Code, the Nomination and Compensation Committee, under the responsibility of the Board of Directors has the following duties, among others:

- to identify and to make proposals to the Board of Directors in relation to the appointment of members of the Board of Directors;
- to suggest nominations to the Board of Directors with a defined objective to ensure balanced representation of men and women within the Board of Directors, and to draft a policy for achieving that objective;

- to perform periodically an evaluation of the structure, size, and composition of the Board and the effectiveness of the Board's work; and

- to prepare the proposals and opinions on compensation to be sent to the Board of Directors, and in particular, regarding the compensation granted to the executive directors and to perform an annual evaluation of the principles of the compensation and benefit policy.

16.4.2.3 *Activities during the 2017 fiscal year*

The Compensation and Nomination Committee has held 2 meetings in 2017, all members were present at each meeting

The Chairman of the Board of Directors attends the Compensation and Nomination Committee meetings, as well as ALD's CEO (who, however, leaves the session whenever his personal situation is discussed) and representatives of ALD and SG Human Resources function (to provide notably the data needed by the committee – such as remuneration benchmarks, etc.)

The works have been centred on the following issues:

- The definition of the 2017 target remuneration schemes for the Chief Executive Officers of the Company, as well as the corresponding detailed objectives and regulatory reports ;

- The definition of holding obligations of ALD shares applying to Chief Executive Officers, as well as to Independent Directors

- The modalities of various incentive schemes for different populations within the company (notably premiums to reward the extra work done for the IPO, as well as long-term incentives);

- The situation regarding gender balance for ALD Group, as well as the actions in progress to promote female staff amongst executive layers.

The Compensation and Nomination Committee has not had to examine new appointments in the course of 2017.

16.5 STATEMENT RELATING TO CORPORATE GOVERNANCE

As from the listing of the Company's shares on Euronext Paris, the Company has followed the recommendations of the AFEP-MEDEF Code, as amended in November 2016.

The AFEP-MEDEF Code to which the Company follows may be consulted on the Internet at the following address: http://www.afep.com

Recommendations of AFEP-MEDEF that are not followed as of the end of 2017	Company's position and justification
Recommendation relating to the meetings of the Board of Directors (Article 10.3): It is recommended that a meeting be set up each year without the senior executive company officers in attendance.	Directors have the option of meeting without the Chairman & CEO's attendance both during and outside board of directors and committee meetings.
Recommendation relating to training sessions for the directors (Article 12)	These trainings are contemplated for 2018.
Recommendation relating to term of directors (paragraphes 13.1 and 13.2) : It is recommended that "*the term of office of the directors, set by the Articles of Association, must not exceed four years so that shareholders are invited to vote with sufficient frequency on their term of office.*" It is recommended that the term should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of Directors.	For historical reasons related to the shareholding structure of the Company before the IPO, the terms of offices of the Directors were not staggered and their term of office was set at 6 years. The new Articles of Association applicable since the IPO provide that the term of office of directors is set at four years as from the Mixed General Meeting of 20 April 2017, with no change in the term of office of current directors at that date. As an exception, the Shareholders' Meeting of April 20, 2017 appointed four new independent directors for terms of two, three and four years respectively, in order to partially introduce a staggering of the directors' terms of office.
Recommendation relating to the holding of ALD shares by the directors who come from SG group (Article 19.2)	This recommendation only applies to independent directors.
Recommendation relating to the presence of a Director representing employees on the Nomination and Compensation Committee (paragraph 17.1): It is recommended […] that an employee-director be a member of it.	Société Générale, our parent company, applies this recommendation.

16.6 INTERNAL CONTROL

The internal control systems implemented by the Group are described in detail in Section 4.3 "Operational risk" and 16.4.1 "Audit, Internal Control and Risk Committee" of this Registration Document.

CHAPTER 17. EMPLOYEES

17.1 DESCRIPTION OF THE WORKFORCE

17.1.1 Evolution of the Workforce

17.1.1.1 *Workforce*

The table below shows the evolution of the workforce over the last three years. All employees, whether with full-time or part-time work contracts, are counted as 1 in the workforce. It excludes the external workforce such as trainees, service providers and consultants.

	31 December		
Headcount	**2017**	**2016**	**2015**
France	1,346	1,445	1,385
Outside of France	4,960	4,475	3,978
Total	**6,306**	**5,920**	**5,363**

17.1.1.2 *Recruitment*

The table below shows the total number of employees recruited over the last three years. These figures include the recruitment of staff when ALD acquires a new company (Section 5.2 "Investments")

	31 December		
Recruitment	**2017**	**2016**	**2015**
France	295	332	202
Outside of France	1,114	997	745
Total	**1,409**	**1,329**	**947**

17.1.1.3 *Departures*

The table below shows the total number of departures (including voluntary and involuntary departures, dismissals for cause and termination by mutual consent) from the Group over the last three years.

	31 December		
Departures	**2017**	**2016**	**2015**
France	208	171	4
Outside of France	808	801	772
Total	**1,016**	**972**	**776**

17.1.2 Breakdown of the workforce

17.1.2.1 *Breakdown by country*

As of 31 December 2017, the breakdown of the Group's workforce by country was as follows:

Regions		Total headcount as of 31 December 2017 (in full-time equivalent)
Western Europe		4,097
Of which	Belgium	244
	France	1,346
	Germany	549
	Italy	601
	Spain	412
	United Kingdom	511
Northern Europe		411
Central and Eastern Europe		992
South America, Africa and Asia		806
TOTAL		**6,306**

17.1.2.2 *Breakdown by type of employment contract*

The table below shows the breakdown of the Group's workforce by type of employment contract over the last three years.

	31 December		
Workforce Distribution by Type of Employment Agreement	**2017**	**2016**	**2015**
Open-ended employment agreements	93%	93%	95%
Short-term employment agreements	7%	7%	5%
Total	**100%**	**100%**	**100%**

17.1.2.3 *Breakdown by socio-professional category*

The table below shows the breakdown of the Group's workforce by socio-professional category over the last three years.

	31 December		
Socio-professional category	**2017**	**2016**	**2015**
Managers	19%	18%	10%
Others (workers, employees, and technicians non-managers)	81%	82%	81%
Total	**100%**	**100%**	**100%**

17.1.2.4 *Breakdown by gender*

The table below shows the breakdown of the Group's workforce by gender as of 31 December 2015, 2016 and 2017.

	31 December		
Workforce Distribution by Gender	**2017**	**2016**	**2015**
Women	45%	44%	45%
Men	55%	56%	55%

17.1.2.5 *Breakdown by age category*

The table below shows the breakdown of the Group's workforce by age category as of 31 December 2015, 2016 and 2017.

Workforce Distribution by age category	31 December 2017	2016	2015
< 25	4.7%	4.6%	4.5%
Between 25 and 35 years old	35.1%	33.9%	34.8%
Between 35 and 45 years old	35.7%	36.9%	37.2%
Between45 and 55 years old	19.4%	19.5%	18.5%
> 55 years old	5.1%	5.1%	5.0%
Total	**100%**	**100%**	**100%**

17.1.3 Human resources policy

The mission of the human resources department is to support the Group's growth, in all of its human and functional components. The Group's human resources policy enables each employee to find the best fit in terms of job assignment and skills corresponding to the business's needs. Therefore, the Group puts the development of individual and collective talent at the centre of its responsibility as an employer. The Group's human resources policy focuses on two key goals:

- providing a fulfilling work environment; and
- promoting employee integration.

17.1.3.1 *Professional Equality*

(i) *Measures to support equality between women and men*

Supporting professional equality between women and men has always been important to the Company. Despite evolving in the automobile environment and having a particularly masculine workforce, the Company does its best to respect professional diversity, a source of social balance and economic efficiency.

Therefore, the Group conducts a policy aimed at achieving professional equality between women and men on a long-term basis. In order to attain this, ALD S.A produces an annual report (*rapport annuel unique)* to its worker's representative in which particular attention is given to the comparative situation of women and men in the Company. This report is based on factual evidence and provides a summary of hiring, training, qualification, working conditions, effective remuneration and balance between personal life and professional life, helping the Group objectively to appreciate the situation in terms of equality between women and men in the Company and define its privileged progress goals.

Pursuant to articles R. 2242-2 of the French Labour Code, ALD S.A must be involved in three of the areas of actions set out in article L. 2323-57 of the French Labour Code which are:

- Hiring;
- Training;

- Career development;
- Qualification;
- Classification;
- Working conditions;
- Effective remuneration; and
- Balance between professional life and exercise of family responsibilities.

ALD France entered into an agreement with the representatives of the trade union relating to professional equality between men and women from January 2007. ALD France renews this agreement every three years to focus its efforts on effective remuneration, balance between professional life and exercise of family responsibilities and training.

(ii) *Measures to promote employment and integration of persons with disabilities*

Since 2008, ALD France has concluded several agreements with trade union representatives to promote the employment and integration of persons with disabilities. ALD France established its *Mission Handicap* as of that year and the proportion of disabled workers has risen from 1.8% in 2008 to 6.05% on January 1, 2018, which is above the legal requirement. The Company intends to go further in its efforts to raise awareness and its efforts in training its workforce. The year 2018 will see the entry into force of a fourth agreement to promote the employment and integration of employees with disabilities. This agreement also provides for the integration of young persons with disabilities having been trained inside the CFA program (Trainees Training Center), who often encounter difficulties in finding an internship or an apprenticeship in companies.

(iii) *Measures to promote the fight against discrimination*

New legal obligations introduced by a French law dated 1 March 2013 have provided the Group with the opportunity to go further in terms of hiring youth and seniors. After conducting an in-depth review of its workforce, especially in terms of age structure, the Company's aim is threefold: sustainable hiring of young co-workers, hiring, and retaining seniors, transmitting knowledge and skills.

To promote the employment of young people, the Group has established anti-discrimination policies, drafted and distributed a special welcome program for young hires and developed its apprenticeship offers. To hire and retain seniors, the Company established anti-discrimination policies in all its internal and external hiring processes as well as along the career path. It also initiated flexibility in terms of working hours for seniors. To promote the transmission of knowledge and skills from one generation to the next, the Group set up educational workshops to help seniors transmit their knowledge.

17.1.3.2 *Compensation policy*

The Group conducts a compensation policy which complies with the standards and regulations in force in each country in which it does business. This policy is intended to ensure that employee compensation is in line with the compensation recorded on the market by valuing an overall envelope that combines monetary compensation and benefits. The monetary compensation includes a fixed compensation which rewards the ability to hold a position satisfactorily through the mastery of skills, to which is added where appropriate a variable compensation which is intended to acknowledge the collective and individual performance, and which depends on the results obtained with regard to objectives defined at the beginning of the year and appreciated according to the context, but also according to the behaviours implemented to achieve them.

As part of the additional compensation, the Group benefits from the long-term incentive program put in place by Société Générale, which helps to keep and motivate certain categories of employees, in particular key executives and strategic talents.

From 2018, some ALD Group employees will benefit from a long-term incentive program in ALD shares:

- Based on the resolution voted by the General Assembly of shareholders of April 2017 for a period of 38 months and a maximum of 0.3% of ALD capital (at the date of the General Assembly) including shares provided within the deferred variable remuneration scheme for executives and regulated staff according to CRDIV regulation,

- subject to a presence condition and a performance condition validated by the Board of Directors of ALD.

This compensation policy is based on global principles which are applied in each country, taking into account their economic, social and competitive context, as well as the legal and regulatory requirements in force, in particular with regards to minimum wages.

All the Group entities respect their social and tax obligations on compensation paid and benefits to employees. Due to the high degree of internationalisation of the Group, the variety of living standards encountered and the large number of foreign currencies involved (28 different currencies on the perimeter concerned), averages covering multiple countries are not meaningful.

17.1.3.3 *Absenteeism*

The table below shows the rate of absenteeism during the fiscal year ended 31 December 2015, 2016 and 2017.

	31 December		
Absenteeism	**2017**	**2016**	**2015**
Rate of absenteeism	2.54%	2.41%	2.68%

17.1.3.4 *Training*

The Group invests heavily in training to enable its employees to evolve, to acquire new skills in line with the realities of the company and their foreseeable professional evolution, and to offer each employee the opportunity to fulfil his or her potential.

In 2016, 4,921 employees were trained for a total of 81,328 hours, approximately 1.8 days of training on average per employee. 85.7% of employees received training in 2016.

In particular, 865 employees of Temsys (ALD France) received training in 2016 for a total of 13,243 hours, in particular through "ALD Campus" and "ALD Excellence" trainings.

In 2017, 5,013 employees were trained for a total of 99,549 hours, approximately 2.1 days of training on average per employee. 83.8% of employees received training in 2017.

In particular, 658 employees of Temsys (ALD France) received training in 2017 for a total of 14,301 hours, in particular through “ALD Campus” and “ALD Excellence” trainings.

17.2 SHAREHOLDINGS AND FREE SHARES

ALD is involved in a free share plan as of 31 December 2017 granted by the parent company, Société Générale. The free shares plan (“AGA”) is granted to a limited number of managers, subject to attendance conditions. As at 31 December 2017, 424 employees benefit from 93,938 shares (324 employees benefit from 109,716 shares as at 31 December 2016 and 174 employees benefit from 26,580 shares as at 31 December 2015).

Société Générale had also granted a free shares plan (“PAGA”) that ended on 31 March 2016. Within this plan all employees were granted 40 Société Générale shares in November 2010, subject to attendance and performance conditions. The vesting period ended in 31 March 2015 for the first 33 section i.e. 16 shares and on 31 March 2016 for the second section i.e. 24 shares. 755 employees in France and 2,802 employees outside the France benefited from this plan.

Société Générale grants rights to its equity instruments directly to the employees of the company: the parent (not the subsidiary) provides these employees of the company with the equity instruments. Therefore, in accordance with IFRS 2, the company shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and recognise a corresponding increase in equity as a contribution from the parent.

17.3 PROFIT-SHARING AGREEMENTS AND INCENTIVE SCHEMES

Employees based in France benefit from the following mechanisms that enable them, with respect to the first mechanism, to share in the Group's capital, and, with respect to the second mechanism, to share in the Société Générale group's profits:

17.3.1 Company Savings Plans and Similar Plans

Pursuant to Articles L. 3323-2 and L. 3323-3 of the French Labour Code, companies with profit-sharing plans are also required to maintain company savings plans. A group or company savings plan is a collective savings system offering employees of the companies belonging to the plan the ability, with the help of their employers, to build investment portfolios. In particular, it can receive amounts under a profit-sharing or incentive agreement, as well as voluntary contributions. Amounts invested in a company savings plan cannot be withdrawn for five years, except in the early-withdrawal cases provided for by law.

The companies of the Société Générale group have an international group savings plan entered into on 8 April 2003. An amendment to the international group savings plans was signed on 22 December 2014. This agreement provides for employee contributions in the amount they chose without exceeding 25% of their annual gross income. The employer contribution is calculated in accordance with the Act of accession or the schedule to the Act of accession.

This group savings plan is open to all employees of the Société Générale group and not just those based in France. Indeed, the Group wishes to enable its employees abroad to benefit from the group savings plan.

17.3.2 Profit-Sharing Agreements

Pursuant to Article L. 3322-2 of the French Labour Code, profit-sharing agreements are required in businesses with more than 50 employees and having a taxable profit of greater than a 5 percent Return on Equity.

The Group's French subsidiaries have distinct profit sharing agreements.

- Profit-sharing agreement at Société Générale group's companies use a formula based on the gross operating income of BDDF (*Banque de détail en France*) minus the cost of risk;

- Profit-sharing at ALD SA and ALD France (Temsys SA) are based on a calculation including the net income minus equity divided by the value added.

17.3.3 Incentive Plan

An incentive plan is an optional mechanism whose purpose is to enable a company to give employees, collectively, an interest in the company's results of operations or performance through the payment of (immediately) cash bonuses pursuant to Article L. 3312-1 of the French Labour Code, defined using a calculation formula contingent on the company's results or performance.

The Group's French subsidiaries have incentive plans except for ALD SA.

- Incentive plans at Société Générale group companies use a formula based on financial compensation and participation of the fiscal year; and

- Incentive plans at ALD France (Temsys SA) are based on a calculation including the operating income generated and the operating income budgeted.

CHAPTER 18. MAJOR SHAREHOLDERS

18.1 SHAREHOLDERS

	December 31, 2017[54]/[55]			
Shareholders	**Number of shares**	**% of share capital**	**Number of theoretical voting rights**	**% of theoretical voting rights**
Société Générale	322,542,852	79.82%	322,542,852	79.82%
Société Générale Participations	50	0.00%	50	0.00%
Société Générale Financial services	10	0.00%	10	0.00%
Various shareholders	81,560,728	20.18%	81,560,728	20.18%
Total	**404,103,640**	**100.00%**	**404,103,640**	**100.00%**

	December 31, 2016[56]			
Shareholders	**Number of shares**	**% of share capital**	**Number of theoretical voting rights**	**% of theoretical voting rights**
Société Générale	40,410,358	99,99%	40,410,358	99.99%
Société Générale Participations	5	0,00%	5	0.00%
Société Générale Financial services	1	0,00%	1	0.00%
Total	**40,410,364**	**100.0%**	**40,410,364**	**100.0%**

	December 31, 2015[57]			
Shareholders	**Number of shares**	**% of share capital**	**Number of theoretical voting rights**	**% of theoretical voting rights**
Société Générale	40,410,358	99.99%	40,410,358	99.99%
Société Générale Participations	5	0.00%	5	0.00%
Société Générale Financial services	1	0.00%	1	0.00%
Total	**40,410,364**	**100.0%**	**40,410,364**	**100.0%**

[54] Number theoretical voting rights is equal to number of exercisable voting rights over 2015, 2016 and 2017

[55] A liquidity contract has been entered into between Kepler Cheuvreux and ALD S.A. as at 1st December 2017. As of 31 December 2017 no self-owned share is held by ALD S.A.

[56] Number theoretical voting rights is equal to number of exercisable voting rights over 2015, 2016 and 2017

[57] Number theoretical voting rights is equal to number of exercisable voting rights over 2015, 2016 and 2017

To the best of the Company’s knowledge, there were no shareholders with direct or indirect holdings of 5% or more of the Company’s share capital or voting rights as of the date of this Registration Document, other than Société Générale, Société Générale Participations and Société Générale Financial services.

18.2 VOTING RIGHTS OF THE SHAREHOLDERS

According to the Bylaws of the Company, each share of the Company entitles to one vote.

The double voting right provided for by article L. 225-113 of the French Commercial Code is expressly excluded by the Bylaws, as effective as of the listing date of the Company's shares on Euronext Paris.

18.3 CONTROL OF THE COMPANY

As of the date of this Registration Document, the Company is controlled by Société Générale.

As from the listing of the Company's shares on Euronext Paris, and to ensure that Société Générale does not unfairly use its control of the Company, the Company follows the recommendations of the AFEP-MEDEF Code applicable to controlled companies. In accordance with these recommendations, at least one-third of the members of the Board of Directors are independent directors. Following the AFEP-MEDEF recommendations on corporate governance, and in particular on the composition of the committees of the Board of Directors, will protect the interests of minority shareholders.

18.4 SHAREHOLDERS' AGREEMENTS

To the Company's knowledge, there is no shareholders' agreement as of the date of this Registration Document.

18.5 AGREEMENTS LIKELY TO LEAD TO A CHANGE OF CONTROL

To the Company's knowledge, there is no agreement as of the date of this Registration Document the implementation of which might lead to a change of control.

18.6 FACTORS THAT COULD COME INTO PLAY IN THE EVENT OF A TAKEOVER BID

Legislative or regulatory reference	Requisite factors	Chapters / sections of the Registration Document
L.225-100-3 1° of the French Commercial Code	The structure of the company's capital;	18.1 Shareholders
L.225-100-3 2° of the French Commercial Code	Statutory restrictions on the exercise of voting rights and share transfers or clauses of agreements provided for in the constitution brought to the Company’s attention pursuant to Article L. 233-11 of the French Commercial Code	18.2 Voting rights of the Shareholders 21.2.3 Rights, privileges and restrictions attached to shares (Articles 8, 11 and 12 of the Article of Association)

L.225-100-3 3° of the French Commercial Code	Direct and indirect holdings in the Company's capital of which it is aware, pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code	18.1 Shareholders
L.225-100-3 4° of the French Commercial Code	A list of holders of any share comprising special rights of control and description of these shares	N/A
L.225-100-3 5° of the French Commercial Code	The control mechanisms provided for any employee shareholding system when the control rights are not exercised by employees	N/A
L.225-100-3 6° of the French Commercial Code	Shareholder agreements of which the company is aware and that could restrict share transfers and the exercise of voting rights	N/A
L.225-100-3 7° of the French Commercial Code	The rules applicable to the appointment and replacement of members of the board of directors or the executive board and to the amendment of the Articles of Association	18.3 Control of the Company 21.2. Provisions of the Articles of Association governing the Board of directors and Statutory Corporate Officers - Internal rules of the Board of Directors 21.2.4 Shareholders' meetings (Articles 18 of the Article of Association)
L.225-100-3 8° of the French Commercial Code	The powers of the board of directors, in particular, share issues or buybacks	21.1.1 Subscribed share capital and authorised but unissued share capital
L.225-100-3 9° of the French Commercial Code	The agreements concluded by the Company which end in the event of change of control of the Company, except if this disclosure, apart from cases of mandatory disclosure under the law, would be adversely affect its interests	21.2.6 Control of the Company In addition, the Company is a party to a number of contacts containing change of control provisions, including International Commitment Agreement, license agreement with SG related to the trademark's ALD Automotive associated with the red and black squared logo, partnership agreement and joint-ventures agreements
L.225-100-3 10° of the French Commercial Code	The agreements providing for compensation to members of the Board of Directors or employees if they resign or are dismissed without due and genuine cause or if their employment ends on account of a takeover bid	15.1.3 Compensation of executive officers 15.2 Employment agreements, retirement payments and departure compensation of Statutory Corporate Officers

CHAPTER 19. RELATED-PARTY TRANSACTIONS

19.1 PRINCIPAL RELATED-PARTY TRANSACTIONS

There are no related-party transactions within the meaning of article L. 225-38 of the French Commercial Code for the fiscal years 2015, 2016 and 2017.

For more information on agreements entered into between the Group and Société Générale, see Section 20. NOTE 33 "RELATED PARTIES" of this Registration Document.

The related party transactions within the meaning of IFRS are described in Note 33 to the Group's consolidated financial statements which are included in Section 20.1 "Group's audited consolidated financial statements for year ended 31 December 2017" of this Registration Document. These transactions relate mainly to key management compensation, sales of goods and services, information technology services, premises, brokerage, insurance policy, corporate services, loans, tax consolidation.

19.2 STATUTORY AUDITORS' SPECIAL REPORTS ON RELATED-PARTY AGREEMENTS AND COMMITMENTS FOR FISCAL YEAR 2017

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France

ALD

Limited Liability Company

1-3 Rue Eugène et Armand Peugeot Corosa

92500 Rueil-Malmaison

Statutory auditors' report on related party agreements and commitments

General Meeting of Shareholders to approve the financial statements for the year ended 31st December 2017

DELOITTE et Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
S.A. au capital de €1.723.040
Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie – Paris La Défense 1
S.A.S à capital variable
Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ALD

Limited Company
1-3 Rue Eugène et Armand Peugeot Corosa
92500 Rueil-Malmaison

Statutory auditors' report on related party agreements and commitments

General Meeting of Shareholders to approve the financial statements for the year ended 31st December 2017

To the Shareholders' Meeting of ALD,

As statutory auditors of your company, we hereby present our report on regulated agreements and commitments.

Our responsibility is to inform you, based on the information given to us, on the main terms and conditions and the reasons justifying the interest for the Company of the agreements and commitments of which we have been informed or which we may have discovered during our audit works. We do not have to express an opinion on their usefulness and validity or to seek the existence of other agreements and commitments. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to assess the benefits arising from these agreements and commitments with a view to their approval.

In addition, it is our responsibility, if necessary, to inform you of the information provided for in Article R. 225-31 of the French Commercial Code relating to the performance, during the past financial year, of agreements and commitments already approved by the general meeting.

We performed the procedures that we considered mandatory in accordance with professional standards applicable in France. These procedures involved to verify the consistency of the information provided with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE GENERAL MEETING FOR APPROVAL

We inform you that we have not been informed about any agreements or commitments authorised and concluded during the past financial year to be submitted to the General Meeting for approval in accordance with the Article L. 225-38 of the French Commercial Code.

Agreements and commitments approved in prior years

We inform you that we have not been given notice of any agreements or commitments already approved by the General Meeting whose execution was ongoing during the past financial year.

Agreements and commitments approved during the past financial year

On the other hand, we have been informed of the implementation, during the past financial year, of the following agreements and commitments, already approved by the General Meeting of 20 April 2017 on the special report of the statutory auditors of 19 April 2017.

1- With Mr. Michael Masterson, General Manager

a) Nature and purpose

Severance pay.

Terms and Conditions

Your Board of Directors authorized the severance package for Mr. Michael Masterson on April 4, 2017.

Severance pay has the following characteristics:

- This indemnity would only be payable in the event of simultaneous termination of the ALD mandate and the employment contract with Société Générale.
- The payment of the indemnity would be subject to the attainment of an overall achievement rate of the variable compensation objectives of at least 50% on average over the three financial years preceding the termination of the mandate; this calculation of the achievement rate would only be made as from the 2017 performance year.
- No severance payment would be due in the event of resignation, non-renewal of the mandate at the initiative of Mr. Michael Masterson or serious misconduct.
- No severance payment would be due in the event of departure in the six months preceding the liquidation of the Social Security pension giving entitlement to the supplementary retirement allowance for senior executives.
- The amount of the indemnity would be two years' fixed remuneration (i.e. 700,000 euros), from which will be deducted any indemnity due in respect of the termination of the employment contract.

Subject to changes in the regulatory framework, this compensation will be paid in accordance with the terms of the variable compensation, i.e. partly deferred over time, and combining payments in cash and shares or share equivalents.

In addition, the amount paid under this allowance may be reduced to comply with the overall limit of 200% of the fixed compensation applicable to the variable component allocated.

The reason is provided by the CNCC just for new agreements

b) Nature and purpose

Non-compete clause.

Terms and Conditions

Your Board of Directors authorized the non-competition clause in favour of Mr. Michael Masterson on April 4, 2017.

Mr. Michael Masterson will be subject to a non-compete obligation for a period of twenty-four months from the effective termination of his duties. This clause will prohibit him from creating an activity directly or indirectly competing with ALD or from exercising management functions within a company in the long-term leasing, fleet management or mobility solutions sector on the European continent and in the United Kingdom. In return, Mr. Michael Masterson shall be entitled to receive for a period of twenty-four months from the effective termination of his duties a gross monthly lump sum equal to the last fixed gross monthly salary received. However, the company may waive this clause.

It is specified that any breach of the non-compete obligation will result in the immediate payment of a sum equal to twenty-four months' gross fixed remuneration by Mr. Michael Masterson. Société Générale will be released from the obligation to pay the aforementioned financial consideration and may, in addition, demand the repayment of any financial consideration already paid since the breach of the obligation was established.

In no case shall the combination of this indemnity and the severance indemnity in favour of Mr. Michael Masterson exceed the ceiling of two years of fixed and variable annual compensation recommended by the AFEP-MEDEF Code, including any other termination indemnity linked to the employment contract. Termination benefits will, where applicable, be included in the total variable compensation for the year of departure, which is capped at 200% of fixed compensation in accordance with the CRD4 directive.

c) Nature and purpose

Retirement commitment

Terms and Conditions

Your Board of Directors authorized Mr. Michael Masterson’s retirement benefit on April 4, 2017.

Under the terms of this commitment, Mr. Michael Masterson retains the benefit of the supplementary retirement allowance plans for Société Générale's senior executives and the Valmy IP that applied to him as an employee.

The rights are conditional upon Mr. Michael Masterson's presence in the company at the time of the liquidation of his retirement, as well as the achievement of 50% of the performance conditions of Mr. Michael Masterson's variable compensation for the same year. It should be specified that the determination of the increase in contingent rights is subject to performance conditions and that contingent rights may not increase annually by more than 3% of the remuneration used as a reference for the calculation.

2- With Mr. Tim Albertsen, Deputy Managing Director

a) Nature and purpose

Severance pay.

Terms and Conditions

Your Board of Directors authorized the severance package for Mr. Tim Albertsen on April 4, 2017.

Severance pay has the following characteristics:

- This indemnity would only be payable in the event of simultaneous termination of the ALD mandate and the employment contract with Société Générale.
- The payment of the indemnity would be subject to the attainment of an overall achievement rate of the variable compensation objectives of at least 50% on average over the three financial years preceding the termination of the mandate; this calculation of the achievement rate would only be made as from the 2017 performance year.
- No severance payment would be due in the event of resignation, non-renewal of the mandate at the initiative of Mr Tim Albertsen or serious misconduct.
- No severance payment would be due in the event of departure in the six months preceding the liquidation of the Social Security pension giving entitlement to the supplementary retirement allowance for senior executives.
- The amount of the indemnity would be two years' fixed remuneration (i.e. 500,000 euros), from which will be deducted any indemnity due in respect of the termination of the employment contract.

Subject to changes in the regulatory framework, this compensation will be paid in accordance with the terms of the variable compensation, i.e. partly deferred over time, and combining payments in cash and shares or share equivalents. In addition, the amount paid under this allowance may be reduced to comply with the overall limit of 200% of the fixed compensation applicable to the variable component allocated.

b) Nature and purpose

Non-compete clause.

Terms and Conditions

Your Board of Directors authorized the non-competition clause in favour of Mr. Tim Albertsen on April 4, 2017.

Mr. Tim Albertsen is subject to a non-compete obligation for a period of twenty-four months from the effective termination of his duties. This clause will prohibit him from creating an activity directly or indirectly competing with ALD or from exercising management functions within a company in the long-term leasing, fleet management or mobility solutions sector on the European continent and in the United Kingdom. In return, Mr. Tim Albertsen shall be entitled to receive for a period of twenty-four months from the effective termination of his duties a gross monthly lump sum equal to the last fixed gross monthly salary received. However, the company may waive this clause.

It is specified that any breach of the non-compete obligation will result in the immediate payment of a sum equal to twenty-four months' gross fixed remuneration by Mr Tim Albertsen. Société Générale will be released from the obligation to pay the aforementioned financial consideration and may, in addition, demand the repayment of any financial consideration already paid since the breach of the obligation was established.

In no case shall the combination of this indemnity and the severance indemnity in favour of Mr Tim Albertsen exceed the ceiling of two years' fixed and variable annual compensation recommended by the AFEP-MEDEF Code, including any other termination indemnity linked to the employment contract. Termination benefits will, where applicable, be included in the total variable compensation for the year of departure, which is capped at 200% of fixed compensation in accordance with the CRD4 directive.

c) Nature and purpose

Retirement commitment.

Terms and Conditions

Your Board of Directors authorized Mr. Tim Albertsen’s retirement commitment on April 4, 2017.

Under the terms of this commitment, Mr. Tim Albertsen retains the benefit of the supplementary retirement allowance plans for Société Générale executives and the Valmy IP that applied to him as an employee.

The rights are conditional upon Mr. Tim Albertsen's presence in the company at the time of the liquidation of his retirement, as well as the achievement of 50% of the performance conditions of Mr. Tim Albertsen's variable compensation for the same year. It should be specified that the determination of the increase in contingent rights is subject to performance conditions, and that contingent rights may not increase annually by more than 3% of the remuneration used as a reference for the calculation.

3- With Mr. Gilles Bellemere, Executive Vice-President

a) Nature and purpose

Severance pay.

Terms and Conditions

Your Board of Directors authorized the severance package for Mr. Gilles Bellemere on April 4, 2017.

Severance pay has the following characteristics:

- This indemnity would only be payable in the event of simultaneous termination of the ALD mandate and the employment contract with Société Générale.
- The payment of the indemnity would be subject to the attainment of an overall achievement rate of the variable compensation objectives of at least 50% on average over the three financial years preceding the termination of the mandate;

this calculation of the achievement rate would only be made as from the 2017 performance year.

- No severance payment would be due in the event of resignation, non-renewal of the mandate at the initiative of Mr. Gilles Bellemere or serious misconduct.
- No severance payment would be due in the event of departure in the six months preceding the liquidation of the Social Security pension giving entitlement to the supplementary retirement allowance for senior executives.
- The amount of the indemnity would be two years' fixed remuneration (i.e. 360,000 euros), from which will be deducted any indemnity due in respect of the termination of the employment contract.

Subject to changes in the regulatory framework, this compensation will be paid in accordance with the terms of the variable compensation, i.e. partly deferred over time, and combining payments in cash and shares or share equivalents. In addition, the amount paid under this allowance may be reduced to comply with the overall limit of 200% of the fixed compensation applicable to the variable component allocated.

b) Nature and purpose

Non-compete clause.

Terms and Conditions

Your Board of Directors authorized the non-competition clause in favour of Mr. Gilles Bellemere on April 4, 2017.

Mr. Gilles Bellemere will be subject to a non-compete obligation for a period of twenty-four months from the effective termination of his duties. This clause will prohibit him from creating an activity directly or indirectly competing with ALD or from exercising management functions within a company in the long-term leasing, fleet management or mobility solution sector on the European continent and in the United Kingdom. In return, Mr. Gilles Bellemere shall be entitled to receive, for a period of twenty-four months from the effective termination of his duties a gross monthly lump sum equal to the last fixed gross monthly salary received. However, the company may waive this clause.

It is specified that any breach of the non-compete obligation will result in the immediate payment of a sum equal to twenty-four months' gross fixed remuneration by Mr. Gilles Bellemere. Société Générale will be released from the obligation to pay the aforementioned financial consideration and may, in addition, demand the repayment of any financial consideration already paid since the breach of the obligation.

In no case shall the combination of this indemnity and the severance indemnity in favour of Mr. Gilles Bellemere exceed the ceiling of two years' fixed and variable annual compensation recommended by the AFEP-MEDEF Code, including any other termination indemnity linked to the employment contract. Termination benefits will, where applicable, be included in the total variable compensation for the year of departure, which is capped at 200% of fixed compensation in accordance with the CRD4 directive.

c) Nature and purpose

Retirement commitment.

Terms and Conditions

Your Board of Directors authorized Mr. Gilles Bellemere's retirement benefit on April 4, 2017.

Under the terms of this commitment, Mr. Gilles Bellemere retains the benefit of the supplementary retirement allowance plans for Societe Generale executives and the Valmy IP that applied to him as an employee.

The rights are conditional upon Mr. Gilles Bellemere's presence in the company at the time of the liquidation of his retirement, as well as the achievement of 50% of the performance conditions of Mr. Gilles Bellemere's variable compensation for the same year. It should be specified that the determination of the increase in contingent rights is subject to performance conditions, and that contingent rights may not increase annually by more than 3% of the remuneration used as a reference for the calculation.

Paris-La Défense et Neuilly-sur-Seine, on 16 April 2018

Original report in French signed by statutory auditors

ERNST & YOUNG et Autres	DELOITTE & ASSOCIES
Micha MISSAKIAN	Jean-Marc MICKELER

CHAPTER 20. FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

In accordance with Article 28 of European Regulation No. 809/2004 dated April 29, 2004, the following information is incorporated by reference in this Registration Document: the consolidated financial statements and the Statutory Auditors' report for the years ended December 31, 2016 and December 31, 2015 set out on pages 255 to 336 and 337 to 340 of the Registration Document registered with the French financial markets authority (Autorité des marchés financiers – AMF) on May 11, 2017 under number I.17-042.

20.1 GROUP'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2017

ALD

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

SUMMARY

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Consolidated income statement

(In EUR million)	Notes	Year ended December 31, 2017	2016(*)
Leasing contract revenues	**7a,7d**	3,910.3	3,520.7
Leasing contract costs - depreciation	**7a**	(3,094.9)	(2,795.8)
Leasing contract costs - financing	**7a**	(229.6)	(205.9)
Unrealised gains/losses on financial instruments	**7a**	(11.2)	(4.9)
Leasing contract margin		**574.5**	**514.1**
Services revenues	**7b,7d**	1,807.1	1,667.0
Cost of services revenues	**7b**	(1,214.1)	(1,138.4)
Services margin		**593.0**	**528.6**
Proceeds of cars sold	**7c,7d**	2,549.0	2,377.7
Cost of cars sold	**7c**	(2,383.8)	(2,176.2)
Car sales result		**165.3**	**201.5**
GROSS OPERATING INCOME		**1,332.8**	**1,244.2**
Staff expenses	**9**	(379.0)	(342.5)
General and administrative expenses	**10**	(193.8)	(189.0)
Depreciation and amortisation	**11**	(25.2)	(21.5)
Total operating expenses		**(598.0)**	**(553.1)**
Impairment charges on receivables	**8**	(22.4)	(23.8)
Non-recurring income (expenses)	**12**	(0.0)	(2.0)
OPERATING RESULT		**712.4**	**665.3**
Share of profit of associates and jointly controlled entities		1.2	0.7
Profit before tax		**713.6**	**666.1**
Income tax expense	**13**	(140.4)	(150.4)
Net income		**573.2**	**515.7**
Net income attributable to:			
Owners of the Company		**567.6**	**511.7**
Non-controlling interests		5.6	4.0
Earnings per share for net income attributable to the owners of the parent:			
Basic and diluted earnings per share (in cents)	**31**	**1.40**	**1.27**

(*) The format of our consolidated income statement ended December, 2016 has been changed to conform to the new format used to improve the understanding of the Group's financial results and performance. This new format has been adopted for the first time in the Consolidated Financial Statements for the years ended 31 December 2016, 2015, 2014 prepared for the purpose of the IPO of ALD on Euronext Paris and differs from the format of Consolidated income statement presented in the 2016 annual Consolidated Financial Statements.

Consolidated statement of comprehensive income

(in EUR million)	Notes	Year ended December 31, 2017	2016[*]
Net income		**573.2**	**515.7**
Items that will not be reclassified subsequently to profit or loss		**0.7**	**(1.2)**
Changes in actuarial gain/(Loss) on retirement benefit, before tax		1.0	(1.7)
Deferred tax on actuarial gain/(Loss) on retirement benefit		(0.3)	0.5
Items that may be reclassified subsequently to profit or loss		**(27.2)**	**(15.3)**
Changes in cash flow hedges, before tax	**18**	(1.4)	(13.8)
Deferred tax on cash flow hedges		0.7	3.9
Currency translation differences		(26.5)	(5.4)
Other comprehensive income for the year, net of tax		**(26.5)**	**(16.4)**
Total comprehensive income for the period		**546.7**	**499.3**
Attributable to			
Owners of the Company		541.8	495.6
Non-controlling interests		4.9	3.7
Total comprehensive income attributable to owners of the parent arises from:			
- Continuing operations		541.8	495.5

[*] The format of our consolidated statement of comprehensive income ended December, 2016 has been changed to conform to the new format used to improve the understanding of the Group's financial results and performance. This new format has been adopted for the first time in the Consolidated Financial Statements for the years ended 31 December 2016, 2015, 2014 prepared for the purpose of the IPO of ALD on Euronext Paris and differs from the format of Consolidated Statement of comprehensive income presented in the 2016 annual Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

(in EUR million)	Notes	Year ended December 31, 2017	2016
ASSETS			
Rental fleet	14	16,336.1	14,075.0
Other property and equipment	15	94.4	75.3
Goodwill	16	528.8	424.4
Other intangible assets	15	34.4	29.0
Investments in associates and jointly controlled entities	17	6.8	6.0
Derivative financial instruments	18	17.8	68.9
Deferred tax assets	13	142.4	123.6
Other non-current financial assets	19	830.5	980.2
Non-current assets		**17,991.2**	**15,782.4**
Inventories	20	254.8	209.5
Receivables from clients and financial institutions	21	1,438.0	1,270.4
Current income tax receivable		111.2	113.3
Other receivables and prepayments	22	904.6	670.8
Derivative financial instruments	18	11.0	9.4
Other current financial assets	19	316.8	288.4
Cash and cash equivalents	23	194.6	164.6
Current assets		**3,230.9**	**2,726.2**
Total assets		**21,222.2**	**18,508.6**
EQUITY AND LIABILITIES			
Share capital		606.2	606.1
Share premium	25	375.1	375.1
Retained earnings and other reserves		1,815.6	1,484.9
Net income		567.6	511.7
Equity attributable to owners of the parent		**3,364.5**	**2,977.6**
Non-controlling interests		33.8	34.9
Total equity		**3,398.2**	**3,012.6**
Borrowings from financial institutions	26	7,660.9	7,665.6
Bonds and notes issued	26	2,282.4	1,916.7
Derivative financial instruments	18	16.6	47.6
Deferred tax liabilities	13	242.2	206.3
Retirement benefit obligations and long term benefits	27	19.1	19.5
Provisions	28	96.5	100.1
Non-current liabilities		**10,317.7**	**9,955.8**
Borrowings from financial institutions	26	4,188.6	2,284.8
Bonds and notes issued	26	997.9	999.6
Trade and other payables	29	2,061.2	1,985.6
Derivative financial instruments	18	9.8	4.4
Current income tax liabilities		90.1	123.4
Provisions	28	158.7	142.3
Current liabilities		**7,506.3**	**5,540.2**
Total liabilities		**17,823.9**	**15,496.0**
Total equity and liabilities		**21,222.2**	**18,508.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the company

(in EUR million)

	Share capital	Share premium	Translation reserves	Hedging reserve	Actuarial gain/(loss) reserve	Other capital reserves	Retained earnings	Net income	Equity attributable to the owners of the parent	Non-controlling interests	Total equity
Balance As at January 1, 2016	**606.1**	**475.1**	**(80.2)**	**(1.9)**	**(3.2)**	**5.5**	**1,304.4**	**424.3**	**2,730.1**	**32.0**	**2,762.1**
Changes in cash flow hedges	-	-	-	(9.9)	-	-	-	-	**(9.9)**	-	**(9.9)**
Actuarial gain/(loss) on post employment benefit obligations	-	-	-	-	(1.2)	-	-	-	**(1.2)**	-	**(1.2)**
Currency translation differences	-	-	(5.1)	-	-	-	-	-	**(5.1)**	(0.3)	**(5.4)**
Other comprehensive income	**-**	**-**	**(5.1)**	**(9.9)**	**(1.2)**	**-**	**-**	**-**	**(16.2)**	**(0.3)**	**(16.5)**
Net income (*)	-	-	-	-	-	-	-	511.7	**511.7**	4.0	**515.7**
Total comprehensive income for the period	**-**	**-**	**(5.1)**	**(9.9)**	**(1.2)**	**-**	**-**	**511.7**	**495.5**	**3.7**	**499.2**
Proceeds from shares issued	-	-	-	-	-	-	-	-	-	-	-
Share-Based payments	-	-	-	-	-	1.7	-	-	**1.7**	-	**1.7**
Dividends	-	-	-	-	-	-	(149.5)	-	**(149.5)**	(0.9)	**(150.4)**
Scope changes	-	(100.0)	-	-	-	-	(0.2)	-	**(100.2)**	-	**(100.2)**
Appropriation of net income	-	-	-	-	-	-	424.3	(424.3)	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Balance As at December 31, 2016	**606.1**	**375.1**	**(85.3)**	**(11.8)**	**(4.4)**	**7.2**	**1,579.0**	**511.7**	**2,977.7**	**34.8**	**3,012.4**
Balance As at January 1, 2017	**606.1**	**375.1**	**(85.3)**	**(11.8)**	**(4.4)**	**7.2**	**1,579.0**	**511.7**	**2,977.7**	**34.8**	**3,012.4**
Changes in cash flow hedges	-	-	-	(0.7)	-	-	-	-	**(0.7)**	-	**(0.7)**
Actuarial gain/(loss) on post employment benefit obligations	-	-	-	-	0.7	-	-	-	**0.7**	-	**0.7**
Currency translation differences	-	-	(25.8)	-	-	-	-	-	**(25.8)**	(0.7)	**(26.5)**
Other comprehensive income	**-**	**-**	**(25.8)**	**(0.7)**	**0.7**	**-**	**-**	**-**	**(25.8)**	**(0.7)**	**(26.5)**
Net income	-	-	-	-	-	-	-	567.6	**567.6**	5.6	**573.2**
Total comprehensive income for the period	**-**	**-**	**(25.8)**	**(0.7)**	**0.7**	**-**	**-**	**567.6**	**541.8**	**4.9**	**546.7**
Proceeds from shares issued	-	-	-	-	-	-	-	-	-	-	-
Share-Based payments	-	-	-	-	-	0.5	-	-	**0.5**	-	**0.5**
Dividends	-	-	-	-	-	-	(155.6)	-	**(155.6)**	(5.8)	**(161.4)**
Scope changes	-	-	-	-	-	-	(0.0)	-	**(0.0)**	-	**(0.0)**
Appropriation of net income	-	-	-	-	-	-	511.7	(511.7)	-	-	-
Other	0.0	-	-	-	-	-	-	-	**0.0**	(0.0)	**(0.0)**
Balance As at December 31, 2017	**606.2**	**375.1**	**(111.1)**	**(12.5)**	**(3.7)**	**7.7**	**1,935.2**	**567.6**	**3,364.5**	**33.8**	**3,398.2**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR million)	Notes	Year ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax excluding discontinued operations		**713.6**	**666.1**
Adjustments for:			
Rental Fleet	**14**	3,181.2	2,846.2
Other property and equipment	**15**	17.7	15.3
Intangible assets	**15**	7.3	6.1
Financial assets		0.0	-
Regulated prov., contingency and expenses provisions		11.8	9.0
Depreciation and provision		**3,217.9**	**2,876.6**
NBV on disposal of other property and equipment	**15**	13.7	9.5
NBV on disposal of intangible assets	**15**	1.2	0.4
Profit and losses on disposal of assets		**14.8**	**9.9**
Fair value of derivative financial instruments		18.6	(3.4)
Interest Charges		229.6	205.9
Interest Income		(793.4)	(713.9)
Net interest income	**2.24**	**(563.8)**	**(508.1)**
Other (*)		(0.6)	1.5
Amounts received for disposal of rental fleet	**14**	2,513.9	2,157.2
Amounts paid for acquisition of rental fleet	**14**	(7,698.3)	(6,724.7)
Change in working capital		(374.2)	(167.7)
Interest Paid		(251.3)	(171.0)
Interest Received		821.6	741.3
Net interest paid		**570.4**	**570.2**
Income taxes paid		(148.0)	(108.2)
Cash generated from operations (continuing activities)		**(1,735.6)**	**(1,230.9)**
Net cash inflow/(outflow) from operating activities		**(1,735.6)**	**(1,230.9)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of other property and equipment		-	-
Acquisition of other property and equipment	**15**	(50.2)	(34.3)
Divestments of intangible assets		-	-
Acquisition of intangible assets	**15**	(14.3)	(14.6)
Proceeds from sale of financial assets		-	-
Acquisition of financial assets (non consolidated securities)		-	(0.2)
Effect of change in group structure		(125.1)	(328.3)
Dividends received		0.0	(0.0)
Long term investment		152.0	90.2
Loans and receivables from related parties		1.6	(14.9)
Other financial investment		(30.1)	(51.7)
Cash flows from investing activities (continuing activities)		**(66.1)**	**(353.8)**
Cash flows from investing activities (discontinued operations)		-	-
Net cash inflow/(outflow) from investing activities		**(66.1)**	**(353.8)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings from financial institutions		8,637.7	10,398.5
Repayment of borrowings from financial institutions		(7,020.7)	(8,872.3)
Proceeds from issued bonds		1,400.1	536.0
Repayment of issued bonds		(1,020.1)	(528.0)
Dividends paid to company's shareholders	**30**	(155.6)	(149.5)
Dividends paid to minority interest		(5.8)	(0.9)
Increase/decrease in shareholders capital		-	(100.2)
Other		-	-
Cash flows from financing activities (continuing activities)		**1,835.5**	**1,283.7**
Cash flows from financing activities (discontinued operations)		-	-
Net cash inflow/(outflow) from financing activities		**1,835.5**	**1,283.7**
Exchange gains/(losses) on cash and cash equivalents		**(2.3)**	**(6.0)**
Effect of change in accounting policies		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**31.5**	**(307.0)**
Cash & cash equivalents at the beginning of the period	**23**	**(24.8)**	**282.3**
Cash & cash equivalents at the end of the period	**23**	**6.7**	**(24.8)**

(*) Including mainly the unrealised foreign exchange gains or losses (note 7.b)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

ALD ("the Company") and its subsidiaries (together "the Group") is a service leasing and vehicle fleet management group with a fleet of more than 1,510,000 vehicles. The Group provides financing and management services in 43 countries in the world including the following businesses:

- Full service leasing : Under a full-service lease, the client pays the leasing company a regular monthly lease payment to cover financing, depreciation of the vehicle and the cost of various services provided in relation to the use of the vehicle (such as maintenance, replacement car, tyre management, fuel cards and insurance).
- Fleet management: Fleet management services include the provision of outsourcing contracts to clients under which the vehicle is not owned by the Group but is managed by the Group and for which the client pays fees for the various fleet management services provided. These services are generally identical to those listed under the full-service leasing above, with the exception of the financing service, as the vehicle is owned by the client.

The company is a French « Société Anonyme » incorporated in Société Générale group. Its registered office is located at 1-3 Rue Eugène et Armand Peugeot Corosa 92500 Rueil-Malmaison.

The company is a subsidiary of the Société Générale group.

The consolidated financial statements are presented in millions of Euros, which is the Group's presentation currency and values are rounded to the nearest million, unless otherwise indicated. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

These consolidated financial statements were authorised for issue by ALD S.A.'s Board of directors on March 29, 2017.

1.1. MAJOR EVENTS OF THE PERIOD

Completion of IPO

On 5 June 2017, ALD announced the launch of its initial public offering (the "**IPO**") on the regulated market of Euronext Paris (Compartment A). The price of the French retail offering ("**French Public Offering**") and the international offering ("**International Offering**", and together with the French Public Offering, the "**Global Offering**") was €14.30 per share (the "**Offering Price**").

ALD's shares started trading on the regulated market of Euronext Paris on 16 June 2017 and the settlement of the Global Offering took place on 19 June 2017. The total number of ALD shares sold in connection with the IPO totalled 81,560,728 ordinary shares, representing 20.18% of the company's share capital, resulting in the total amount of the offering being approximately €1,166 million.

The IPO is intended to enable the Group to gain visibility and reputation in the mobility ecosystem as well as to access new means of financing and to increase its capacity to accelerate its development and to seize new growth opportunities in both the corporate and business-to-customer markets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. PRESENTATION FORMAT OF FINANCIAL STATEMENTS

The presentation of the Consolidated Income Statement has been amended for the first time in the consolidated financial statements for the years ended December 31, 2016, 2015, 2014 prepared for the purpose of the admission of the shares of ALD to trading on Euronext in Paris.

In this Consolidated Income Statement, 'Revenues' included amounts related directly to the lease instalments as well as the Proceeds of Cars Sold.

The new presentation of the Group of its 'Revenues' is explained in Note 7. As described in Note 2.23, 'Revenue Recognition', revenues of the Group predominantly comprise rental income and other services provided to lessees of fleet vehicles, as well as proceeds of the sale of vehicles at the end of the lease contracts.

Rental income comprises the financial lease instalment and service revenues (maintenance and tyres, insurance, replacement cars and other services). The financial lease instalment is made up of Leasing contract revenues directly linked with the contractual agreements concluded with customers that define the contractual residual value and interest rate. Leasing contract revenues are the operating lease instalments charged on a straight line basis to clients for the right to use the leased assets. These revenues effectively comprise a component to reflect the expected depreciation of the leased asset and a component related to the interest for funding the asset over the lease period.

The income statement presentation has been amended to give a better understanding of the Group's operational performance. The Consolidated Income Statement has been amended to show the contribution of three different revenues and margins which comprise Gross Operating Income in order to provide readers of the financial statements a clearer view of the total income for the period:

- **Leasing contract revenues and related margin**: Revenue from leasing contracts (comprising revenues from operating leases and finance lease interest) are netted with the corresponding depreciation of the operating lease assets and their related financing costs (together with unrealized gains / losses on financial instruments).

- **Services Revenue and related Services margin**: Revenue from maintenance and tyres, insurance, replacement cars and other services) are netted with the related costs of providing such services. This margin measures the performance of each different nature of services rendered by the Group

- **Car Resale proceeds and margin**: Proceeds from the sale of vehicles after the end of the lease contracts are netted against the net book value of those vehicles. This margin measures the net gains on the resale of the leased vehicles at the end of the contracts.

Changes were also made to the composition of the Segments as detailed further in Note 5.The changes in presentation can be summarised as follows:

Consolidated Income Statement Category	**Explanation of the presentation of the Consolidated Financial Statements for the period ended December 31, 2017 and the corresponding impact on the Restated Consolidated Financial Statements for the period ended December 31, 2016**
Revenues	The Revenues for Leasing contracts, Services and Car resale proceeds have been analysed into its constituent parts in the Consolidated Financial Statements for the period ended December 31, 2017. In the Consolidated Financial Statements for the period ended December 31, 2016, the detail of the Revenues for these components is disclosed in Note 7.
Cost of Revenues	The Cost of Revenues for Leasing contracts, Services and Cost of cars sold have been analysed into its constituent parts in the Consolidated Financial Statements for the period ended December 31, 2017. In the Consolidated Financial Statements for the period ended December 31, 2016, the detail of the Revenues for these components is disclosed in Note 7.
Leasing contract margin, Services Margin and Car Sales Result	Leasing contract margin, Services margin and Car Sales Result as disclosed in the Consolidated Financial Statements for the period ended December 31, 2017 represents the Gross profit as disclosed in the Consolidated Financial Statements for the period ended December 31, 2016.
Unrealised gains / losses on financial instruments	Unrealised gains / losses on financial instruments have been reclassified within Leasing contract margin in the Consolidated Financial Statements for the period ended December 31, 2017. In the Consolidated Financial Statements for the period ended December 31, 2016, the Unrealised gains/ losses on financial instruments were disclosed separately below Net Interest Income.
Impairment Charges on Receivables	Impairment Charges on Receivables have been reclassified after Total Operating Expenses in the Consolidated Financial Statements for the period ended December 31, 2017. In the Consolidated Financial Statements for the period ended December 31, 2016, the Impairment Charges on Receivables were disclosed as part of the Total Operating and Net Finance Income.
Gross Operating Income	Gross Operating Income as per the Consolidated Financial Statements for the period ended December 31, 2017 is equivalent to the Total Operating and Net Finance Income as per the Consolidated Financial Statements for the period ended December 31, 2016. The Total Income in the Consolidated Financial Statements for the period ended December 31, 2016 is different to the Total Operating and Net Finance Income due to the reclassification of Impairment Charges on Receivables being shown after Total Income and Total Current Operating Expenses

2.2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The standards comprise IFRS 1 to 13 and International Accounting Standards (IAS) 1 to 41, as well as the interpretations of these standards adopted by the European Union as at December 31, 2017.

2.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.3.1. New and amended standards and Interpretations applicable as from January 1, 2017

The Group has adopted the following new standards, amendments and interpretations to published standards for the first time for the financial year beginning January 1, 2017:

Accounting standards, amendments or Interpretations	**Publication dates by IASB**	**Adoption dates by The European Union**
Amendment to IAS 7 “Statement of Cash-Flow”	01/01/2017	06/11/2017
Amendment to IAS 12 “Income taxes”	01/01/2017	06/11/2017

Amendment to IAS 7 “Statement of Cash-Flow”

Entities are now required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and noncash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Amendments to IAS 7 ”Statement of Cash-Flow” have no impact on ALD as of December 31st, 2017 (see Note 26)
Total borrowings from financial institutions and bonds

Amendment to IAS 12 “Income taxes”

Amendments made to IAS 12 in January 2017 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.

- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

Amendments to IAS "Income taxes" have no impact on ALD as of December 31st, 2017.

Annual improvements to IFRS 2014-2016 include amendments to IFRS 12. The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for the summarised financial information.

2.3.2. Standards and Interpretations adopted by the IASB but not yet applicable at December 31, 2017

A number of new standards and amendments to standards and interpretations are non-effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

IFRS 9 "Financial Instruments", applicable to reporting periods beginning on or after January 1, 2018

This standard aims to replace IAS 39. IFRS 9 determines new requirements for classifying and measuring financial assets and financial liabilities, the new credit risk impairment methodology for financial assets and hedge accounting treatment, except accounting for macro hedging for which the IASB currently has a separate draft standard.

- **Classification and measurement**

Financial assets are required to be classified into three categories according to measurement methods to be applied (amortised cost, fair value through profit or loss and fair value through other comprehensive income). Classification will depend on the contractual cash flow characteristics of the instruments and the entity's business model for managing its financial instruments.

By default, financial assets will be classified as subsequently measured at fair value through profit or loss.

Debt instruments (loans, receivables and bonds) will be measured at amortised cost only if the objective of the entity (business model) is to collect the contractual cash-flows and if these cash flows consist solely of payments of principal and interest. Debt instruments will be measured at fair value through other comprehensive income (with cumulative gain or loss reclassified in profit or loss when the instruments are derecognised) if the objective of the entity (business model) is to collect the contractual cash-flows or to sell the instruments and if these contractual cash-flows consist solely of payments of principal and interest.
Equity instruments will be measured at fair value through profit or loss except in case of irrevocable election made at initial recognition for measurement at fair value through other comprehensive

income (provided these financial assets are not held for trading purposes and not classified as such in financial assets measured at fair value through profit or loss) without subsequent reclassification in income.

Embedded derivatives will no longer be recognised separately when their host contracts are financial assets and the hybrid instrument in its entirety will then be measured at fair value through profit or loss.

Requirements for the classification and measurement of financial liabilities contained in IAS 39 have been incorporated into IFRS 9 without any modification, except for financial liabilities designated at fair value through profit or loss (using the fair value option). For these financial liabilities, the amount of change in their fair value attributable to changes in credit risk will be recognised in other comprehensive income without subsequent reclassification into income.

Derecognition rules for financial assets and financial liabilities have been carried forward unchanged from IAS 39 to IFRS 9.

- **Credit risk**

All debt instruments classified as financial assets measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables, loan commitments and financial guarantee contracts, will be systematically subject to an impairment or a provision for expected credit losses upon initial recognition of the financial asset or commitment.

At initial recognition, this expected credit loss will be equal to 12-month expected credit losses. This expected credit loss will subsequently be raised to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since its initial recognition.

ALD has chosen to apply the Lifetime expected credit loss measurement based on a provision matrix, a simplified approach, for two main reasons: the cost of risk in the ALD Group is historically low and stable, and the chosen trade receivables method is based on observed historical default rates. This method will be applied for the first time in 2018 on the entire portfolio.

- **Hedge accounting**

This new standard will align hedge accounting more closely with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The standard extends the scope of non-derivative financial instruments that could be considered as hedging instruments. Similarly, the scope of items that could be considered as hedged items is increased to include components of non-financial items. The standard also amends the approach for assessing hedge effectiveness. Additional disclosures are also required to explain both the effect that hedge accounting has had on the financial statements and the entity’s risk management strategy.

IFRS 15 “Revenue from contracts with customers”, applicable to reporting periods beginning on or after January 1, 2018

This standard sets out the requirements for recognising revenue that apply to all contracts with customers. To recognise revenue, the following five steps would be applied: identification of the contract with the customer, identification of the performance obligations in the contract, determination of the transaction price, allocation of the transaction price to each performance obligation and revenue recognition when a performance obligation is satisfied.

The Group believes that IFRS 15 does not have any material impact.

IFRS 16 "Leases", applicable to annual reporting periods beginning on or after 1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Group is assessing the impact of IFRS 16 and does not expect any material impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.4. CONSOLIDATION

2.4.1. Subsidiaries

Subsidiaries are all entities over which the Group has a controlling interest. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the company acquired and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date in accordance with IFRS 3. The Group recognises any non-controlling interest in the company acquired on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognised directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

2.4.2. Associates

Associates are all entities over which the company has significant influence, but not control. The company accounts for its investment in associates using the equity method. The company's share of profits or losses of associates is recognised in the consolidated statement of income and its share of other comprehensive income (loss) of associates is included in other comprehensive income.

Unrealised gains on transactions between the company and an associate are eliminated to the extent of the company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognised in the consolidated statement of income.

2.4.3. Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures are modified where necessary to ensure consistency with the policies adopted by the Group.

2.4.4. Special purpose companies

The asset-backed securitisation programme (described in Note 3 - Financial Risk Management) involved the sale of future lease receivables and related residual value receivables to special purpose companies. Special purpose companies are companies created to accomplish a narrow and well-defined objective, such as the securitisation of leased assets.

The financial statements of special purpose companies are included in the Group's consolidated financial statements where the substance of the relationship is that the Group continues to be exposed to risks and rewards from the securitised leased assets. The Group uses various legal entities, which have been incorporated specifically for the Group's securitisation transactions, and these companies are therefore regarded as subsidiaries and included in the consolidated financial statements of the Group.

2.5. FOREIGN CURRENCY TRANSLATION

2.5.1. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in millions of Euros, which is the Group's presentation currency and it has been rounded to the nearest million, unless otherwise indicated. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

2.5.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Interest income or charges". All other foreign exchange gains and losses are presented in the income statement within "Leasing contract margin".

2.5.3. Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at weighted-average annual exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

The main exchange rates used in the consolidated financial statements for the years ended December 31, 2017 and December 31, 2016 are based on Paris stock exchange rates and are as follows:

	December 31,2017		**December 31,2016**	
	Period-end Rate	**Average Rate**	**Period-end Rate**	**Average Rate**
EUR / UK Pound:	0.8872	0.8761	0.8562	0.8189
EUR / Danish Krone:	7.4449	7.4387	7.4344	7.4454
EUR / Swedish Krona:	9.8438	9.6369	9.5525	9.4673

2.6. LEASE OPERATIONS

2.6.1. Operating lease portfolio

Operating lease portfolio comprises cars leased under operating lease contracts. A lease is classified as an operating lease if the Group retains substantially all the risks and rewards incidental to ownership of the underlying asset.

The cost of the operating lease cars comprise their purchase price and any incremental and directly attributable costs of bringing the assets held for use in operating leases to working condition for its intended use. Import duties and non-refundable purchase taxes are included in the purchase price and any trade discounts are deducted when calculating the purchase price. Furthermore, lease incentives and volume bonuses are also taken into account and depreciated over the expected lease term. The carrying amount of the Operating lease portfolio is presented in the category ‘Rental Fleet’ on the balance sheet. The depreciation policy relating to these assets is detailed in section 2.6.2 - Property and equipment under operating lease and rental fleet.

The operating lease instalments are fully recognised on a straight-line basis over the lease term, with the exception of that portion considered to be service income. The instalments are classified and presented in the following categories in the income statement: (i) Leasing contract revenues; and (ii) Services revenues.

2.6.2. Finance lease portfolio

Car leases where substantially all the risks and rewards incident to ownership of an asset are transferred by the Group to the lessee are classified as finance lease receivables. These contracts are recognised as financial assets at an amount equal to the present value of the minimum lease payments (including guaranteed residual value) and the unguaranteed residual value accruing to the Group, after deduction of provisions deemed necessary in respect of bad and doubtful debts and any accumulated impairment losses. Initial direct costs are included in the initial measurement of the finance lease receivables. The assets are presented within the category 'Receivables from clients and financial institutions' on the balance sheet.

The finance lease instalments can comprise various components each having its own revenue recognition. The instalments are classified and presented in the following categories in the income statement: (i) interest income from finance lease (the difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest method); and (ii) revenues (to the extent that services are included in the lease).

2.6.3. Fleet management services

These services include arranging for vehicle delivery and administration of the title and registration process, as well as tax and insurance requirements, ensuring maintenance of the vehicle, pursuing warranty claims, providing fleet policy analysis and recommendations, benchmarking, and providing vehicle recommendations.

2.7. PROPERTY AND EQUIPMENT

2.7.1. Other property and equipment

Other property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Property: 30 - 50 years
- Furniture and fixtures: 3 - 12 years
- Hardware: 3 - 5 years
- Company cars: 3 - 4 years

The company allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognised when replaced. Residual values, method of amortisation and useful lives of the assets are reviewed annually and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7.2. Property and equipment under operating lease and rental fleet

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. Vehicles are capitalised based on (i) the acquisition price, (ii) all expenditures for items owned by the company and considered a permanent addition to the vehicle (e.g. radios, anti-theft devices, etc.) at the time of contract commencement, (iii) initial external direct costs including commissions and legal fees and (iv) delivery cost where material.

The assets subject to operating leases are presented in the balance sheet according to the nature of the asset. The depreciation policy for depreciable leased assets is consistent with the Group's normal depreciation policy for similar assets. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between 3 to 5 years.

The assets' residual values are reviewed and adjusted, if appropriate, at each balance sheet date.

Upon termination of the lease or rental contract the relevant assets are reclassified to the caption "Inventories" at their carrying amount. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

2.8. INTANGIBLE ASSETS

2.8.1. Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquirer. Goodwill is measured at cost less any accumulated impairment losses. When the excess is negative (negative goodwill), it is recognised immediately in the statement of income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, which is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored as follows:

- at a subsidiary level for all significant and independent countries; In these countries, the activity of the subsidiary is driven independently, either because the market is specific or because the organization has been built in order to drive the business on a standalone basis, helped with the technical support of the central functions of the headquarter; this is the case for most of the large subsidiaries in Europe (such as France, UK and Germany) and some medium and small subsidiaries in Asia;

- at an aggregated level ("hubs") when internal management reporting is organised to measure performance (and prepare business plans) at a higher level (group of CGUs). The Group identified the 7 following hubs:
    - Benelux Hub: Belgium, Luxembourg, Netherlands
    - Nordics Hub: Denmark, Finland, Norway, Sweden
    - Central Europe Hub: Austria, Croatia, Czech Republic, Hungary, Serbia, Slovenia, Slovakia, Switzerland
    - North Eastern Europe Hub: Estonia, Latvia, Lithuania, Poland, Russia, Ukraine
    - South Eastern Europe Hub: Bulgaria, Greece, Romania, Turkey,
    - Mediterranean Hub: Algeria, Morocco, Portugal
    - South America, Africa and Asia: Brazil, Mexico, Chile, Peru, Colombia

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.8.2. Other intangible assets

Internal software development costs are capitalised during the application development stage. The costs capitalised relate to external direct costs of materials and services and employee costs related to the time spent on the project during the capitalisation period. Capitalised software is evaluated for impairment annually or when changing circumstances indicate that amounts capitalised may be impaired. Impaired items are written down to their estimated fair values at the date of evaluation.

2.9. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

2.10. NON –CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.11. FINANCIAL ASSETS

2.11.1. Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise “receivables from financial institutions”, “receivables from clients” and “cash and cash equivalents” in the balance sheet

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "unrealised gains/losses on financial instruments" in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2.12. IMPAIRMENT OF FINANCIAL ASSETS

2.12.1. Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category (including lease receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement and is separately disclosed as part of net operating and finance income.

2.12.2. Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognised in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortised cost and available-for-sale financial instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised. Impairment losses on available-for-sale equity instruments are not reversed.

2.13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 24. Movements on the hedging reserve in other comprehensive income are shown in consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group designates certain derivatives as either:

<u>(a) Fair value hedge</u>: hedges of the fair value of recognised assets or liabilities or a firm commitment.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to fair value hedges is recognised in the income statement within "unrealised gains/losses on financial instruments".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

<u>(b) Cash flow hedge</u>: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "unrealised gains/losses on financial instruments".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Derivatives: Changes in the fair value of derivatives that are not designated as a hedging instrument are recognised immediately in the income statement in the caption “Unrealised gains/ (losses) on financial instruments”.

2.14. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Upon termination of the lease or rental contract the relevant assets are reclassified from the caption “Rental fleet” to the caption “Inventories” at their carrying amount. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15. RECEIVABLES FROM CLIENTS AND FINANCIAL INSTITUTIONS

This caption includes:

- lease instalments receivable from the finance and operating lease portfolio, from the rental portfolio and receivables arising from other business activities;
- amounts receivable from French and foreign credit institutions with fixed or determinable payments.

These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

2.16. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include prepayments in respect of expenses attributable to a subsequent period plus amounts still to be received.

2.17. CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The short-term characteristic of a cash equivalent is generally taken as a term of three months or less from the date of acquisition.

2.18. EMPLOYEE BENEFITS

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

2.18.1. Pension obligations

Group companies operate various pension' schemes. The Group has both defined benefit plan and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.18.2. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.18.3. Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19. PROVISIONS

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Damage risk provision

The Group provides customers with an own damage and repair cover in exchange of the payment of a monthly premium. Own damage revenues are recorded in the caption “Revenues”.

In parallel, the Group calculates the own damage reserve based on two elements:

(i) Open claims reserve: this reserve corresponds to the amount required to meet the costs of future claims, net of recoverable amounts, which have already occurred and been reported. This reserve is determined as follows: an average cost is calculated on the basis of the incident type and past experience.

(ii) Allowance for losses incurred but not yet reported (IBNR): the IBNR is determined based on the average delay between an incident occurring and the claim being reported, average claim frequency and the average cost per claim for the 12 previous months.

At the end of each month, the Group performs an adequacy test in respect of the level of the own damage reserve. In the event that the level of the reserve falls below the amount of open claims reserve plus IBNR, as determined above, then an immediate adjustment is made to adjust the reserve at this level. Open claims remain open so long as it is reasonably considered that the claim will be payable.

Where there is a stop-loss policy in place, limiting the risk of losses above a set level, open claims plus IBNR are booked only up to the level of the stop-loss. Beyond that level, all claims are debited to the reinsurance provider of the stop-loss cover. Any stop-loss cover on individual incidents is also taken into account in evaluation of claims plus IBNR. Gross claim costs are reduced to the level of cap per incident. Even where stop-loss cover is in place, if total claims are anticipated to be below the level of premium and stop-loss cover, then profit is booked in the normal way.

2.20. TRADE AND OTHER PAYABLES

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21. BORROWINGS, BONDS AND NOTES ISSUED

Interest-bearing loans and borrowings are the Group's sources of debt funding and relate to borrowings from financial institutions, funds entrusted and bonds issued. Interest-bearing loans and borrowings are recognised initially at fair value plus any transaction costs attributable to these loans. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at their amortised cost using the effective interest method. Any difference between cost and redemption value is recognised in the income statement over the term of the loans and borrowings.

2.22. CURRENT INCOME AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and when
- specific criteria have been met for each of the Group's activities, as described below.

Revenues include the various components of the lease instalment, such as repair, maintenance and tyres, damage risk retention and depreciation.

The interest portion of the lease instalment is classified under the caption "Leasing contract revenues", using the effective interest method.

(a) Operating leases

Regarding operating leases, lease rental revenue is recognised on a straight-line basis over the lease term, based on the total of the contractual payments divided by the number of months of the lease term.

(b) Finance leases

Regarding finance leases, the earnings are allocated between the capital amount and finance income. The capital amount is used to reduce the receivable balance and the income is recognised in the profit and loss in each period so as to give a constant periodic rate of return on the net investment in the lease. The Group uses the net investment method to allocate gross earnings, which excludes the effect of cash flows arising from taxes and financing relating to a lease transaction. In addition:

(i) The amount due from the lessee under a finance lease is recognised in the balance sheet as a receivable at an amount equal to the net investment in the lease. Over the lease term, rentals are apportioned between a reduction in the net investment in the lease and finance income. The net investment in a lease is equivalent to the gross investment discounted at the interest rate implicit in the lease.

(ii) At any point in time during the lease term, the net investment is represented by the remaining minimum lease payments, less that part of the minimum lease payments that is attributable to interest.

(c) Other operating revenue for services

(i) *Proceeds of cars sold*: Revenues also include the proceeds of the sale of vehicles from terminated lease contracts and rental revenues from renting out the rental fleet portfolio. The proceeds from the sale of vehicles are recognised when the vehicles are sold.

(ii) *Intermediation fees*: In some instances of service provision, an entity of the Group may be acting as an intermediary between a customer and a third party. Examples of such services include the provision of fuel cards, road taxes, the re-bill of maintenance charges to customers who have chosen not to include maintenance in their leasing contracts, etc. Since no value is added by the Group, they are therefore not presented as revenues.

(iii) *Informal extensions*: where a customer retains the car for a period beyond the normal return date (informal extension), normal contractual depreciation will continue to be recognised.

(iv) *Up Front payments*: Regarding operating leases, where significant up front ("balloon") payments (greater than 10% of list price of vehicle) are made by customers at the beginning of the lease agreement, these must be recognised in the balance sheet and amortised on a straight-line basis over the period of the lease agreement. Regarding finance leases, upfront payments and initial direct costs are taken into consideration in calculating the implicit interest rate in the lease and recognised evenly over the life of the lease as an adjustment of yield.

(v) *Lease incentives*: where incentives are provided to the lessee when negotiating a new or renewed lease (e.g. upfront cash payments to the lessee, reimbursement or absorption of costs by the lessor or free or reduced rents given at the beginning of the lease term), such incentives are recognised as a reduction of rental income over the lease term on a straight line basis.

(vi) *Interest on Late Payment*: Where interest on late payment is billed to customers, the related revenue is only recognised when settlements are made by customers.

(vii) *Lease Deposits*: Lease payment advances received in the form of deposits are held on the Balance Sheet and released in accordance with the relevant contractual agreements.

(viii) *Maintenance*: In order to match income with costs, maintenance and tyre income is recognised in line with the normal maintenance cost profile; the resulting 'cost curves' are reviewed periodically in order to match local actual historical maintenance expenditures with the expected cost profiles. As a result of application of this policy, the deferred maintenance revenue is recognised in a maintenance income reserve during the early part of the contract, and released from this reserve during the latter part. Maintenance profit or loss on the contract will be recognised during the life of the contract. The monthly profit and loss result will be the difference between the profiled revenue and actual costs. In addition each month, an estimate is made of actual maintenance and tyre costs incurred but not yet received (IBNR) at the month end and an accrual for these costs is made.

2.24. COST OF SERVICES REVENUES

Cost of revenues comprises the cost associated with providing the above-mentioned service components of the lease instalment (including: vehicle maintenance, replacement and winter tyres, insurance premiums, accident repair and the provision of short term replacement vehicles).

2.25. INTEREST INCOME AND INTEREST CHARGES

Interest income, interest charges and similar charges for all interest-bearing assets and liabilities are recognised in the income statement on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

The interest income component in operating lease instalments, which is charged on a straight-line basis to the client, is recognised in the "Leasing contract revenue – operating lease" based on the effective interest method in interest income using the interest rate included in the lease contract and based on the net investment value of the leased asset.

Interest income on finance lease contracts is recognised in the income statement on the basis of accruing interest income on the net investment (using the effective interest method). The receipts under the lease are allocated by the lessor between reducing the net investment and recognising interest income, so as to produce a constant rate of return on the net investment.

2.26. GENERAL AND ADMINISTRATIVE EXPENSES

This item includes office overheads, automation costs, advertising costs, professional fees and other general expenses.

2.27. SHARE-BASED PAYMENTS

The Group is involved in one free share plan as of December 31, 2017 granted by the parent company Société Générale.

Free shares plan (“AGA”) is granted to a limited number of managers, subject to attendance conditions. At December 31, 2017, 192 employees benefit from 32,029 shares (324 employees benefit from 109,716 shares at December 31, 2016).

Société Générale had also granted a free shares plan (“PAGA”) that ended on March 31, 2016. Within this plan all employees were granted 40 Société Générale shares in November 2010, subject to attendance and performance conditions. The vesting period ended in March 31, 2015 for the first section i.e. 16 shares and on March 31, 2016 for the second section i.e. 24 shares. 755 employees in France and 2,802 employees outside the France had benefited from this plan.
Société Générale grants rights to its equity instruments directly to the employees of the company: the parent (not the subsidiary) provides these employees of the company with the equity instruments. Therefore, in accordance with IFRS 2, the company shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and recognise a corresponding increase in equity as a contribution from the parent.

NOTE 3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

3.1.1 Credit risk

The credit risk is the risk of losses arising from the inability of the Group’s customers to meet their financial commitments. Credit risk includes the counterparty risk. In addition, credit risk may be further amplified by concentration risk, which arises from a large exposure to a given risk, to one or a few counterparties.

Credit risk management policy

Credit risk is the risk that a customer is not able to fulfil its financial obligations towards ALD. All ALD entities have to comply with risk procedures issued centrally which define the way credit requests have to be studied and validated, as well as the roles and responsibilities of all staff involved in the credit vetting process. Each subsidiary has a specific credit authority approved by ALD General Management and the Risk Department of Société Générale Group, and determined according to the size of the fleet, the maturity of the subsidiary and the type of customer concerned (corporate, retail, financial institution etc). Within its credit limit, each subsidiary can decide directly on its counterparty risk. Above this threshold, credit acceptance is made at central level jointly with the Risk Department of Société Générale.

In coordination with the Risk department of the Group, regular risk committees are held by ALD in order to review all potential risk issues and to ensure the credit risk procedures are properly applied. All standard risk indicators (arrears / default / cost of risk) are also monitored centrally. All ALD entities are applying the same process locally.

The primary responsibility for debt collection remains under the direct responsibility of ALD's subsidiaries with dedicated teams in charge of recovering unpaid invoices in compliance with local regulations and market practices. Local processes need, however, to be compliant with the corporate instructions and guidelines distributed to the whole network. Central monitoring of all ageing balances is performed on a monthly basis as part of the regular risk reviews, and actions plans are set up whenever necessary under the supervision of the Country Manager.

Impairment charges on receivables (cost of risk) has historically remained very low due to the nature of the products proposed by ALD, a strict control of the risk assessment process and a very diversified customer portfolio.

Credit risk measurement

The Group applies the Basel II regulations for customers in default. Consequently, a customer is in default as soon as one of the three following conditions applies:

- Legal proceedings (or a similar event in accordance to local legislation) are in progress which has resulted in the customer being placed either in bankruptcy or legal liquidation or receivership;

- One or several overdue invoices for more than 90 days (270 days in the case of public or sovereign counterparties) have been recorded and a settlement procedure has been initiated;

- A significant degradation of the customer's financial situation has taken place, making it likely that the customer will be unable to fulfil its overall commitments and there is therefore a high probability of losses.

When a credit risk emerges, the following processes take place:
- Reclassification of the sound outstanding as a doubtful debt
- Impairment made for probable credit loss

Where the customer is in default, the whole of the customer balance is classified as doubtful as a result of the "contagion principle". The application of this principle leads to the classification as doubtful of all outstanding amounts relating to a customer that is deemed to be in default regardless of the age of the invoice (i.e. a customer is either solvent or not).

If the customer belongs to a group of companies, or in cases where the parent company has been classified as being in default, a case-by-case study is undertaken to establish whether it is necessary to apply the same treatment to all the legal entities included in that group. This “contagion principle” does not apply, however, in the following cases:

- Receivables subject to a risk of non-recovery which are affected by isolated legal disputes not related to the solvency of the counterparty
- Credit risk dependent on the solvency of a third party and not the counterparty

Impairment is only made in respect of customer receivables where the customer is considered to be in default (receivable is impaired). The impairment made for risk of default is consistent with the credit rating of each customer. The impairment must be sufficient to cover the entire probable loss in total or partial non-recovery of the loan.

The impairment is based upon the full amount outstanding for the customer in default.

In the case of an operating lease, ALD remains the owner of the vehicle and impairment is made against the recorded receivables relating to issued invoices. In addition, where it is considered likely that the vehicles will be returned, a further provision is required for the amount of the likely shortfall from the sale of the asset.

Where there are guarantees from the customer providing the right of offset in the event of a default, these amounts are taken into account in assessing the impairment on a customer by customer basis.

Information on past due and impaired receivables

Information on past due (split in past due up to 90 days, past due between 90 to 180 days and past due over 180 days) or impaired receivables are provided in note 21 “Receivables from clients and financial institutions” below.

The amounts presented in the tables below include loans and finance receivables by Basel II portfolio that are not past due and that are past due but not individually impaired.

Year ended December 31, 2017
Loans and receivables to customers

(in EUR million)	Banks	Corporates	Small and medium enterprises	Specialised lending	Credit to individuals	Very small companies	Total
Amounts not past due	10.6	60.6	209.9	-	49.7	202.6	533.4
Amounts including past due between 1 to 30 days	-	3.1	22.4	-	0.4	2.4	28.3
Amounts including past due between 31 to 60 days	0.1	-	3.8	-	0.2	0.7	4.8
Amounts including past due between 61 to 90 days	0.1	-	2.1	-	-	0.2	2.4
Amounts including past due between 91 to 180 days	-	-	10.6	-	0.1	0.3	11.0
Amounts including past due between 181 days to 1 year	-	-	9.9	-	0.1	0.1	10.1
Amounts including past due over 1 year	-	0.1	0.1	-	2.6	0.1	2.9
Total	**10.8**	**63.8**	**258.8**	**-**	**53.1**	**206.4**	**592.9**

Year ended December 31, 2016
Loans and receivables to customers

(in EUR million)	Banks	Corporates	Small and medium enterprises	Specialised lending	Credit to individuals	Very small companies	Total
Amounts not past due	4.2	74.7	148.5		4.5	220.9	452.7
Amounts including past due between 1 to 30 days	-	2.4	19.5	-	-	3.3	25.2
Amounts including past due between 31 to 60 days	-	0.1	1.8	-	-	0.8	2.7
Amounts including past due between 61 to 90 days	-	-	0.5	-	-	0.8	1.3
Amounts including past due between 91 to 180 days	-	-	7.3	-	-	0.4	7.7
Amounts including past due between 181 days to 1 year	-	0.2	0.2	-	-	0.5	0.9
Amounts including past due over 1 year	-	1.9	13.0	-	-	5.6	20.5
Total	**4.2**	**79.4**	**190.6**	**-**	**4.5**	**232.3**	**511.0**

Derivative financial instruments

In addition to its natural exposure to credit risk in the leasing of vehicles, the Group is also exposed to credit risk because of its use of derivative financial instruments and because of excess cash being deposited with banks. The Group controls this risk by requiring minimal external rating grades that such external counterparties are assigned.

3.1.2 Treasury risk

Treasury risk entails 3 types of risks: Liquidity risk, interest rate risk and foreign exchange risk.

- Interest rate risk is the risk that the profitability of the Group is affected by movements in interest rates.
- Foreign exchange risk is the risk that the profitability is affected by currency fluctuations.
- Liquidity risk is the risk that the Group is not able to meet its cash flow obligations when they fall due, because of a mismatch between the financing of its assets and liabilities.

Group Treasury risk management policy consists in matching assets and liabilities in terms of maturities, currencies, and interest rate exposure. Group procedures defining the sensitivity measurement of such risks and tolerance levels are applied across the group to allow a close monitoring of the treasury risk. These risks are monitored on a group level by the Group's central Treasury, which reports on a quarterly basis to the management team of ALD during a dedicated committee. This committee is informed about all relevant developments with regard to the Group's treasury risk profile and decides any action to mitigate the risks when necessary.

Interest rate risks management

ALD policy consists in financing the underlying assets with fixed rate loans as lease contracts are mostly priced at fixed rates, in order to avoid any mismatch between assets and liabilities. Structural interest rate risk arises from the residual gap (surplus or deficit) in each entity's fixed-rate forecasted position. To this end, any residual interest rate risk exposure must comply with the sensitivity limits set for each entity. The sensitivity is defined as the variation in the net present value of the future residual fixed-rate positions (surplus or deficit) for a 1% parallel increase in the yield curve.
The Group Central Treasury monitors the interest rate risks exposure and advises subsidiaries to implement adequate hedging operations. A monthly report measuring the interest risk exposure is produced by each entity to be reviewed and consolidated by the Group Treasury department.

Due to this close follow up of the interest rate risk exposure by subsidiaries and the supervision of asset and liability monitoring performed at a central level, ALD Group interest rate sensitivity has always been very satisfactory.

Foreign exchange risks management

ALD Group is present in 25 countries outside the Euro zone and is therefore exposed to foreign exchange risks related to inflows and outflows of cash from daily business activities as well as participations in subsidiaries outside the Euro zone.

Currency risks related to the current business activities are very limited as there are no cross border leasing activities. ALD Group policy consists of financing the underlying asset in the same currency as the corresponding lease contract.

The residual foreign exchange risk is managed in order to minimise the impact to the Group due to fluctuations in the currencies it operates.

To achieve this goal, ALD quantifies its exposure to structural exchange rate risks for each subsidiary by analysing all assets and liabilities arising from commercial operations and proprietary transactions. The risk sensitivity is measured by quantifying the impact of a variation of 10% of the exchange rate (hard currencies against local currency) and a threshold is defined for each subsidiary. ALD Group Treasury department is responsible for monitoring structural exchange rate positions and manages the impact on profitability due to exchange rate fluctuations.

Currency risks related to equity invested in foreign currencies are not hedged at a group level, as the risk exposure has not been considered to be significant.

Liquidity risks

ALD Group is exposed to liquidity risk which is the risk of not being able to meet cash flow requirements when they fall due and at a reasonable price. A structural liquidity position is defined as resulting from the maturities of all balance sheet or off balance sheet outstanding positions according to their liquidity profile.

ALD Group's exposure to liquidity risks is limited as the group policy consists in financing the underlying asset over the same duration as the corresponding lease contract. A residual liquidity gap is measured on a monthly basis, under the supervision of ALD Group Treasury department, by assessing the matching of the run off of the existing leased assets with the remaining liabilities.

The liquidity position measured is then reviewed and consolidated at a group level. Any deviation from the sensitivity threshold is corrected under the supervision of the Group central Treasury.

The ALD Group was mainly funded through Société Générale group (94% of the funding) until December 31, 2012, and started to raise external funds in 2013 through asset-backed securitisation programmes and the EMTN bonds programme described below.

Most of the funding provided by SG Group is granted through Société Générale Bank and Trust (SGBT) based in Luxembourg. SGBT funds ALD Group Central Treasury which then grants loans in different currencies to 21 ALD subsidiaries as well as to the holding companies. The total amount of loans granted by SGBT amounted to EUR 7,920 million as of December 31, 2017 for an average maturity of 2.08 years and an average rate of 0.56%.

The remaining SG funding is provided either from local SG branches or SG Group Central Treasury in Paris, representing EUR 2,993 million as of December 31, 2017.

28% of fiscal year 2017 funding is provided from local external banks or third parties, representing EUR 4,217 million as of December 31, 2017.

The following funding arrangements concluded by the Group in the past three years impacted the assessment of liquidity risk:

Securitisation

During 2013, the Group has entered into asset-backed securitisation programmes in three European countries.

These transactions involved the sale of future lease receivables and related residual value receivables to special purpose companies. Debt securities were issued by those special purpose companies and sold to external investors for a total amount of GBP 300 million in the UK in March 2013 for a two-year revolving period, EUR 400 million in Germany in May 2013 for a one-year revolving period and EUR 200 million in the Netherlands in December 2013 for a one-year revolving period. The special purpose companies are responsible for making interest and principal payments to the note-holders. The note-holders do not have recourse on the Company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral (reserves) for these securitisation transactions for a total amount of EUR 19.3 million.

These funds were raised either with a fixed rate (Germany) or a floating-to-fixed rate hedge (UK and Netherlands). Existing loans that have been repaid had a fixed rate and a similar amortisation profile to the issued notes, accordingly there is no additional exposure to interest rate or liquidity risks.

In 2014 two programmes were renewed. The UK programme (300m GBP) was renewed for one additional year (from 2015 to 2016) and the Netherlands programme (200m EUR) was renewed for two additional years (from 2014 to 2016).

In 2015 new securitisation deal took place in Belgium for EUR 300 million.

A new securitisation deal took place in Germany in December 2016 for EUR 500 million. Also, the Netherlands deal has been renewed for EUR 236 million for two additional years and the UK deal has been renewed for GBP 300 million for two additional years.

The following debt securities are currently issued:

Programme	Originator	Country	Special purpose company	Currency	Transaction value (*)
ALD Funding Limited	ALD	UK	ALD Funding Limited	GBP	300 million
Red and Black auto lease Germany	ALD	Germany	Red and Black auto lease Germany	EUR	500 million
Axus Finance NL B	ALD	Netherlands	Axus Finance NL B	EUR	236 million
Axus Finance SPRL	ALD	Belgium	Axus Finance SPRL	EUR	300 million

(*) Transaction value at issue date

The maturity of the asset-backed securitisation programmes is as follows:

(in EUR million)	December 31,2017	December 31,2016
Less than 1 year	491.9	489.9
1-5 years	882.4	896.7
Over 5 years	0.0	0.0
Total securitisation programme	**1,374.3**	**1,386.6**

For further details on the transactions reference is made to notes 14 and 26.

Corporate bond

The Group is also engaged in a Euro Medium Term Notes (EMTN) programme. The EMTN programme limit is set at EUR 6 billion for the aggregate nominal amount of notes outstanding at any one time. An application has been filed with the Luxembourg Stock Exchange in order for the notes issued under the programme to be listed on the official list and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The programme is rated BBB by Standard & Poor's ratings services.

Within this programme, the group has issued:

- a bond in November 2013 for an amount of EUR 500 million maturing in May 2017 at a fixed rate of 2.086%.
- a bond in January 2015 for an amount of EUR 500 million maturing in 3 years at a fixed rate of 0.820% and in November 2015 another bond for an amount of EUR 500 million maturing in 2 years at floating rate of Euribor 3M + 60 bps.
- A bond in July 2017 for an amount of EUR 600 million maturing in 5 years at a fixed rate of 0.875% and in November 2017 another bond for an amount of EUR 600 million maturing in 3 years at a floating rate of Euribor 3M + 43 bps.

The presentation of financial borrowings by maturity is provided in note 26.

3.1.3 Asset risk

The Group is exposed to asset risk, which can be split into two main underlying risk components: the residual value risk and the risk related to service maintenance.

Residual value risk

The residual value, defined as the value of the vehicle at the end of the lease as estimated by ALD at inception of the lease, may differ from the future market value of the car at the end of the contract. This difference is a part of the global risk on used car sales and is managed in ALD Group through robust internal procedures applied to all ALD subsidiaries in order to set, control and revaluate the residual values on the running fleet. The residual value setting procedure defines the processes, roles and responsibilities involved in the definition of residual values that will be used for the quotation of future contracts. Residual value setting is performed locally as the expertise in used car market is local and controlled and approved centrally. Calculation is based on refined market segmentation and on a statistical model using internal used car sales data for each market segment as well as Trade Guides references and country specific factors (inflation, market sector adjustments, life cycle etc.). Residual value setting is reviewed by local general management during a local pricing committee held at least twice a year (quarterly for larger subsidiaries), and then controlled and validated at an ALD Group level.

Residual values of the current running fleet are reviewed at least yearly (twice a year for the entities with more than 5,000 vehicles). It is performed at a local level through a revaluation process which is reviewed and approved at ALD level. The current residual value embedded in the contract is compared with the expected market value on a car by car basis.

Revaluation adjustments are accounted for on a portfolio basis whenever necessary, in order to match the expected market value at contract ending and mitigate any market risk.

In accordance with IAS 8, a residual value is treated as an accounting estimate; as such, all potential car sales losses are recognised on a straight line basis between the date of the revaluation and the end of the contract; where the revaluation in a country produces an overall profit, no adjustment is made. The residual value of the total lease portfolio at December 31, 2017 amounts to EUR 10,592 million.

Risk related to services maintenance and tyres

The maintenance risk is the risk that the actual costs of maintenance incurred during the contract life are greater than the costs forecasted and included in the quotation at the beginning of the contract. Maintenance pricing setting is done locally using local historical statistics, under the supervision of ALD S.A.. A global review of the maintenance margins is done for each country on a regular basis in order to back test the pricing assumptions in terms of costs and frequencies and to make the necessary adjustments if maintenance and tyre costs are higher in the latter part than in the first part of a contract's life.

3.1.4 Insurance risk

The Group is exposed to the risk of damage to vehicles within its fleet and also to liability to third parties arising from accidents involving vehicles in its fleet. This risk can take the form of third party liability (TPL), legal defence, material damage or passenger indemnity. Where the Group decides not to retain this risk or is legally obliged to buy insurance, this risk is placed through local insurance companies. However, for some local ALD entities, the Group has selectively decided that the entity should retain the material damage risk to its own vehicles, where it is justified by the fleet size, the fleet risk profile and local market conditions. The entity managing this material damage risk must comply with strict internal procedures in terms of pricing setting, risk selection, and reserve setting. Material own damages reserves are a combination of the estimated amount required to meet the

costs of future claims plus an estimation of future claims costs which have been incurred but not reported (IBNR). This IBNR is based on statistical analysis of damage frequency and amounts.
The Group also selectively retains some motor risks (material damages, passenger insurance and TPL risks) within its own reinsurance company, ALD Re DAC (ALD Re). ALD Re is based in Ireland and is regulated by the Central Bank of Ireland. The company reinsures TPL, material damages and passenger insurance coverage for approximately 350,000 cars covering 24 entities within the Group. ALD Re strictly monitors its risk universe, including underwriting, market, credit and operational risk, via a strong corporate governance structure, a clearly defined risk appetite and a developed risk monitoring process. In addition, in order to minimize the financial impact of a single event, ALD Re purchases reinsurance protection for claims above a specified amount. This reinsurance strategy is reviewed at least annually.

In addition, every year, an external independent actuary must opine on whether the level of technical reserves held by ALD Re are considered adequate to meet its future obligations as determined by that independent actuary.

3.2 FAIR VALUE ESTIMATION

The Group analyses financial assets and liabilities by various valuation methods. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial assets and liabilities is measured at amortised cost, except for receivables for which fair value is deemed to be the nominal amount.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily cash and cash equivalents and long-term investments (please refer to note 19 “Other non-current and current financial assets”)

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity

specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Refer to note 24 “Financial assets and liabilities by category”.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated presented in note 2.7.1 of these consolidated financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows. We are using a five-year business plan for each of the CGU or group of CGUs identified.

Based on the assumptions made by the Group, no need for impairment on goodwill has been identified.

Sensitivity tests are carried out to measure the impact on each CGU’s recoverable value based on certain assumptions. At 31 December 2017, sensitivities to variations in the cash flows and discount rates were measured.

According to the results in these tests:

- a decrease in operating cash flows by 10% compared to management’s estimates would lead to a decrease of 2.5% in recoverable value and would not generate any additional impairment
- an increase of 50 basis points applied to all discount rates estimated by management would lead to a decrease of 6.5% in recoverable value and would not generate any additional impairment.

4.2 IMPAIRMENT OF RENTAL FLEET

In the annual assessment of whether there is any indication that an asset may be impaired, the Group considers both external as well as internal sources of information. If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the asset or cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined at the present value of the future cash flows expected to be derived from the object or cash generating unit. The management closely monitors residual values, which are reviewed internally at least each financial year, in accordance with internal procedures. The original residual values within internal system will be compared to the revised residual values expected at contract termination, following a review. The results of this exercise will be used to assess the level of exposure, reserves held and potential impairment required. To prevent impairment on residual values, each country completes a minimum of one annual review of pricing under the supervision of the Group to ensure that assumptions used in pricing reflect expected future market conditions, thus ensuring residual values are predicted with a reasonable degree of accuracy and on a consistent basis going forward.

4.3 FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The fair value of certain financial instruments is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

4.4 PENSION BENEFITS

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/ (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

If the discount rate used were to differ by +0.5 % from management’s estimates, the carrying amount of pension obligations would be an estimated EUR 1.5 million lower.

4.5 INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.6 OWN DAMAGE RESERVE

The own damage reserve is based on assumptions such as technical damage risk principles, policyholder behaviour, inflation and court decisions. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

NOTE 5. SEGMENT INFORMATION

Geographically, management considers the performance in Western Europe, Central and Eastern Europe, Northern Europe and South America, Africa and Asia.
The central treasury function based in Luxembourg provides funding to the main ALD entities located in 14 countries. The total loans in place to these entities amounts to EUR 11 billion.

Loans by the central treasury to ALD entities are at arm's length according to OECD guidelines and supported by relevant transfer pricing documentation.

This department is responsible for monitoring the funding requirements and structural risks of the Group. Furthermore, it provides technical advice on financial instruments, including derivatives and on the various securitisations and bond issue program of the Group.

The Group's Management assesses the performance of the operating segments based on a measure of revenue and profit before tax as presented in consolidated financial statements. They also check to ensure that no customer represents more than 10 % of the total revenue.

Revenue and Profit before tax

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

(in EUR million)	Year ended December 31, 2017		Year ended December 31, 2016	
	Profit before tax	Revenue from external customers	Profit before tax	Revenue from external customers
Western Europe	521.8	6,148.2	489.6	5,594.3
Northern Europe	86.8	918.3	92.7	908.9
Central & Eastern Europe	90.0	838.0	79.1	740.3
South America, Africa and Asia	15.0	362.0	4.6	321.8
TOTAL	**713.6**	**8,266.4**	**666.1**	**7,565.4**

(in EUR million)	Year ended December 31, 2017	Year ended December 31, 2016
	Revenue from external customers	Revenue from external customers
Leasing contract revenues	3,910.3	3,520.7
Service revenues	1,807.1	1,667.0
Proceeds of cars sold	2,549.0	2,377.7
TOTAL	**8,266.4**	**7,565.4**

Other disclosures

	December 31, 2017		
(in EUR million)	**Rental fleet**	**Total assets**	**Net financial debt (*)**
Western Europe	12,705.9	17,043.2	13,052.5
Northern Europe	1,451.9	1,654.6	45.4
Central & Eastern Europe	1,607.0	1,839.5	1,257.6
South America, Africa and Asia	571.3	684.9	579.6
TOTAL	**16,336.1**	**21,222.2**	**14,935.2**

	December 31, 2016		
(in EUR million)	**Rental fleet**	**Total assets**	**Net financial debt (*)**
Western Europe	10,748.0	14,662.1	11,004.7
Northern Europe	1,392.3	1,607.2	59.6
Central & Eastern Europe	1,413.2	1,606.2	1,122.3
South America, Africa and Asia	521.4	633.1	515.6
TOTAL	**14,075.0**	**18,508.6**	**12,702.2**

(*) Net financial debt is defined as the sum of Borrowings from financial institutions (non-current and current) minus cash and cash equivalents, as presented in the Group's consolidated balance sheet

Revenue from external customers and Rental Fleet by countries with Revenues in excess of €500 million are detailed below:

	Year ended December 31, 2017 Revenue from external customers (EUR million)	**Year ended December 31, 2016 Revenue from external customers (EUR million)**	**December 31, 2017 Rental Fleet (EUR million)**	**December 31, 2016 Rental Fleet (EUR million)**
France	1,808.8	1,625.1	3,892.6	3,536.4
Italy	1,237.0	1,106.8	2,581.3	2,027.3
UK	856.3	819.7	1,462.8	1,394.1
Germany	578.5	547.2	1,097.0	959.9
Spain	524.6	439.2	1,346.9	852.8
Other Countries	3,261.1	3,027.4	5,955.6	5,304.4
	8,266.4	**7,565.4**	**16,336.1**	**14,075.0**

NOTE 6. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE YEAR ENDED DECEMBER 31, 2017

At December 31, 2017, all companies are fully consolidated, except 2 companies accounted using the equity method. Changes in the scope of consolidation compared to December 2016 are as follows:

Opening of subsidiary in Colombia

The Group started operations in Colombia in June 2017. The investment in this entity is held at 100% by ALD International SAS & Co. KG.

Acquisition of BBVA Autorenting

On 26 May 2017, the Group signed an agreement to acquire BBVA Autorenting, the Spanish full service leasing subsidiary of BBVA. BBVA Autorenting is the seventh largest player in the Spanish market with a fleet of approximately 25,000 vehicles. The transaction completed on 22 September 2017.

Acquisition of Merrion Fleet

On 29 May 2017, the Group signed an agreement to acquire Merrion Fleet, the number two full service leasing player in Ireland, which manages a portfolio of approximately 5,500 vehicles. The transaction completed on 18 July 2017. This acquisition enables the Group to establish full service leasing operations in an additional country.

NOTE 7. REVENUES AND COST OF REVENUES

7a. Leasing contract margin

	Year ended December 31,	
(in EUR million)	**2017**	**2016**
Leasing contract revenue -operating leases	3,782.9	3,424.5
Interest income from finance lease	77.8	72.0
Other interest income	49.5	24.2
Leasing contract revenues	**3,910.3**	**3,520.7**
Leasing contract costs - depreciation	(3,094.9)	(2,795.8)
Leasing contract costs - financing:		
Interest charges on loans from financial institutions	(184.5)	(165.2)
Interest charges on issued bonds	(9.9)	(21.7)
Other interest charges	(35.2)	(18.9)
Total interest charges	(229.6)	(205.9)
Leasing contract costs - depreciation and financing	**(3,324.5)**	**(3,001.7)**
Trading derivatives	(18.4)	3.6
Imperfectness of derivatives at fair value hedges	(0.0)	0.0
Imperfectness of derivatives at cash flow hedges	(0.2)	(0.2)
Unrealised gains/losses on derivative financial instruments	(18.6)	3.4
Unrealised Foreign Exchange Gains or Losses	7.4	(8.3)
Total Unrealised gains/losses on derivative financial instruments	(11.2)	(4.9)
Leasing contract margin	**574.5**	**514.1**

“Other interest income” comprises income received from financial instruments and also income received for cash deposits with third party counterparts.

Leasing contract costs - depreciation includes the movement in the provision for excess depreciation which is booked in each entity following the fleet revaluation process which detailed in section 3.1.3.

On a periodic basis, the Group performs fleet revaluations to identify and calculate any impacts of changes in the estimated residual value of the vehicles under operating leases. Any potential risks are provided for prospectively over the remaining estimated useful life and then released upon disposal. The net impact of this provisioning is included within the Depreciation cost. In 2017 this impact was a net release of EUR 16.4 million (2016: EUR 8.0 million net charge).

Following the announcement in September 2015 by Volkswagen Audi Group regarding the ‘defeat device’ software installed in its vehicles, ALD Group booked an exceptional depreciation charge of EUR 1,000 per vehicle on all affected vehicles. Since then, ALD Group is applying a “Diesel stress” on all Diesel Industrial Combustion Engine (ICE) vehicles in its fleet (which is mainly composed of Euro6 & Euro5 Diesel engines) when performing its fleet revaluation exercise. The Diesel Stress is applied in almost all Western European countries and mainly those countries where ALD Fleet mix (ie Diesel Vs Petrol) is significantly different from the fleet mix of the market where it operates.

7b. Service margin (group rental and damage risk retention into leases services)

Revenues and costs are derived from the various service components included within the contractual lease instalments, such as maintenance and tyres, damage risk retention and, replacement vehicles.

(in EUR million)	Year ended December 31, 2017	2016
Services revenue	1,807.1	1,667.0
Cost of services revenues	(1,214.1)	(1,138.4)
Services margin	**593.0**	**528.6**

7c. Car sales result

(in EUR million)	Year ended December 31, 2017	2016
Proceeds of cars sold	2,549.0	2,377.7
Cost of cars sold	(2,383.8)	(2,176.2)
Car sales result	**165.3**	**201.5**

The decrease in Car sales profit per unit has been steady over the last four quarters and is coming from a normalisation of the Car Sales profit mainly in Western Europe.

Concern around diesel since has contributed to the deterioration of the outlook on the used car sales markets in Europe during the course of H2 2017.

7d. Revenues

Revenues that are included within the margins analysed in 7a, 7b and 7c are shown in the following table. They are analysed into Revenues derived from the Rental activity and Proceeds of Cars sold at the end of the leasing period.

(in EUR million)	Year ended December 31, 2017	2016
Services Revenues	**1,807.1**	**1,667.0**
Leasing contract revenue - operating leases	3,782.9	3,424.5
Interest revenue	127.3	96.2
Leasing contract revenues	**3,910.3**	**3,520.7**
Sub-Total - Revenues from Rental Activity	**5,717.3**	**5,187.6**
Proceeds of Cars Sold	2,549.0	2,377.7
Total Revenues	**8,266.3**	**7,565.4**
Total Revenues excluding Interest Income	**7,472.9**	**6,851.3**

NOTE 8. IMPAIRMENT CHARGES ON RECEIVABLES

		Year ended December 31,	
(in EUR million)	**Note**	**2017**	**2016**
Impairment		(47.6)	(29.4)
Reversal of impairment		25.3	5.6
Impairment charges on receivables	**21**	**(22.4)**	**(23.8)**

NOTE 9. STAFF EXPENSES

	Year ended December 31,	
(in EUR million)	**2017**	**2016**
Wages and salaries	(289.0)	(261.6)
Social security charges	(60.5)	(54.7)
Defined benefit post-employment costs	(2.2)	(2.5)
Other staff costs	(27.3)	(23.7)
Total	**(379.0)**	**(342.5)**

The average number of staff employed (including temporary staff) by the Group during the year was 6,303 (2016: 5,653). At year-end, the full time equivalent number of staff employed by the Group was 6,448 (2016: 6,074).

NOTE 10. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses mainly include IT costs, property costs, professional fees and advertising. Since 2015 ALD has accelerated the IT investment programme as part of the Group's commitment to be the preferred choice for mobility solutions within the market. There has been a specific focus on digital solutions in order to further enhance customer experience, including fleet manager and driver web portals as well as investment in the development of new flexible products for our customers.

This year there was a slight increase driven by both fleet growth and the impact of the IPO process.

NOTE 11. DEPRECIATION AND AMORTISATION

		Year ended December 31,	
(in EUR million)	**Notes**	**2017**	**2016**
Depreciation of other property and equipment	**15**	(17.7)	(15.4)
Depreciation of intangible assets	**15**	(7.5)	(6.1)
Total		**(25.2)**	**(21.5)**

NOTE 12. NON-RECURRING OPERATING INCOME (EXPENSES)

There are no Non-recurring costs for the year ending December 31, 2017.

NOTE 13. INCOME TAX EXPENSE

Income tax expense

(in EUR million)	Year ended December 31, 2017	2016
Current tax	(115.9)	(120.8)
Deferred tax	(24.6)	(29.6)
Income tax expense	**(140.4)**	**(150.4)**

Effective tax rate reconciliation

(in € million)	Year ended December 31, 2017	2016
Profit before tax	**713.6**	**666.1**
Standard tax rate in France	**34.43%**	**34.43%**
Tax expense at standard rate	**(245.7)**	**(229.3)**
Tax calculated at domestic tax rates applicable to profits in the respective countries	77.5	68.4
Tax effects of:		
Associates' results reported net of tax	0.4	0.2
Income not subject to tax	2.5	14.9
Expenses not deductible for tax purposes	29.5	19.4
Utilisation of previously unrecognised tax losses	0.1	(4.9)
Tax losses for which no deferred income tax asset was recognised	0.0	-
Re-measurement of deferred tax	1.5	9.1
Adjustment in respect of prior years	6.2	(5.2)
Other	(12.5)	(23.0)
Total	**(140.4)**	**(150.4)**
Effective rate of income tax	19.68%	22.58%

Of the tax calculated at domestic rates applicable to profits in the respective countries in 2017, the major contributors are Luxembourg, UK, Italy, Ireland and Spain where effective tax rates are lower than in France (with applicable tax rates of 20.3%, 19.25%, 24%, 12.5% and 25.0% respectively).

The increase in expenses not deductible for tax purposes is mainly driven by the impact of the Stability Law in Italy which is also the main driver behind the reduction in the effective rate of income tax.

Net deferred tax variation

The gross movement on the net deferred tax account is as follows:

	As at December 31,	
(in € million)	**2017**	**2016**
Net deferred tax liabilities at 1 January	**(82.7)**	**(56.0)**
Income statement charge	(24.6)	(29.5)
Tax charged/(credited) directly to equity	0.4	4.4
Exchange differences	0.2	(1.4)
Scope changes	4.9	(0.2)
Other	1.9	-
Net deferred tax liabilities at 31 December	**(99.8)**	**(82.7)**

Deferred income tax by nature

	As at December 31,	
(in € million)	**2017**	**2016**
Accelerated tax depreciation	(326.5)	(243.4)
Provisions	136.5	100.4
Impairment losses	-	-
Tax losses	31.3	14.1
Fair value gains	5.5	9.6
Retirement benefit obligation	6.2	(0.2)
Other timing differences	47.3	35.3
Other	(0.2)	1.6
Net deferred tax asset/(liability)	**(99.8)**	**(82.7)**

The majority of the 2017 tax losses EUR 31.3 million (2016: EUR 14.1 million) are attributable to Italy EUR 10.8 (2016: 0) million due to the impact of the Stability Law, France EUR 9.6 million (2016: EUR 4.6 million), Norway EUR 7.5 million (2016: EUR 4.0 million) and Germany EUR 1.2 million (2016: EUR 3.8 million). No significant unrecognised accumulated tax losses have been booked over the last two financial years.

NOTE 14. RENTAL FLEET

(in EUR million)	Rental fleet
At 1 January 2016	
Cost	16,550.7
Accumulated depreciation & impairment	(4,876.1)
Carrying amount As at 1 January 2016	**11,674.6**
Year ended 31 December 2016	
Opening net book amount	11,674.6
Additions	6,724.8
Disposals	(2,157.2)
Acquisition of a subsidiary	876.4
Depreciation charge	(2,846.2)
Transfer (included transfer to inventories)	0.2
Currency translation differences	(197.6)
Closing net book amount as at December 31, 2016	**14,075.0**
At 31 December 2016	
Cost	19,539.8
Accumulated depreciation & impairment	(5,464.8)
Carrying amount as at December 31, 2016	**14,075.0**
Year ended 31 December, 2017	
Opening net book amount	14,075.0
Additions	7,698.3
Disposals	(2,513.9)
Acquisition of a subsidiary	451.3
Depreciation charge	(3,181.2)
Transfer (included transfer to inventories)	1.6
Currency translation differences	(195.1)
Closing net book amount as at December 31, 2017	**16,336.1**
At 31 December 2017	
Cost	22,393.8
Accumulated depreciation & impairment	(6,057.7)
Carrying amount as at December 31, 2017	**16,336.1**

At the December 31, 2017 and December 31, 2016 there were no impairments on the "Rental fleet".

ALD continues to retain substantially all of the risks and rewards of the lease receivables as in all asset-backed securitisation programmes they subscribed to the first class of notes which will result in ALD bearing any realised losses. Therefore ALD continues to recognise the transferred lease receivables in their entirety for a present value of EUR 2.027 million and a net book value of EUR 1.953 million at December 31, 2017. The transferred lease receivables cannot be sold.

At December 31, 2017, the accounting value of the associated liabilities is GBP 300 million in the UK, EUR 300 million Belgium, EUR 236 million in the Netherlands and EUR 500 million in Germany.

For further details on the transactions reference is made to the Financial Risks Management Section (Liquidity risks) of the Accounting Principles.

NOTE 15. OTHER PROPERTY AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

Other property and equipment:

(in EUR million)	Note	Land	Property	Equipment	Total
At 1 January 2016					
Cost		2.8	31.9	89.1	123.8
Accumulated depreciation & impairment			(20.5)	(56.9)	(77.4)
Carrying amount As at 1 January 2016		**2.8**	**11.4**	**32.2**	**46.4**
Year ended 31 December 2016					
Opening net book amount		**2.8**	**11.4**	**32.2**	**46.4**
Additions		0.4	8.5	25.5	34.3
Gross amount		*-*	*(4.1)*	*(20.9)*	*(24.9)*
Accumulated depreciation & impairment			*3.4*	*12.0*	*15.4*
Disposals		-	(0.7)	(8.8)	(9.5)
Depreciation charge	**11**	-	(4.0)	(11.4)	(15.3)
Transfer to assets qualified as held-for-sale		-	-	-	-
Transfer from intangible assets		-	(0.0)	(0.3)	(0.3)
Scope changes		4.4	12.6	2.6	19.6
Currency translation differences		(0.1)	0.1	0.0	0.1
Closing Net book amount As at December 31, 2016		**7.4**	**28.0**	**39.9**	**75.3**
At 31 December 2016					
Cost		7.4	52.2	99.1	158.7
Accumulated depreciation & impairment			(24.3)	(59.1)	(83.4)
Carrying amount As at December 31, 2016		**7.4**	**28.0**	**39.9**	**75.3**
Opening net book amount		**7.4**	**28.0**	**39.9**	**75.3**
Additions		-	13.5	36.7	50.2
Gross amount		*(0.5)*	*(5.7)*	*(18.5)*	*(24.7)*
Accumulated depreciation & impairment			*3.4*	*7.6*	*11.0*
Disposals		(0.5)	(2.3)	(10.9)	(13.7)
Depreciation charge	**11**	-	(4.5)	(13.1)	(17.7)
Transfer to assets qualified as held-for-sale		-	-	-	-
Transfer to Rental Fleet				(1.6)	(1.6)
Transfer from intangible assets		(0.0)	(0.0)	(0.0)	(0.0)
Scope changes		-	2.0	0.9	2.9
Currency translation differences		(0.0)	(0.3)	(0.7)	(1.0)
Closing Net book amount As at December 31, 2017		**6.9**	**36.4**	**51.1**	**94.4**
At 31 December 2017					
Cost		6.9	61.8	117.8	186.5
Accumulated depreciation & impairment			(25.4)	(66.6)	(92.1)
Carrying amount As at December 31, 2017		**6.9**	**36.4**	**51.1**	**94.4**

Other intangible assets:

(in EUR million)	Note	Software	Other	Total
At 1 January 2016				
Cost		36.3	13.3	49.6
Accumulated amortisation and impairment		(28.9)	(0.8)	(29.7)
Carrying amount As at December 31, 2016		**7.4**	**12.5**	**19.9**
Year ended 31 December 2016				
Opening net book amount		**7.4**	**12.5**	**19.9**
Additions		13.8	0.7	14.5
Divestments		(0.3)	(0.1)	(0.4)
Amortization	**11**	(5.9)	(0.1)	(6.0)
Transfer to other property and equipment		0.0	-	0.0
Scope changes		1.4	-	1.4
Currency translation differences		(0.0)	(0.4)	(0.4)
Closing net book amount As at December 31, 2016		**16.4**	**12.6**	**29.0**
At 31 December 2016				
Cost		48.2	13.5	61.7
Accumulated amortisation and impairment		(31.8)	(0.9)	(32.7)
Carrying amount As at December 31, 2016		**16.4**	**12.6**	**29.0**
Year ended 31 December 2017				
Opening net book amount		**16.4**	**12.6**	**29.0**
Additions		13.6	0.7	14.3
Divestments		(0.0)	(1.2)	(1.2)
Amortization	**11**	(7.4)	0.1	(7.3)
Transfer to other property and equipment		(0.0)	-	(0.0)
Scope changes		0.3	-	0.3
Currency translation differences		(0.1)	(0.8)	(0.9)
Closing net book amount As at December 31, 2017		**22.9**	**11.5**	**34.4**
At 31 December 2017				
Cost		61.0	12.2	73.2
Accumulated amortisation and impairment		(38.1)	(0.8)	(38.9)
Carrying amount As at December 31, 2017		**22.9**	**11.5**	**34.4**

NOTE 16. GOODWILL

(in EUR million)	Goodwill
At 1 January 2016	
Cost	191.7
Accumulated impairment	-
Carrying amount As at 1 January 2016	**191.7**
Year ended 31 December 2016	
Opening net book amount	**191.7**
Additions	-
Gross amount	-
Accumulated depreciation & impairment	-
Divestments	-
Impairment	-
Amortisation	-
Transfer to other property and equipment	-
Scope changes	232.2
Currency translation differences	0.6
Closing net book amount As at December 31, 2016	**424.4**
At 31 December 2016	
Cost	424.4
Accumulated impairment	-
Carrying amount As at December 31, 2016	**424.4**
Year ended 31 December 2017	
Opening net book amount	**424.4**
Additions	-
Gross amount	-
Accumulated depreciation & impairment	-
Divestments	-
Impairment	-
Amortisation	-
Transfer to other property and equipment	-
Scope changes	104.4
Currency translation differences	-
Closing net book amount As at December 31, 2017	**528.8**
At 31 December 2016	
Cost	528.8
Accumulated impairment	-
Carrying amount As at December 31, 2017	**528.8**

Goodwill by cash-generating units:

(in EUR million)	As at January 1, 2017	Addition	Divestments	Impairment losses	IFRS5 Impact	As at December 31, 2017
France	212.0	-	-	-	-	212.0
Germany D	37.9	-	-	-	-	37.9
Italy	50.2	-	-	-	-	50.2
Spain	24.9	80.0	-	-	-	104.9
UK	22.6	-	-	-	-	22.6
Ireland		24.4	-	-	-	24.4
Benelux	13.3	-	-	-	-	13.3
Portugal	2.5	-	-	-	-	2.5
Nordics hub	18.6	-	-	-	-	18.6
South Eastern Europe Hub	9.5	-	-	-	-	9.5
North Eastern Europe Hub	1.4	-	-	-	-	1.4
Central Europe Hub	31.5	-	-	-	-	31.5
Total	**424.4**	**104.4**				**528.8**

The additional goodwill in Spain and Ireland are subject to potential change once finalised.

(in EUR million)	As at January 1, 2016	Addition	Divestments	Impairment losses	IFRS5 Impact	As at December 31, 2016
France	21.6	190.4	-	-	-	212.0
Germany D	37.9	-	-	-	-	37.9
Italy	50.2	-	-	-	-	50.2
Spain	14.1	10.8	-	-	-	24.9
UK	22.6	-	-	-	-	22.6
Benelux	12.0	1.3	-	-	-	13.3
Mediterranean Hub	2.3	0.1	-	-	-	2.5
Nordics Hub	18.6	-	-	-	-	18.6
South Eastern Europe Hub	9.5	-	-	-	-	9.5
North Eastern Europe Hub	1.4	-	-	-	-	1.4
Central Europe Hub	1.5	30.0	-	-	-	31.5
Total	**191.7**	**232.7**				**424.4**

On an annual basis, ALD performs an impairment test for each cash-generating unit (CGU) to which goodwill has been allocated.

An impairment loss is recognised in the income statement if the carrying amount of CGU, including its allocated goodwill, is higher than its recoverable amount. This impairment loss is then allocated first to reduce the carrying amount of goodwill.

The recoverable amount of cash-generating unit is calculated using the most appropriate method, generally the discounted cash flow (DCF). Cash flows were projected on actual financial results and the 5-year business plans, for which Management has assessed and approved the reasonableness of its assumptions by examining the causes of differences between past cash flow projections and actual cash flows.

A discount rate was applied which is built up of a risk-free interest, a market premium multiplied by a market specific beta. There was no impairment recognised in 2017 and 2016.

The key assumptions used for value-in-use calculations in 2017 and 2016 are as follows:

Assumptions in 2017 and 2016:

	Discount Factor 2017 (*)	**Discount Factor 2016**	**Perpetuity rate (2017 and 2016)**
France	9.70%	6.09%	2.00%
Germany D	9.70%	6.86%	2.00%
Italy	9.70%	5.43%	2.00%
Spain	9.70%	7.54%	2.00%
UK	9.70%	6.47%	2.00%
Ireland	9.70%		
Benelux	9.70%	5.28%	2.00%
Mediterranean Hub	9.70%	4.95%	2.00%
Nordics Hub	9.70%	7.64%	2.00%
South Eastern Europe Hub	12.14%	12.38%	2.00%
North Eastern Europe Hub	9.70%	9.43%	2.00%
Central Europe Hub	9.70%	8.90%	2.00%

(*) A more prudent approach by applying a minimum discount factor rate of 9.7%

NOTE 17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Year ended December 31,	
(in EUR million)	**2017**	**2016**
Balance as at 1 January,	**6.0**	**5.6**
Share of results	1.1	0.3
Currency translation differences	(0.3)	0.1
Balance as at 31 December,	**6.8**	**6.0**

Name	Country of incorporation	Assets	Liabilities (*)	Revenues	Profit/ (Loss)	% interest held
As at January 1, 2016						
ALD Automotive SA Morocco	MOROCCO	46.4	42.0	17.6	0.9	35%
Nedderfeld 95 Immobilien Gmbh & Co. KG	GERMANY	1.2	0.0	-	-	35%
Total		**47.6**	**42.0**	**17.6**	**0.9**	
As at December 31, 2016						
ALD Automotive SA Morocco	MOROCCO	49.1	44.3	18.1	0.7	35%
Nedderfeld 95 Immobilien Gmbh & Co. KG	GERMANY	1.2	0.0	-	-	35%
Total		**50.3**	**44.3**	**18.1**	**0.7**	
As at December 31, 2017						
ALD Automotive SA Morocco	MOROCCO	50.6	45.1	19.8	1.2	35%
Nedderfeld 95 Immobilien Gmbh & Co. KG	GERMANY	1.2	0.0	-	(0.0)	35%
Total		**51.8**	**45.1**	**19.8**	**1.2**	

(*) Excluding net equity

NOTE 18. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are used as part of the overall strategy to manage exposure to market risks primarily associated with fluctuations in interest rates and foreign exchange rates through interest rate and currency swaps respectively. As a matter of policy, derivatives are not used for speculative purposes. Derivative instruments that are measured at fair value on a recurring basis are included in the caption "Derivative financial instruments" in the consolidated balance sheet.

	Year ended December 31,2017		Year ended December 31,2016	
(in EUR million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedge	2.6	2.0	3.0	5.6
Interest rate swaps - fair value hedge	-	-	1.3	1.3
Foreign Exchange swaps	1.2	21.8	5.2	24.1
Trading derivatives	25.1	2.7	68.8	21.0
Total	**28.8**	**26.4**	**78.3**	**52.0**
Less non-current portion:				
Interest rate swaps - cash flow hedge	2.6	2.0	3.0	5.6
Interest rate swaps - fair value hedge	0.0	0.0	0.8	1.3
Foreign Exchange swaps	0.9	12.7	5.2	21.7
Trading derivatives	14.4	1.9	59.9	19.0
Total non-current portion	**17.8**	**16.6**	**68.9**	**47.6**
Current portion	**11.0**	**9.8**	**9.4**	**4.5**

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Foreign exchange swaps

The notional principal amounts of the foreign exchange swaps contracts at December 31, 2017 were EUR 227 million (2016: EUR 213.5 million).

The hedged, highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of December 31, 2017 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months of the end of the reporting period.

Interest rate swaps

Interest rate swaps are concluded to cover cash-flows or fair value of its main borrowings.

The notional principal amounts of the outstanding interest rate swap contracts at December 31, 2017 were EUR 1,918 million (2016: EUR 3,409.6 million).

At December 31, 2017, the main floating rates are EURIBOR, NIBOR (Norway) and STIBOR (Sweden). Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of December 31, 2017 will be continuously released to the income statement within finance charges until the repayment of the financial debt.

NOTE 19. OTHER NON-CURRENT AND CURRENT FINANCIAL ASSETS

	Year ended December 31,	
(in EUR million)	**2017**	**2016**
Long-term investments (10 years)	830.2	979.8
Other current financial assets	316.8	288.4
Other	0.3	0.4
Total	**1,147.3**	**1,268.5**

Long-term investments are a resource resulting from the policy of the Group and of its main shareholder, Société Générale, to monitor the Group's interest rate risk through the matching of assets and liabilities by maturity. Available equity is considered as a long term resource which needs to be matched with long-term assets (refer to Interest rate risks management in financial risk management section above). Equity reinvestments are made in long term amortising deposits within Société Générale in order to remain within the interest rate sensitivity limit set for each entity (variation in the net present value of the future residual fixed rate positions, surplus or deficit, for a 1% parallel increase in the yield curve). These deposits will roll-out in approximately 10 years time and will not be renewed.

NOTE 20. INVENTORIES

	As at December 31,	
(in EUR million)	**2017**	**2016**
Inventories - gross value	270.1	221.4
Valuation allowance	(15.3)	(11.9)
Inventories net	**254.8**	**209.5**

Inventories are stated at the lower of cost or net realisable value.

NOTE 21. RECEIVABLES FROM CLIENTS AND FINANCIAL INSTITUTIONS

	As at December 31,	
(in EUR million)	**2017**	**2016**
Amounts receivable under finance lease contracts	593.8	512.5
Amounts receivable from credit institutions (*)	28.0	31.7
Trade receivables	905.7	812.0
Provision for impairment of trade receivables	(89.5)	(85.8)
Total receivables	**1,438.0**	**1,270.4**

(*) Mainly towards Société Générale

The fair value of receivables is equivalent to the carrying value.

A full description of the impairment policy is contained in the Credit Risk Measurement section of the Financial Risk Factors.

The movement in impairment of trade receivables is as follows:

		As at December 31,	
(in EUR million)	**Note**	**2017**	**2016**
Balance at January 1		(85.8)	(80.2)
Net Impairment charges	**8**	(22.4)	(23.8)
Receivables written off		19.3	22.4
Movement in Finance Lease Provision		1.1	(1.1)
Other and currency translation differences		(1.7)	(3.1)
Balance at December 31		**(89.5)**	**(85.8)**

The maturity analysis is as follows:

	As at December 31,	
(in EUR million)	**2017**	**2016**
Trade receivables not overdue	639.6	599.1
Past due up to 90 days	161.2	149.6
Past due between 90 - 180 days	38.5	18.5
Past due over 180 days	66.4	44.8
Total	**905.7**	**812.0**

NOTE 22. OTHER RECEIVABLES AND PREPAYMENTS

(in EUR million)	As at December 31, 2017	2016
VAT and other taxes	401.9	298.7
Prepaid motor vehicle tax and insurance premiums	64.9	70.9
Reclaimable damages	11.7	9.3
Prepaid expenses	280.6	163.7
Other	145.4	128.1
Other receivables and prepayments	**904.6**	**670.8**

The majority of the other receivables and prepayments have a maturity of less than one year.

The other receivables balance includes EUR 74.7 million (2016: EUR 54.3 million) relating to rebates receivable from dealers and manufacturers.

NOTE 23. CASH AND CASH EQUIVALENTS

(in EUR million)	As at December 31, 2017	2016
Cash at bank and on hand	154.7	138.4
Short-term bank deposits	39.9	26.2
Cash and cash equivalents excl. bank overdrafts	**194.6**	**164.6**
Bank overdrafts	(187.9)	(189.3)
Cash and cash equivalents, net of bank overdrafts	**6.7**	**(24.7)**

As ALD operates its own re-insurance program the cash balance includes funds required for this business.

NOTE 24. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The Company has no available for sale assets and no derivatives used for hedging. The company's financial assets and liabilities are categorized as follows:

Financial assets

As at December 31, 2017 (EUR million)	Financial asset category: Loans and receivable	Financial asset category: Assets at fair value through profit and loss	Total net book value per balance sheet	Fair value	Level (*)
Derivative financial instruments		28.8	28.8	28.8	Level 2
Receivables from clients and from financial institutions	1,438.0		1,438.0	1,438.0	Level 2
Other non current and current financial assets		1,147.3	1,147.3	1,147.3	Level 1 and level 2
Cash and cash equivalents		194.6	194.6	194.6	Level 1
Total	**1,438.0**	**1,370.6**	**2,808.6**	**2,808.6**	

(*) Refers to valuation method

As at December 31, 2016 (EUR million)	Financial asset category: Loans and receivable	Financial asset category: Assets at fair value through profit and loss	Total net book value per balance sheet	Fair value	Level (*)
Derivative financial instruments		78.3	78.3	78.3	Level 2
Receivables from clients and from financial institutions	1,270.4		1,270.4	1,270.4	Level 2
Other non current and current financial assets		1,268.6	1,268.6	1,268.6	Level 1 and level 2
Cash and cash equivalents		164.6	164.6	164.6	Level 1
Total	**1,270.4**	**1,511.4**	**2,781.9**	**2,781.9**	

(*) Refers to valuation method

Financial liabilities

As at December 31, 2017 (EUR million)	Financial liability category: Loans and receivables	Financial liability category: Liabilities at fair value through profit and loss	Financial liability category: Other financial liabilities at amortised cost	Total net book value per balance sheet	Fair value	Level
Bank borrowings	11,849.4			11,849.4	11,849.4	Level 2
Bonds issued	3,280.3			3,280.3	3,286.5	Level 2
Derivative financial instruments		26.4		26.4	26.4	Level 2
Trade payables			738.3	738.3	738.3	Level 2
Total	**15,129.8**	**26.4**	**738.3**	**15,894.5**	**15,900.8**	

As at December 31, 2016 (EUR million)	Financial liability category: Loans and receivables	Financial liability category: Liabilities at fair value through profit and loss	Financial liability category: Other financial liabilities at amortised cost	Total net book value per balance sheet	Fair value	Level
Bank borrowings	9,950.5			9,950.5	9,950.5	Level 2
Bonds issued	2,916.3			2,916.3	2,926.4	Level 2
Derivative financial instruments		52.0		52.0	52.0	Level 2
Trade payables			693.6	693.6	693.6	Level 2
Total	**12,866.8**	**52.0**	**693.6**	**13,612.4**	**13,622.5**	

There were no transfers between levels 1 and 2.

NOTE 25. SHARE CAPITAL AND SHARE PREMIUM

At December 31, 2017, the authorised capital amounted to EUR 606.2 million (2016: EUR 606.2 million), divided into 404,103,640 ordinary shares with a nominal value of EUR 1.5 each.

At December 31, 2017, share premium amounted to EUR 375.1 million (2016: EUR 375.1 million). On December 15, 2016 EUR 100 million of the share premium of ALD S.A. was distributed as a dividend to Société Générale.

All shares issued by ALD S.A. were fully paid.

The holders of the shares are entitled to receive dividend as declared at Annual General Meetings and are entitled to vote per share at meetings of the Company.

NOTE 26. BORROWINGS FROM FINANCIAL INSTITUTIONS, BONDS AND NOTES ISSUED

	As at December 31,			
(in EUR million)	**2017**	**Cash**	**Non cash**	**2016**
Bank borrowings	7,660.9	7,660.9		7,665.6
Non-current borrowings from financial institutions	**7,660.9**	**7,660.9**		**7,665.6**
Bank overdrafts	187.9	187.9		189.3
Bank borrowings	4,000.7	4,000.7		2,095.5
Current borrowings from financial institutions	**4,188.6**	**4,188.6**		**2,284.8**
Total borrowings from financial institutions	**11,849.4**	**11,849.4**		**9,950.5**
Bonds and notes-originated from securitisation transactions	882.4	882.4		896.7
Bonds and notes-originated from EMTN programme	1,400.0	1,400.0		1,020.0
Other non-current bonds issued	-	-		-
Non-current bonds and notes issued	**2,282.4**	**2,282.4**		**1,916.7**
Bonds and notes-originated from securitisation transactions	491.9	491.9		489.9
Bonds and notes-originated from EMTN programme	506.0	506.0		509.7
Other current bonds issued	-	-		-
Current bonds and notes issued	**997.9**	**997.9**		**999.6**
Total bonds and notes issued	**3,280.3**	**3,280.3**		**2,916.3**
Total borrowings from financial institutions and bonds	**15,129.8**	**15,129.8**		**12,866.8**

Maturity of borrowings and bonds

	As at December 31,	
(in EUR million)	**2017**	**2016**
Less than 1 year	5,186.5	3,284.0
1-5 years	9,637.9	9,357.2
Over 5 years	305.4	225.5
Total borrowings and bonds	**15,129.8**	**12,866.8**

Currencies

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at December 31,	
(in EUR million)	**2017**	**2016**
Euro	11,285.6	9,480.4
UK Pound	1,605.8	1,501.3
Danish Krone	305.0	309.4
Swedish Krona	311.8	271.0
Other currencies	1,621.6	1,304.6
Total borrowings and bonds	**15,129.8**	**12,866.8**

External funding

Local external banks and third parties provide 28% of total funding, representing EUR 4,217 million at December 31, 2017 (28% and EUR 3,570 million at December 31, 2016).

An amount of EUR 936.6 million or 6% of total funding is provided by external banks. The residual external funding (EUR 3,280 million) has been raised through asset-backed securitisations and unsecured bonds.

Asset-backed securitisation programme

There has been no new securitisation programme in 2017. The last securitisation deal took place in Germany in December 2016 for EUR 500 million. Full details of the securitisation deals in the Group are shown in section 3.1.2 Treasury risk.

EMTN programme

The Group is engaged in a Euro Medium Term Notes (EMTN) programme. The EMTN programme limit is set at EUR 6 billion for the aggregate nominal amount of notes outstanding at any one time. An application has been filed with the Luxembourg Stock Exchange in order for the notes issued under the programme to be listed on the official list and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The programme is rated BBB by Standard & Poor's ratings services.
Two new public bonds have been launched by the Group in 2017. A bond in July 2017 for an amount of EUR 600 million maturing in 5 years at a fixed rate of 0.875% and in November 2017 another bond for an amount of EUR 600 million maturing in 3 years at a floating rate of Euribor 3M + 43 bps. In July 2017 the Group also launched a private bond for EUR 200 million.

Société Générale funding

Following the external funding raised in recent years, the funding raised through Société Générale has remained stable at 72 % as at December 31, 2017.
Most of the funding provided by the SG group is granted through Société Générale Bank and Trust (SGBT) based in Luxembourg. SGBT provides funds to the ALD Group Central Treasury which then grants loans in different currencies to 21 ALD subsidiaries as well as to the holding companies. The total amount of loans granted by SGBT amounted to EUR 7,920 million at December 31, 2017 (EUR 6,649 million at December 31, 2016) with an average maturity of 2.08 years and an average rate of 0.56% (2.40 years and 0.68 % at December 31, 2016).

The remaining SG funding is provided either by local SG branches or SG group Central Treasury in Paris, representing EUR 2,993 million at December 31, 2017 (EUR 2,648 million at December 31, 2016).

At December 31, 2017 the Group has undrawn borrowing facilities of EUR 1.6 billion (EUR 2.6 billion at December 31, 2016).

Guarantee given

A guarantee at first demand has been granted to an English Financial institution for an amount of GBP 120 million on behalf of ALD Automotive UK, under the conditions negotiated in the frame of the distribution agreement concluded with this financial institution.

NOTE 27. RETIREMENT BENEFIT OBLIGATIONS AND LONG TERM BENEFITS

Defined contribution plans

Defined contribution plans limit the ALD's liability to the contributions paid to the plan but do not commit ALD to a specific level of future benefits.

Main defined contribution plans provided to employees of the Group are located in France. They include state pension plans and other national pension plans such as ARRCO and AGIRC, as well as pension schemes put in place by some entities of the Group for which the only commitment is to pay annual contributions (PERCO).

Post-employment benefit plans (Defined benefit plans)

Reconciliation of assets and liabilities recorded in the balance sheet

The amount recognised in the balance sheet is determined as follows:

(In EUR million)	31 December 2017	31 December 2016
A - Present value of funded defined benefit obligations	17.2	17.7
B - Fair value of plan assets	(12.0)	(11.7)
C = A + B Deficit (surplus)	**5.2**	**5.9**
D - Present value of unfunded defined benefit obligations	**3.7**	**4.0**
E - Change in asset ceiling	**-**	**-**
F - Separate assets	**-**	**-**
C + D - E - F = Net balance recorded in the balance sheet	**8.9**	**9.9**

Post-employment benefit plans include annuity payments, end-of-career indemnities as well as mixed plans (cash balance). Annuity payments are added to pension plans paid by state and mandatory benefit plans.

The present values of defined benefit obligations have been valued by independent qualified actuaries.

Components of the cost of the defined benefits

	Year ended December 31,	
(In EUR million)	**2017**	**2016**
Current service cost including social security contributions	1.3	1.2
Employee contributions	(0.2)	(0.2)
Past service cost / curtailments	(0.2)	-
Settlement	-	-
Net interest	0.1	0.1
Transfer from unrecognised assets	-	-
Components recognised in income statement	*1.0*	*1.2*
Expected return on plan assets (*)	(0.3)	0.2
Actuarial gains and losses due to changes in demographic assumptions	(0.1)	(0.4)
Actuarial gains and losses due to changes in economical and financial assumptions	(0.3)	1.8
Actuarial gains and losses due to experience	(0.3)	0.1
Change in asset ceiling	-	
Components recognised in unrealised or deferred gains and losses	*(1.0)*	*1.7*
Total components of the cost of the defined benefits	-	2.9

(*) Return on plan assets from which the expected return on plan assets included in the net interest cost is deducted

Changes in net liabilities of post-employment benefit plans recorded in the balance sheet

Changes in the present value of defined benefit obligations:

(In EUR million)

	2017	2016
Balance at January 1,	**21.6**	**19.0**
Current service cost including social security contributions	1.3	1.2
Employee contributions	-	-
Past service cost / curtailments	(0.2)	-
Settlement	(0.3)	-
Net interest	0.3	0.4
Actuarial gains and losses due to changes in demographic assumptions	(0.1)	(0.4)
Actuarial gains and losses due to changes in economical and financial assumptions	(0.3)	1.8
Actuarial gains and losses due to experience	(0.3)	0.1
Foreign exchange adjustment	(0.2)	(0.1)
Benefit payments	(0.9)	(0.4)
Acquisition/(Sale) of subsidiaries	-	-
Transfers and others	-	-
Balance at December 31,	**20.9**	**21.6**

Changes in fair value of plan assets and separate assets:

(In EUR million)

	2017	2016
Balance at January 1,	**11.7**	**10.8**
Expected return on plan assets	0.2	0.2
Expected return on separate assets	-	-
Actuarial gains and losses due to assets	0.3	(0.2)
Foreign exchange adjustment	(0.1)	0.0
Employee contributions	0.2	0.2
Employer contributions to plan assets	0.6	0.7
Benefit payments	(0.7)	(0.1)
Acquisition/(Sale) of subsidiaries	-	-
Transfers and others	(0.3)	-
Balance at December 31,	**12.0**	**11.7**

Information regarding funding assets (for all benefits and future contribution)

The breakdown of the fair value of plan assets is as follows: 17 % bonds, 46 % equities, 16 % money market instruments and 22 % others.

Employer contributions to be paid to post-employment defined benefit plans for 2018 are estimated at EUR 0.6 million.

Actual returns on funding assets

The actual returns on plan and separate assets were:

(In EUR million)	31 December 2017	31 December 2016
Plan assets	0.5	0.1
Separate assets	-	-

The assumptions on return on assets are presented in the following section.

Main assumptions detailed by geographical area

The significant actuarial assumptions used to determine the pension benefit obligation amount are as follows:

	31 December 2017	31 December 2016
Discount rate		
Europe	1.5%	1.3%
Long-term inflation		
Europe	1.7%	1.6%
Future salary increase		
Europe	1.4%	1.4%
Average remaining working lifetime of employees (in years)		
Europe	15.7	12.7
Duration (in years)		
Europe	12.9	15.7

The assumptions by geographical area are averages weighted by the present value of the liabilities (DBO).

The yield curves used to discount the liabilities are corporate AA yield curves (source: Merrill Lynch) observed in the end of October for GBP and EUR, and corrected at the end of December if the decrease in discount rates had a significant impact.
Inflation rates used are the long-term targets of the central banks of the monetary areas above.

The average remaining working lifetime of employees is calculated taking into account withdrawal assumptions.

The assumptions described above have been applied on post-employment benefit plans.

Obligations sensitivities to main assumptions ranges

(Percentage of item measured)	**31 December 2017 (*)**	**31 December 2016 (**)**
Variation in discount rate		
Impact on the present value of defined benefit obligations at December 31, N	(7.4)%	(14.0)%
Variation in long term inflation		
Impact on the present value of defined benefit obligations at December 31 N	3.6%	7.7%
Variation in future salary increases		
Impact on the present value of defined benefit obligations at December 31 N	15.5%	17.6%

(*) Variation of +0.5% in the measured item

(**) Variation of +1% in the measured item

The disclosed sensitivities are averages of the variations weighted by the present value of defined benefit obligations.

Other long-term benefits

Some entities of ALD may award their employees other long-term benefits, like long-term deferred variable remunerations, time saving accounts (French Term) "Comptes Epargne Temps" or long service awards. They are different from post-employment benefits and termination benefits, which are not fully due within twelve months following the financial year during which the services are rendered by the employees.

The net balance of other long-term benefits is EUR 10.2 million. The total amount of charges for other long-term benefits is EUR 1.2 million.

NOTE 28. PROVISIONS

(in EUR million)	**Damage risk retention**	**Other**	**Total**
As at January 1, 2016	**164.7**	**72.0**	**236.7**
Additions	48.2	(8.1)	40.1
Reversal	(25.3)	(6.5)	(31.8)
Currency translation differences	0.0	(3.3)	(3.3)
Scope changes	0.2	0.3	0.4
As at December 31, 2016	**187.7**	**54.4**	**242.2**
Of which current	**100.6**	**41.5**	**142.1**
As at January 1, 2017	**187.7**	**54.4**	**242.2**
Additions	91.4	18.5	109.9
Reversal	(93.3)	(5.4)	(98.6)
Used during the year	-	-	-
Transfer total	(0.0)	-	(0.0)
Currency translation differences	(0.0)	(1.0)	(1.1)
Scope changes	2.0	0.8	2.8
As at December 31, 2017	**187.8**	**67.4**	**255.2**
Of which current	**99.5**	**59.2**	**158.7**

Other provisions relate mainly to provisions made against disputed invoices. These are considered separately to impairment of receivables and do not represent a credit risk.

The Group is also subject to competition law and from time to time is engaged in competition proceedings, including one such proceeding in Italy brought by Italian anti-trust authorities against all members of the Italian long term leasing association, for which the Group had recorded a provision of EUR 9.8 million in December 2016. In Q1 2017 we received notification that this provision was no longer required and was therefore released.

NOTE 29. TRADE AND OTHER PAYABLES

	As at December 31,	
(in EUR million)	**2017**	**2016**
Trade payables	738.3	693.6
Deferred leasing income	410.8	391.0
Other accruals and other deferred income	393.7	378.2
Advance lease instalments received	252.1	229.1
Accruals for contract settlements	84.0	81.9
VAT and other taxes	181.4	210.2
Other	0.9	1.6
Trade and other payables	**2,061.2**	**1,985.6**

Trade and other payables, includes an amount of EUR 410.8 million (2016: EUR 391.0 million) of deferred leasing income. Deferred leasing income relates to maintenance and tyre revenue which is profiled in line with historical maintenance expenditure in order to match revenue and costs. This policy is explained further in Note 3 Financial Risk Management.

NOTE 30. DIVIDENDS PER SHARE

A dividend that related to the period ended December 31, 2016 for an amount of 155.6 million was paid to Société Générale on March 28, 2017 (a dividend of EUR 149.5 million that related to the period ended December 31, 2015).

NOTE 31. EARNINGS PER SHARE

Basic earnings per share

(in EUR million)	As at December 31, 2017	2016
Net income attributable to owners of the parent	567.6	511.7
Weighted average number of ordinary shares (in thousands)*	404,104	404,104
Total basic earning per share (in cents)	**1.40**	**1.27**

** Following the shareholders meeting held on March 17, 2017 it was decided to issue 9 additional shares for each share issued, which resulted in the number of ordinary shares increasing from 40,410,364 to 404,103,640*

Diluted earnings per share

As ALD Automotive did not issue any dilutive instruments for the years ended December 31, 2017 and December 31, 2016, diluted earnings per share equal to basic earnings per share for all the periods presented.

NOTE 32. COMMITMENTS

Operating lease commitments – Group Company as lessee

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under cancellable operating lease agreements.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(in EUR million)	As at December 31, 2017	2016
No later than 1 year	20.0	20.9
Later than 1 year and no later than 5 years	68.8	66.2
Later than 5 years	26.5	27.5
Total	**115.3**	**114.6**

NOTE 33. RELATED PARTIES

Identity of related parties

The Group is controlled by Société Générale Group. Transactions with Société Générale and its subsidiaries have been identified as related party transactions. All business relations with Société Générale Group are handled at normal market conditions.

In addition, one member of ALD board of Directors was also Deputy Chairman of Kjaer Group, a Danish company specialised in import, distribution and servicing of vehicles until September 1, 2016. Business relations of Kjaer Group with ALD Group are however immaterial (ALD leases 4 vehicles to KJAER Group). The same person was also a Non-Executive Director at SBS A/S, a company listed on the Danish stock exchange specialised in developing, manufacturing and distributing brakes parts and related wear parts for cars, motorcycles and for energy and industrial systems including wind turbines until June 1, 2016. There is no business relationship between SBS and ALD Group.

Furthermore, this member is a Non-Executive Director at the Supervisory Board of a company based in the US, MT Americas (Virginia, US). The company operates within the recycling industry in the US and South America. There is no business relationship between MT Americas and ALD Group.
In addition, this member became a Non-Executive Director at CarTime Technologies A/S on April 1, 2017, a company based in Denmark, specialised in road pricing and digital parking. There is no business relationship between CarTime Technologies and ALD Group.

Key management compensation

Key management includes members of the Executive Committee of ALD Group. The Executive Committee is composed of executive managers of ALD and Société Générale as well as regional supervisors of the most important subsidiaries. The members are the Chief Executive Officer, the two Deputy Chief Executive Officers, the Chief Financial Officer and the Chief Operating Officer.

The compensation paid or payable to key management for employee services is shown below:

	As at December 31,	
(in EUR million)	**2017**	**2016**
Salaries and other short term employment benefits	9.0	7.8
Post employment benefits	0.2	0.3
Other long term benefits	1.5	0.6
Total	**10.7**	**8.7**

Since the listing of the company in June 2017, ALD S.A. is supervised by a new Board Committee which has been implemented according to the AFEP-MEDEF rules. The board is composed of employees of ALD S.A. and Société Générale as well as independent board members who benefit from a compensation.

Sales of goods and services

Société Générale (“SG”) and its subsidiaries are customers of ALD Group. Total fleet leased to SG and its subsidiaries amounts to 7,375 cars in 27 countries. Rentals have been priced at normal market conditions. More than 50% of the total fleet leased to SG Group is leased by ALD France. Rental paid by SG Group to ALD France accounts for EUR 17 million and EUR 16.4 million in the years ended December 31, 2017 and December 31, 2016, respectively.

Purchases of goods and services

Information Technology ("IT") Services

ALD Group has a contract with SG Global Services centre (India), with which ALD subcontracted IT services including development, maintenance and support of international applications. The main advantage is to facilitate the roll out of common tools to all subsidiaries while ALD IT teams at a Group level still keep the knowledge of each project, train users and follow up the set up, usage and evolution locally. ALD has also subcontracted some technical infrastructure services to SG, mainly in France. Overall amount of IT services subcontracted to SG and its subsidiaries amounts to EUR 19.48 million in fiscal year 2017 (2016: EUR 19.44 million).

Premises

Some Group entities share premises with SG or with SG business divisions in some countries (mainly ALD S.A. and ALD France which represent around 50 % of the total rentals paid to SG). Rentals have been priced at arm's length and amounted to EUR 1.0 million in fiscal year 2017 (2016: EUR 2.0 million) for ALD France and ALD S.A. At the end of 2017 ALD S.A. moved its office to a property outside of the SG network.

Brokerage

Société Générale retail banking network sells long term rental contracts to customers on behalf of ALD against a commission for each contract sourced. In year 2017, around 15,000 contracts have been signed through Société Générale distribution network in 4 different countries. 84 % of contracts originated through this channel come from the French banking networks of SG Group. The commission paid to SG by ALD France represented EUR 2.52 million for the year ended December 31, 2017 (2016: EUR 2.51 million).

Third Party Liabilities (TPL) Insurance policy

ALD Italy has subscribed a TPL insurance policy for part of their fleet through Sogessur, the Car insurance company of Société Générale Group. Sogessur acts as a frontier and is reinsured through ALD Re, the reinsurance company of ALD Group. Insurance premiums have been fixed at arm's length. The overall amount of insurance premium paid by ALD Italy to Sogessur amount EUR 69.5 million in fiscal year 2017 (2016: EUR 61.0 million).

Corporate services

Société Générale Group, as a shareholder, provides ALD Group with the following intercompany corporate services:

- Providing support and advice regarding general secretary, tax or compliance matters at a holding level;
- Performing periodical audits in order to verify the effectiveness of governance, risk management, and permanent control;
- Supervising the Human Resources departments of the subsidiaries.

These Corporate services provided by Société Générale have been subject to compensation of EUR 12.4 million in fiscal year 2017 (2016: EUR 10.3 million).

In addition, in fiscal year 2017, there were 54 employees coming from SG (48 in 2016) with a temporary detachment contract in ALD Group with duration of 3 to 5 years; they are part of the local management teams and most of them are included in ALD payroll during the detachment period and are therefore not re-billed to SG. Only the employees based in ALD France and ALD are still paid by SG and re-billed to ALD; the amount re-billed by SG was EUR 6.9 million in 2016 and 7.5 million in 2017.

Loans with related parties

Société Générale and its affiliates provide ALD Group with funding either through ALD Treasury centre or directly to ALD subsidiaries at a market rate. 72 % of the Group's funding was provided through SG in fiscal year 2017, i.e. EUR 10,913 million.

Société Générale provides also bank guarantees on behalf of ALD and its subsidiaries in case of external funding. Overall guarantees released by SG Group amounted up to EUR 767.3 million as of December 31, 2017 (2016: EUR 789.7 million).

Société Générale also provides ALD Group with derivatives instruments which have a nominal amount of EUR 2,696 million, and are represented on the balance sheet for a total amount of EUR 26.2 million in assets and EUR 25.6 million in liabilities.

In compliance with the Asset Liability Management policies of Société Générale, ALD Group reinvests its equity in long term assets in the form of deposits with the central treasury of Société Générale. These deposits will roll-out in approximately 10 years time and will not be renewed. All of the interest rate swaps were cancelled in Q1 2017 and the decision was made not to renew any of the deposits as they mature. As at December 31, 2017 and 2016 the total amount of such deposits were as follows:

	As at December 31,	
(in EUR million)	**2017**	**2016**
Equity Reinvested with related parties		
Long term deposits	939	1,077
Equity replacement Swaps		915
Total	**939**	**1,992**

Tax consolidation agreement

In the 1989 financial year, Société Générale opted to apply a tax consolidation regime. In 2016, ALD S.A., Temsys (France), ALD Automotive A/S (Denmark) and Denmark NF Fleet had signed a tax consolidation agreement with SG Group, under which they are required to record in their accounts the tax expense they would have paid if they had not been consolidated with Société Générale for tax purposes. ALD S.A. and Temsys (France) have ended the agreement on January 1, 2017.

NOTE 34. AUDITORS' FEES

The total fees of the Company's auditors, as charged to the consolidated income statement for the year ended December 31, 2017, amounted to:

- For Deloitte & Associés: EUR 3 million, including EUR 1.9 million for the certification of the accounts and EUR 1.1 million for non-audit services
- For Ernst & Young & Associés: EUR 2.8 million, including EUR 1.4 million for the certification of the accounts and EUR 1.4 million for non-audit services

EUR 1.7 million of the non-audit services has been rebilled to the majority shareholder.

NOTE 35. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period for the year ending December 31, 2017.

NOTE 36. SCOPE OF CONSOLIDATION

(in %)	As at December 31, 2017	2016
ALD S.A.	**Parent company**	**Parent company**
Consolidated companies under global integration	**interest %**	**interest %**
ALD Autoleasing D GmbH (*)	100.00	100.00
ALD Automotive - Russia	100.00	100.00
ALD Automotive A/S - Denmark	100.00	100.00
ALD Automotive AB - SWEDEN	100.00	100.00
ALD Automotive AG - Switzerland	100.00	100.00
ALD Automotive AS - NORWAY	100.00	100.00
ALD Automotive D.O.O. Beograd - SERBIA	100.00	100.00
ALD Automotive Drustvo s Ogranicenom Odgovornoscu za Operativni - Croatia (*)	100.00	100.00
ALD Automotive for Cars Rental and Fleet Management S.A.E. - EGYPT	100.00	100.00
ALD Automotive Fuhrparkmanagement und Leasing GmbH - Austria	100.00	100.00
ALD Automotive Group PLC - UK (*)	100.00	100.00
ALD Automotive LTDA - BRAZIL	100.00	100.00
ALD Automotive Magyarorszag KFT - HUNGARY (*)	100.00	100.00
ALD Automotive Operational Leasing DOO - SLOVENIA	100.00	100.00
ALD Automotive Polska Spolka z Organiczona Odpowiedzialnoscia - POLAND	100.00	100.00
ALD Automotive Private Limited - INDIA	100.00	100.00
ALD Automotive Russia Sas	100.00	100.00
ALD Automotive S.A. de C.V. - MEXICO	100.00	100.00
ALD Automotive S.A. Lease of Cars - GREECE	100.00	100.00
ALD Automotive SA - SPAIN	100.00	100.00
ALD Automotive SRO - Czech Republic	100.00	100.00
ALD Automotive Turizm Ticaret Anonim Sirketi - TURKEY	100.00	100.00
ALD Fleet (SOFOM)	100.00	100.00
ALD International Participations SAS	100.00	100.00
ALD International SAS & CO KG (*)	100.00	100.00
ALD RE DAC - IRELAND	100.00	100.00
Axus Finland OY	100.00	100.00
Axus Italiana Sarl	100.00	100.00
Axus Luxembourg SA	100.00	100.00
Axus Nederland BV	100.00	100.00
AXUS SA NV - BELGIUM (*)	100.00	100.00
First lease Ltd - UKRAINE	100.00	100.00
SG ALD Automotive Portugal Sociedade Geral de Comercio e Aluguer de Benz sa	100.00	100.00
TEMSYS - France (*)	100.00	100.00
ALD Automotive Algeria SPA	99.99	99.99
ALD Automotive SRL - ROMANIA	80.00	80.00
Denmark NF fleet	80.00	80.00
Finland NF fleet	80.00	80.00
NF fleet AB - SWEDEN	80.00	80.00
Norway NF Fleet	80.00	80.00
ALD Automotive Eesti AS - Estonia	75.01	75.01
ALD Automotive SIA - LATVIA	75.00	75.00
UAB ALD Automotive - Lithuania	75.00	75.00
ALD Bulgaria	51.00	51.00
ALD Fortune Auto Leasing and Renting Co. Ltd - China	50.00	50.00
ALD Automotive Limitada (Chile)	100.00	100.00
ALD Automotive Peru S.A.	100.00	100.00
Parcours Iberia SA	100.00	100.00
Parcours France	100.00	100.00
ALD Automotive Colombia S.A.S.	100.00	0.00
Merrion Fleet Mgmt (*)	100.00	0.00
Spain Autorenting	100.00	0.00
ALD Automotive Slovakia S.R.O	100.00	100.00
Consolidated companies under equity method		
ALD Automotive SA Morocco	35.00	35.00
Nedderfeld 95 Immobilien Gmbh & Co. KG	35.00	35.00

(*) Including subsidiaries

20.2 STATUTORY AUDITORS' AUDIT REPORT FOR YEAR ENDED 31 DECEMBER 2017

DELOITTE ET ASSOCIES ERNST & YOUNG et Autres

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

ALD

Year ended December 31^{st} 2017

Statutory auditors' report on the consolidated financial statements

DELOITTE ET ASSOCIES
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
S.A. au capital de € 1.723.040

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ALD

Year ended December 31st 2017

Statutory auditors' report on the consolidated financial statements

To the annual general meeting of the company ALD.

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of the company ALD 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 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 those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independance

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

Observation

Without qualifying our conclusion, we draw your attention to the matter set out in Note 2.1 "Presentation format of the financial statements" to the consolidated financial statements which describes the change in accounting method relating to the presentation of the revenue

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 risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Revaluation of residual value of the fleet

Risk identified	Our response
Residual values of the vehicle fleet defined by ALD at inception of the lease are reviewed at least yearly to obtain an estimate that approximates the vehicle's market value at the end of the lease. The fleet represents around 77% of ALD Group's balance sheet total at December 31, 2017, ie € 16.3 billion. The stock of additional amortization on these vehicles amounted to € 232 million at December 31, 2017. For more details on accounting principles and risks, refer to note 3.1.3 of the appendix.	Our audit response consisted in examining the efficiency and effectiveness of the process used to determine the residual values and any future impairment losses for vehicles. We familiarized ourselves with the process used to measure residual values. We examined the efficiency and effectiveness of the key controls set up by local and central management that we considered to be the most relevant in determining the assumptions and parameters used for the measurement. Our work consisted in:

The procedures used to determine these residual values are set by ALD and shared by all Group entities. Residual value calculation is performed by each entity, as the used car market expertise is local, but the process is controlled and approved centrally.

Calculations are based on market segmentation and on a statistical model using ALD internal used car sales data, as well as country specific factors.

The residual value that is re-estimated during the fleet's revaluation may differ from the initial residual value.

Potential losses on future vehicle sales are amortized on a straight-line basis over the remaining term of the lease.

We considered the revaluation of residual values to be a key audit matter since it involves an estimate of the future market values of vehicles reported on the balance sheet based on a statistical model.

- Analyzing the appropriateness of the statistical model and the main assumptions and parameters used;
- Examining the assumptions and parameters used for a selection of vehicles whose residual values were re-estimated;
- Verifying that the estimates adopted are based on documented methods in accordance with the principles set out in Note 3.1.3 to the consolidated financial statements "Residual value risk."

We were assisted by our IT experts who examined the general IT-controls covering the application used to evaluate the fleet and the key controls implemented for the input of data from the local entities.

Recognition of maintenance revenue

Risk identified	Our response
ALD invoices its maintenance revenue on a straight-line basis over the term of the lease. In order to comply with the IFRS revenue recognition principles, the ALD group records a provision for deferred leasing income, in order to recognize the maintenance margin based on the standard maintenance cost curve. Deferred leasing income represent nearly € 411 million in the ALD Group's financial statements at December 31, 2017. For more details on accounting principles and risks, please refer to note 3.1.3 of the appendix. Based on Group's accounting policies manual, entities must calculate the deferred maintenance revenue reserve using a mathematical sequence that models the standard cost curve of a lease. We considered the valuation of provisions for deferred leasing income to be a key audit matter since: ➢ It involves an estimate of the revenue to be provided calculated via the modeling of a mathematical sequence; ➢ It is based on an estimate of the maintenance costs at the lease's inception.	Our audit response consisted in examining the process used to determine the provision for deferred leasing income. Our work consisted in: ➢ Examining the consistency of the calculation model and the main parameters used; ➢ Recalculating the provision for deferred maintenance revenue based on a sample of leases; ➢ Verifying that the estimates adopted are based on documented methods in accordance with the principles set out in Note 2.23 to the consolidated financial statements "Revenue recognition."

Goodwill

Risk identified	Our response
Goodwill is subject to annual impairment tests that compare the carrying amount of cash generating units (CGU) with a value in use generally calculated based on the discounting of the CGU's future cash flows. Future cash flows are determined as part of the budget process and in line with market guidance. Within the ALD Group, CGUs represent the main countries (France, United Kingdom, Germany, Italy and Benelux); five other CGUs representing hubs comprise several countries in homogenous geographical areas. The net value of balance sheet goodwill stands at €528.8 million, of which €212 million for the France CGU, €104.9 million for the Spain CGU and €50.2 million for the Italy CGU, as indicated in Note 16 to the consolidated financial statements. We considered the goodwill impairment tests to be a key audit matter due to the judgement involved in the models used, the financial forecasts, the parameters retained for the calculations, and the amount of goodwill accumulated over successive external growth transactions.	Our audit response consisted in examining the process used to identify the decrease in values in use of CGUs and any need to impair goodwill. This work consisted in: ➢ A critical analysis of the valuation methods used to calculate values in use; ➢ The involvement of our valuation specialists to assess the main assumptions retained in the calculation models and their sensitivity; ➢ A consistency check between the discounted future cash flows used for the impairment tests with the financial trajectories prepared by ALD's management and the communication made to the market; A verification that the impairment test results and sensitivity to certain parameters were correctly transcribed in the Notes to the consolidated financial statements.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of The Board of Directors.

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 as statutory auditors of ALD by the annual general meeting held on June 3rd 2013 for the audit firm DELOITTE ET ASSOCIES and on November 7th 2001 for the audit firm ERNST & YOUNG et Autres.

As at December 31st 2017, the audit firm DELOITTE ET ASSOCIES was in the 5th year of total uninterrupted engagement. As for the audit firm ERNST & YOUNG, the year ended December 31st 2017 was the 17th year of total uninterrupted engagement (including 5 years during which 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 the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from 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 is expected 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 risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives 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 from 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 (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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.

- Obtains 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.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses 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 his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains 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 auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

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 program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards..

Neuilly-sur-Seine et Paris-La Défense, 16 avril 2018

The Statutory Auditors
French original signed by

DELOITTE ET ASSOCIES

Jean-Marc Mickeler

ERNST & YOUNG et Autres

Micha Missakian

CHAPTER 21. ADDITIONAL INFORMATION

21.1 SHARE CAPITAL

21.1.1 Subscribed share capital and authorised but unissued share capital

As of the date of this Registration Document, the Company's share capital amounts to €606,155,460 divided into 404,103,640 shares at par value of €1.5 fully subscribed and paid-up.

The table below presents the financial resolutions in respect of increase of share capital, approved by the combined ordinary and extraordinary shareholder's meeting on 20 April 2017:

Shareholder's meeting (No of resolution)	Purpose of the Resolution	Maximum Amount	Duration of Authorisation
20 April 2017 (Resolution 12)	Delegation of power to the Board of Directors to increase the share capital of the Company or of another company through the issuance of shares and/or securities giving immediate or future access to share capital, with preferential subscription rights	€300,000,000 (€1,000,000,000 for debt securities)	26 months
20 April 2017 (Resolution 13)	Delegation of power to the Board of Directors to increase the share capital of the Company or of another company through the issuance of shares and/or securities giving immediate or future access to share capital, without preferential subscription rights, through a public offering	€60,000,000[1] (€1,000,000,000 for debt securities)	26 months
20 April 2017 (Resolution 14)	Delegation of power to the Board of Directors to increase the share capital of the Company or of another company through the issuance of shares and/or securities giving immediate or future access to share capital, without preferential subscription rights, through private placements as described in Article L. 411-2 of the French Monetary and Financial Code	€60,000,000[1] (€1,000,000,000 for debt securities)	26 months
20 April 2017 (Resolution 15)	Delegation of authority to the Board to increase the number of shares to be issued in a capital increase, with or without preferential subscription rights	15% of the initial issuance[1]	26 months

Shareholder's meeting (No of resolution)	Purpose of the Resolution	Maximum Amount	Duration of Authorisation
20 April 2017 (Resolution 16)	Delegation of authority to the Board of Directors to increase share capital by incorporation of premiums, reserves, profits or other items .	€300,000,000[1]	26 months
20 April 2017 (Resolution 17)	Authorization given to the Board of Directors to issue shares or securities giving immediate or future access to shares to be issued by the Company in consideration of contributions in kind consisting of shares or securities giving access to share capital	10% of share capital	26 months
20 April 2017 (Resolution 18)	Delegation of authority to the Board of Directors to carry out capital increases reserved for participants in Company savings plans without preferential subscription rights for shareholders	0.3% of share capital[1]	26 months
20 April 2017 (Resolution 19)	Authorization to the Board of Directors to grant performance shares (existing or newly issued) to some or all of the Group's employees	0.3% of share capital	38 months

[(1)]The total maximum nominal amount of capital increases that can be held under this authority counts toward the overall nominal ceiling of €300 million.

The table below presents the financial resolutions to be proposed by the combined ordinary and extraordinary shareholder's meeting on 22 May 2018:

No of resolution	Purpose of the Resolution	Maximum Amount	Duration of Authorisation
Resolution 13	Authorization to the Board of Directors to grant performance shares (existing or newly issued) to some or all of the Group's employees	0.3% of share capital	38 months

21.1.2 Non-equity securities

As of the date of this Registration Document, the Company has not issued any securities not representing share capital.

21.1.3 Shares held by or on behalf of the Company

As of the date of this Registration Document, the Company does not hold any of its own shares and no shares of the Company are held by any of its subsidiaries or by any third party on its behalf.

The combined ordinary and extraordinary shareholder's meeting held on 20 April 2017 authorised the Board of Directors, for a period of 18 months following such Shareholders' Meeting and with the right to sub-delegate as permitted by law, in accordance with Articles L. 225-209 et seq. of the French Commercial Code, to purchase or cause the purchase of Company shares in order to carry out the following transactions:

- Cancel shares to increase the return on equity and earnings per share subject to the adoption of the resolution authorising cancellation of the shares by the extraordinary Shareholders' Meeting;

- Meet obligations arising from share options programmes, or other allocation of shares to employees or corporate officers of the Company or of an affiliated company;

- Provide shares upon the exercise of rights attached to securities giving access to the share capital of the Company;

- Ensure that there is a market or liquidity for the shares of the Company through an accredited financial service provider under a liquidity agreement, in accordance with a Code of Ethics recognised by the AMF;

- Retention and subsequent tendering by way of payment or exchange in connection with external growth transactions;

- Carry out any market practice which may be authorised by the law or by the AMF.

Shares may be bought, sold, or transferred up to the limits authorised under applicable laws and regulations and by all means, on regulated markets or multilateral trading facilities, through systematic internalisers or over the counter, including through block trades, at the time the Board of Directors or the person acting under sub-delegation may decide.

Purchases of the Company's shares may not exceed 5% of the share capital at the purchase date. The total amount allocated to the share buyback program shall not be greater than €600,000,000.

The maximum share purchase price in connection with the buyback program shall be 200% of the price of shares as at the listing of the Company's shares on Euronext Paris (i.e. €14.3) , subject to any adjustments resulting from capital transactions.

The Board of Directors shall have all powers, with the power to sub-delegate as permitted by law, to place any stock market order or over-the-counter, to enter into any agreement, to prepare any documents, to set out the terms of the Company's intervention on the market or not, as well as the terms for the acquisition or transfer of the shares, to file any declarations with the AMF or any other competent authority and to carry out all other formalities and, generally, to perform all necessary acts.

The Board of Directors will have full powers to inform the public, under the applicable legal and regulatory conditions, of any amendments to the share buyback program objectives provided for by the law or the AMF.

21.1.4 Other securities giving access to share capital

As of the date of this Registration Document, the Company has not issued any stock options or any securities giving access to its share capital.

21.1.5 Terms of any acquisition rights and/or any obligation over authorised but unissued capital

None.

21.1.6 Share capital of any member of the group that is the subject of an option or of an agreement to put it under option

None.

21.1.7 History of the Company's share capital over the past three years

The table below presents changes in the Company's share capital over the past three years:

Date	Type of operation	Capital before operation	Number of shares before operation	Number of shares after operation	Par value	Capital after operation
19/11/2015	Share capital increase.........	€550,037,505	36,669,167	38,957,899	15	€584,368,485
30/11/2015	Share capital increase.........	€584,368,485	38,957,899	40,410,364	15	€606,155,460
03/04/2017	Reduction in the nominal value of the shares	€606,155,460	40,410,364	404,103,640	1.5	€606,155,460
16/06/2017	Listing of ALD shares on Euronext Paris	€606,155,460	40,410,364	404,103,640	1.5	€606,155,460

21.2 MEMORANDUM AND BYLAWS

The Bylaws were prepared in accordance with the laws and regulations applicable to French limited liability companies with a Board of Directors (*société anonyme à conseil d'administration*). The principal provisions described below have been taken from the Company's Bylaws as adopted by the combined ordinary and extraordinary shareholder's meeting on 20 April 2017. The Bylaws were amended by the Board of Directors dated 2 November 2017 after its decision to modify the Company's registered office from La Défense to Rueil-Malmaison. Such amendment needs to be approved by the shareholders' meeting to be held on 22 May 2018.

21.2.1 Corporate purpose

Pursuant to article 2 of the Bylaws, the Company's purpose is, in France and abroad, directly or indirectly:

- the acquisition, management and operation, in particular under a lease, with or without an option to purchase, and incidentally the sale, of any equipment, fixed, mobile or rolling stock, machinery and tooling, as well as all land, sea or air vehicles;
- the study, creation, development, operation, management of any business or commercial, industrial, real estate or financial companies;
- the purchase, lease, rental, with or without promise to sell, the building and operation of any plants, workshops, offices and premises;
- the direct or indirect participation in any transactions or undertakings by incorporation of companies, facilities or groups of a real estate, commercial, industrial or financial nature, the participation in their incorporation or the share capital increase of existing companies;
- the management of a portfolio of investments and securities as well as related transactions;
- the ownership and management of all buildings,

and, generally, all industrial, commercial, financial, movable or immovable transactions, directly or indirectly relating to this purpose or any similar or related purpose, or that may be useful or likely to facilitate the successful accomplishment of this purpose.

21.2.2 Board of directors and Statutory Corporate Officers

21.2.2.1 *Members of the Board of Directors (Article 13 of the Bylaws)*

The Company is governed by a Board of Directors composed of at least nine (9) members and no more than twelve (12) members, subject to the exceptions set forth in the applicable legal and regulatory provisions.

Directors are appointed for a four-year term as from the shareholder's meeting on 20 April 2017. By way of exception, the shareholder's meeting on 20 April 2017 appointed/renewed the term of one or more director(s) for a period of two or three years, to ensure staggered renewal of the directors' term.

No person may be appointed or renewed as a director if he/she is over seventy (70) years. Where the permanent representative of a legal entity member of the Board of Directors exceeds the age of seventy (70), the legal entity must, within a three-month period provide for his/her replacement. Failing this, the legal entity will automatically be deemed to have resigned.

21.2.2.2 *Chairman (Article 15 of the Bylaws)*

The Board of Directors elects a Chairman from among the members of the Board of Directors who are natural persons and determines the term of his/her office, the term of which may not exceed his/her term director's term.

The Chairman organises and manages the work of the Board of Directors and reports on such work to the general shareholders' meeting. The Chairman oversees the proper functioning of the Company's governing bodies and ensures that the directors are able to carry out their duties.

21.2.2.3 *Chief executive officer and Deputy Chief executive officer(s) (Article 17 of the Bylaws)*

At the option of the Board of Directors, the Company may be managed either by the Chairman of the Board of Directors or a natural person appointed by the Board of Directors with the title of Chief Executive Officer (the "**CEO**").

The Board of Directors determines the term of the CEO's office.

If the Chairman of the Board of Directors is in charge of the Company's general management, the legal, regulatory and Bylaws provisions concerning the CEO apply to the Chairman.

The CEO represents the Company in its relations with third parties. The powers of the CEO are limited by the purpose of the Company and those that the applicable laws and regulations expressly confer to the shareholder's meetings and to the Board of Directors.

On the proposal of the CEO, the Board of Directors may appoint up to five (5) natural persons to assist the CEO with the title of Deputy CEO.

The Deputy Chief Executive Officer(s) may be removed at any time by the Board of Directors only and on the recommendation of the CEO.

The Board of Directors determines with the CEO the scope and duration of the powers granted to the Deputy CEO. The Deputy CEO have the same powers with regard to third parties as the CEO.

21.2.2.4 *Convening and holding of Board of Directors' meetings (Article 16 of the Bylaws)*

The Board of Directors meets as often as necessary in the Company's interest upon convening by its Chairman or, in the event of his/her incapacity, by at least one-third (1/3) of its members, or, if he/she is a director, by the CEO.

If the members of the Board of Directors have not met for more than two (2) months, at least one-third (1/3) of the members of the Board of Directors may require the Chairman to convene the Board of Directors on a specific agenda.

The CEO may also require the Chairman to convene the Board of Directors on a specific agenda.

Decisions are made under the conditions of quorum and majority set forth by the applicable legal and regulatory provisions.

In compliance with legal and regulatory provisions, the internal rules of the Board of Directors may stipulate that the Directors who participate in the meeting of the Board of Directors by means of videoconference or telecommunications equipment meeting the technical specifications required by the applicable legal and regulatory provisions are deemed to be present for the calculation of the quorum and the majority

The Board of Directors sets its operating procedures in the Internal Regulations in accordance with the law and regulatory provisions and the Bylaws of the Company. It can decide to create committees in charge of the study of questions that the Board of Directors or its Chairman submit to their review. The composition and powers of each of these committees, which carry out their activities under its responsibility, are set by the Board of Directors in its Internal Regulations.

21.2.3 Rights, privileges and restrictions attached to shares (Article 8 of the Bylaws)

21.2.3.1 *Voting rights (Article 8 of the Bylaws)*

Each share gives the right to one vote.

The double voting right provided for by Article L. 225-123 of the French Commercial Code is expressly excluded.

The Bylaws do not contain any provisions restricting the voting rights attached to the shares.

21.2.3.2 *Shareholders' Identification Process (Article 11 of the Bylaws)*

The Company may at any time make use of any legal and regulatory provisions provided in relation to the identification of holders of securities granting immediately, or in the future, voting rights at the shareholder's meeting.

21.2.3.3 *Crossing of Bylaws Thresholds (Article 12 of the Bylaws)*

In addition to the thresholds provided for by applicable laws and regulations, any shareholder, acting alone or in concert, who comes to hold, directly or indirectly, a number of shares or voting rights equal or greater than 1.5% of the Company, must inform the Company within five (5) trading days after crossing such threshold and must also indicate, at the time of such declaration, the number of securities held giving access to the Company's share capital. Investment fund management companies are required to disclose such information for all of the Company's shares held by the funds they manage. Over and above 1.5%, each additional threshold crossing of 0.50% of the share capital or voting rights must also be notified to the Company under the conditions set out above.

Any shareholder, acting alone or in concert, shall also be under obligation to inform the Company within five (5) trading days if the percentage of capital or voting rights held falls below each of the thresholds referred to in this Article.

For the purpose of calculating the thresholds of capital and voting rights notified pursuant to this Article, the shares or voting rights held but also those whose assimilation is required by the applicable legal and regulatory provisions with regard to legal thresholds shall be taken into account. The declarant shall also specify his/her identity and that of the natural or legal persons acting in concert with him/her, the total number of shares or voting rights he/she holds directly or indirectly, alone or in concert, the date and origin of the threshold crossing, and, where applicable, the information referred to in the third paragraph of Article L. 233-7 of the French Commercial Code.

Failure to comply with the above provisions will be sanctioned in accordance with the applicable legal and regulatory provisions upon the request, recorded in the minutes of the shareholder's meeting, of one or more shareholders holding at least 5% of the Company's share capital or voting rights.

21.2.3.4 *Modification of the rights of shareholders*

The rights of the shareholders may be modified in accordance with applicable laws and regulations.

The Bylaws do not contain any particular provisions with respect to modification of the rights of the shareholders that are more stringent than the law.

21.2.4 Shareholders' meeting (Article 18 of the Bylaws)

Shareholders' meetings are convened and held in accordance with the applicable laws and regulations.

Any shareholder has the right to attend shareholders' meetings and participate in the deliberations personally or through an agent, under the conditions defined by the applicable laws and regulations, with proof of his/her identity and the ownership of his/her shares.

On decision of the Board of Directors published in the notice of meeting to use such telecommunications methods, shareholders who attend the meeting via videoconference or other telecommunication or electronic transmission methods, including Internet, which allow identification under the conditions required by the applicable legal and regulatory provisions, are deemed present for the calculation of quorum and majority.

On decision of the Board of Directors, any shareholder may vote remotely or give his/her proxy pursuant to the applicable laws and regulations using a form prepared by the Company and sent to the Company under the conditions defined by the applicable laws and regulations, including electronic or broadcast transmission methods. This form must be received by the Company at least two (2) days prior to the shareholders' meeting, unless shorter period mentioned within the notice of meeting or any legal or regulatory provisions.

Meetings are chaired by the Chairman of the Board of Directors, or in his/her absence, by a member of the Board specifically delegated in this purpose by the Board of Directors. If not, the meeting elects its own chairman.

21.2.5 Annual Accounts – Allocation of Profits (Articles 20 and 21 of the Bylaws)

21.2.5.1 *Fiscal Year (Article 20 of the Bylaws)*

The Company has a fiscal year of twelve months, beginning on 1 January and ending on 31 December of each year.

21.2.5.2 *Annual Accounts (Article 20 of the Bylaws)*

At the end of each financial year, the Board of Directors prepares the inventory and the annual accounts as well as a written management report.

In addition, all other documents required by the applicable laws and regulations shall be drawn up.

21.2.5.3 *Allocation of Profits (Article 21 of the Bylaws)*

The annual results are determined in accordance with applicable laws and regulations.

On the profit of a financial year, less any prior losses if any, it is first collected at least 5% for the constitution of a reserve fund as required by applicable laws and regulations. This collection ceases to be mandatory when the reserve fund reaches one-tenth of the share capital.

The shareholders' meeting may freely dispose of the surplus, and on proposal of the Board of Directors, may either decide to allocate it to the retained earnings account in whole or in part, or to the reserves in whole or in part. It may also decide the distribution in whole or in part.

The shareholders' meeting will have the right to grant to each shareholder, for all or part of the dividends distributed or of the interim dividends, an option between payment in cash and payment in shares.

21.2.6 Control of the Company

There are no provisions in the Bylaws or in the Internal Regulations that could have the effect of delaying, postponing or preventing a change of control of the Company.

21.2.7 Changes in the share capital of the Company

The Bylaws do not contain any particular provisions with respect to modification in the share capital of the Company.

CHAPTER 22. MATERIAL CONTRACTS

No contract (other than those entered into in the ordinary course of business) containing a significant obligation or undertaking for the Group has been entered into by any of its entities in 2017, in 2016, and 2015.

CHAPTER 23. THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

None.

CHAPTER 24. PUBLICLY AVAILABLE DOCUMENTS

Copies of this Registration Document are available free of charge at the registered office of the Company. This Registration Document may also be consulted on the Company's dedicated website (**www.aldautomotive.com**) and on the AMF's website (www.amf-france.org).

While this Registration Document is valid, the following documents (or a copy of such documents) may be viewed:

- the Bylaws;
- any report, correspondence or other historical financial information or document, assessment or statement prepared by an expert upon the Company's request, of which a part is included or referred to in this Registration Document; and
- the historical financial information included in this Registration Document.

All such legal and financial documents relating to the Company and made available to shareholders in accordance with applicable regulations may be viewed at the Company's registered office.

As from the listing of the Company's shares on Euronext Paris, regulated information (within the meaning of the AMF's General Regulations) will also be available on the Company's website.

CHAPTER 25. INFORMATION ON HOLDINGS

Information concerning entities in which the Company holds a fraction of share capital likely to have a material impact on the valuation of its assets and liabilities, financial condition or results of operations is included in Section 7.3 "Subsidiaries and equity interests".