2017
ANNUAL REPORT

ALD

Contents

OUR ACHIEVEMENTS

CEO STATEMENT

MIKE MASTERSON
Chief Executive Officer

> The growth that we are currently registering leaves us well positioned to stay a leader in the provision and delivery of mobility solutions in the years ahead.

2017 Review of the year

2017 has been an exceptional year for the ALD Automotive Group, marked by exceptionnal gowth, a successful introduction on the Euronext stock exchange and an operating and financial performance in line with our targets. Our fleet growth was remarkably strong with total fleet up 9.8% and has enabled us to achieve a major milestone of 1.5 million cars worldwide, confirming our global position in Europe.

We recorded a record profit of EUR 567.6 million, up 10.9% compared to 2016, with business performance supported by all of our business segments and geographic regions. This strong development fully demonstrates the strength of our commercial franchises and the quality of our services, as well as our strong focus on efficiency.

A major landmark in the history of the company was reached on June 16th with the successful listing of ALD's shares on the Euronext Paris stock market. A total of 20.18% of issued share capital was sold through our IPO and resulted in an implied total valuation of the company's shares at EUR 5.78 billion. This achievement is already providing us with extra flexibility to accelerate our expansion and support our strategy of delivering sustainable long-term growth and profitability.

Our focus on targeted and value accretive bolt-on acquisitions continues to be central in our development and we're very proud of our two latest acquisitions which further consolidate our number 1 position in Europe. Merrion Fleet is the number 2 full service leasing player in Ireland and represents an important addition to our global network. The acquisition of BBVA Autorenting's fleet in Spain has also strengthened our full service leasing presence in a growing market and enables us to expand the commercial reach of our solutions through an agency agreement to provide full service leasing products to BBVA's corporate and private customers under a white label agreement.

Entrepreneurial spirit is in our DNA and exploring new markets through organic growth has also been instrumental in extending our global footprint. This year was marked by the opening of greenfield operations in Colombia which further extends our ability to serve international clients and allows us to take advantage of the growth potential of the full service leasing market in Colombia. This new addition contributes to our successful development in the Latin American region.

The addition of both Ireland and Colombia broaden our direct presence to a total of 43 countries worldwide.

In a rapidly evolving industry, we know it's important to prepare for the future and we've made significant strides around innovation and technology. We are positioning ourselves to be at the centre of this changing environment by proposing flexible and responsible solutions to meet the evolving mobility requirements of our customers. This past year we have been working on a number of market leading tools, such as fully-digital private lease and car sharing solutions, e-mobility partnerships and flexible leasing offers. These are driving our growth, improving our customer service capability and helping to maintain our leadership position.

And last but not least, we have continued to differentiate ourselves by delivering high quality local services through a local entrepreneurial approach within a global framework.

I firmly believe that the secret of our success is simple: local empowerment. At ALD Automotive, we believe in the autonomy of our managers to run their local businesses because that drives commitment and innovation, not just at management level but through the whole organisation. Our entrepreneurial operating model is essential to our success.

Together with the strong commitment from our management and staff, we are confident that our fleet growth can continue on its dynamic path. We intend to further leverage our strong corporate and partnership franchise, capture the growth of the private lease market through targeted partnerships, extend our geographical coverage and further develop new innovative mobility solutions to serve our existing and future clients. We firmly believe that this strategy, supported by our resilient and profitable business model, will offer substantial growth opportunities and provide significant and sustainable shareholder value.

AT A GLANCE

A GLOBAL LEADER IN FULL SERVICE VEHICLE LEASING AND FLEET MANAGEMENT

ALD Automotive provides services to large corporates, small to medium sized companies and private individuals.

We provide our customers with total flexibility, from pure financing of cars to comprehensive outsourcing operations, offering a comprehensive suite of tailored services.

We address the whole value chain, from the acquisition and financing of vehicles to the resale of used vehicles at the end of the contract. This wide range of activities, combined with our global footprint and efficient organization, enables us to benefit from a diversified revenue and profit base.

With 1.5 million vehicles under management, we offer high-quality and innovative driver mobility solutions to our +100,000 corporate clients across 43 countries. With the broadest worldwide coverage, ALD Automotive is ideally positioned to take advantage of the increasing demand for outsourced fleet solutions. Car leasing is a business in which scale matters, because of its effect throughout the value chain. Our leading position allows us to pass on the benefits of scale to our customers through a favourable purchasing position with our supplying partners, strong operational efficiency, wide geographical coverage and extensive innovation capabilities.

LEADING THE CHANGE IN AN EVOLVING MOBILITY ENVIRONMENT

As a pioneer in mobility solutions, we place sustainable mobility at the heart of our strategy and are continuously challenging our offering to innovate and guarantee the best products and services to our customers.

In the coming years, we will see dramatic changes in fleet ecosystems as we shift to a connected world which is faced with climate change, urbanisation, technological progress, digital lifestyles, new customer behaviours and the entry of new mobility players.

To respond to these ever-evolving challenges, we have placed innovation at the centre of our strategy to anticipate our customer needs and requirements. We strive to generate improved driver experience and fleet management efficiencies, as well as new innovative mobility solutions and technology-enabled services, to help our clients focus on their everyday core business.

#1 in Europe

#2 worldwide

1.51 million

vehicles managed worldwide
(+9.8 vs. 2016)

43
Countries
with top 3 positions in 27

5
strategic alliances
covering an additional 12 countries

employees:
+6,300

+100,000
corporate clients

OUR STRATEGIC PILLARS

- **Be a global leader** in mobility services with an ambition to be in a top 3 position in all markets.
- **Positioned at the forefront of innovation** to lead the change in an evolving mobility environment.
- **Differentiate** by delivering high quality local services within a global framework.
- **High growth trajectory** driven by an efficient operating model and scale to maximize shareholder value.
- **Strong and experienced management team** supported by an efficient management structure with strong cultural values.

A WELL-DIVERSIFIED BUSINESS MODEL

• A comprehensive product offering

Our full service leasing product offering provides clients with the usage of a vehicle for a regular monthly lease payment covering financing, depreciation of the vehicle and the provision of various services, from maintenance to roadside assistance or insurance.

Our fleet management product offering provides outsourcing contracts to clients under which the vehicle is not owned but managed by us; the client is charged for the various services provided in relation to the use of the vehicles.

• Multiple distribution channels

Our direct sales channel allows us to serve a wide range of corporate clients, both internationally and locally.

Our indirect sales channel consists of distribution partnerships, in particular with car manufacturers and banks, and enables us to serve small to medium sized companies and private individuals through a market leading white label partnership program. ALD Automotive pioneered this approach and, today, with +120 agreements in place with 10 car manufacturers and over 25 banking partners in 17 countries, we remain well ahead of the competition.

78%

FULL SERVICE LEASING

22%

FLEET MANAGEMENT

SHARE IN TOTAL FLEET
GROWTH FOR 2017
(# vehicles)

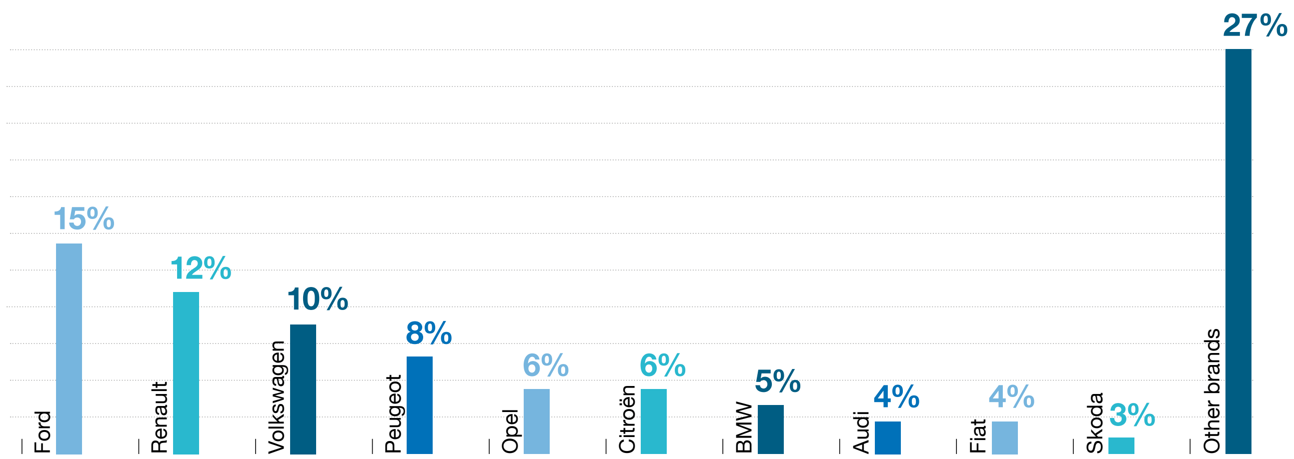
17% Private lease

36% SMEs & partnerships

47% Direct sales to corparates

STRONG FLEET DIVERSIFICATION ACROSS BRANDS

The Group's funded fleet is very well diversified across brands



(in # of vehicles on balance-sheet as of 31/12/2017)

A CUSTOMER CENTRIC ECOSYSTEM

• We are first and foremost a client centric company

At ALD Automotive, we have high service quality standards which we deliver through a strong client-focused approach. With more than +800 international clients across multiple industries, we are committed to ensuring that our clients receive the best services possible for managing their fleet requirements throughout the world.

• The continual pursuit of client satisfaction

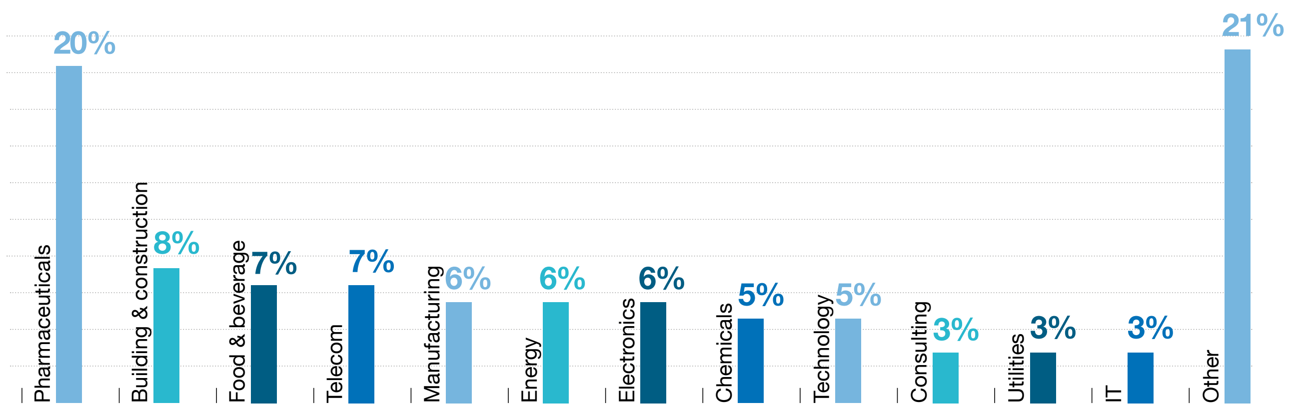
As a service provider, we strive to ensure that we provide the same high service quality to all of our clients while adapting our offering to local market requirements. This commitment is regularly recognized through awards within our markets and our proven client retention track-record. 9 out of 10 of our corporate clients have been with us for more than 10 years which exemplifies how we co-create successful, long-term relationships.

Our fleet managers and drivers have recognized our service levels with recommendation rates of 80% and 84% in 2017 respectively. More than 80% of them are satisfied with our services.

INDUSTRY RECOGNITION FOR SERVICE QUALITY IN 2017

- **Best Customer Service in France in the Full Service Leasing category - 10th consecutive year** Viseo CI, October 2017
- **Best Leasing Company in Spain – Hall of Fame for trajectory over 25 years** AEGFA - Automotive Fleet Managers Spanish Association, November 2017
- **Best Leasing Company in the Netherlands** Customer Service by Drivers – VZR, December 2017
- **Customer Experience Award in Luxembourg** Fleet Award – Automotion, June 2017
- **Best Customer Service 2018** Customer Service Barometer Morocco

BROAD CLIENT DIVERSIFICATION BY INDUSTRY
2017 INDUSTRY SEGMENTATION OF TOP 100 CUSTOMERS



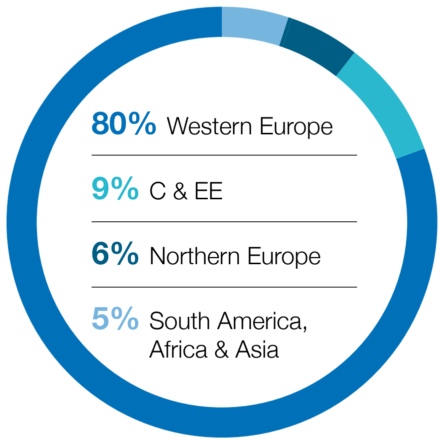
THE BROADEST GEOGRAPHIC COVERAGE

Presence on
4 continents

Direct presence in
43 countries

Top 3 positions
in 27 countries

DIVERSIFIED FLEET BY GEOGRAPHY



• Scale and coverage matter in our business

What sets us apart from other providers is the breadth of our geographic coverage. Our extensive coverage provides us with high customer visibility and helps to ensure that we are involved in significant global tenders. Our operational network and our scale also allow us to purchase and manage vehicles across a wide number of countries in a cost-efficient manner.

• Leveraging local excellence to achieve global success

Through commercial alliances with peers in geographies where we do not have a direct presence, we provide our clients with access to 12 additional countries which brings our overall coverage to 55 countries. Our international network represents the broadest worldwide footprint in the car leasing market.

• A key strategic alliance in North America with Wheels, Inc.

We have teamed up with Wheels, Inc., serving the largest fleet customers in North America with +300,000 vehicles, to form a global partnership which serves the strategic needs of international clients and their fleets worldwide. This alliance represents the most complete, strategic and farthest-reaching global network in the industry.

Our Global Alliance provides extensive industry experience and expertise, depth of resources, financial strength, comprehensive coverage and a shared commitment to service excellence. We offer multinational corporations harmonised services and access to market-specific expertise and insights across numerous countries as well as a single point of contact to manage global initiatives for their worldwide outsourced fleet. This partnership also makes it possible for fleet managers to receive consolidated reporting from their fleet around the world, which is unique in the industry.

ALD Automotive IN GLOBAL ALLIANCE WITH wheels

A POWERFUL SOURCING CAPACITY

380,000
NEW CARS PURCHASED

1.35 million
DAYS OF SHORT TERM RENTAL

5.5 million
TYRES PURCHASED

THE BROADEST GEOGRAPHIC COVERAGE

55

COUNTRIES WORLDWIDE

43 Countries
with ALD Automotive direct presence

12 Countries
covered through strategic alliances

5 TARGETED STRATEGIC ALLIANCES WITH PEERS

Wheels in North America

ABSA in South Africa

FleetPartners in Asia-Pacific
(Australia and New Zealand)

AutoCorp in Argentina

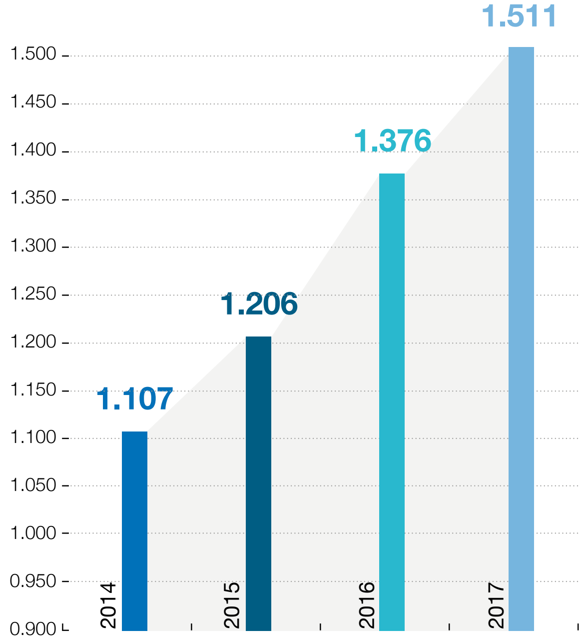
Arrend Leasing in Central America
(Guatemala, Nicaragua, Honduras, El Salvador and Costa Rica)

2017 FINANCIAL PERFORMANCE

+9.8%

TOTAL FLEET GROWTH

TOTAL FLEET IN MILLION VEHICLES MANAGED



A STORY OF GROWTH AND PROFITABILITY

• Exceptionally strong fleet growth

ALD Automotive has delivered another set of strong financial results in 2017, confirming the strengths of our business model, with an increase in total Gross Operating Income of 7.1% at EUR 1,332.8 million, above the 2016 level of EUR 1,244.2 million.

The Group recorded exceptionally strong fleet growth in 2017 with total fleet reaching 1.51 million vehicles at the end of December 2017, representing a 9.8% increase year on year, and has contributed to further improving the operating model especially through scale and efficiency gains. Leasing Contract Margin and Services Margin both rose strongly in 2017, to EUR 574.5 million and EUR 593.0 million, up 11.8% and 12.2% respectively vs. 2016. All geographical regions contributed to this strong growth in 2017.

• Strong performance from all distribution channels

Strong performance was recorded across all client segments. Direct sales to corporates grew 7% year on year, while sales via partnerships increased by 14%. ALD Automotive remains ahead of the competition in its ability to implement commercial partnerships, notably manufacturers and banks, 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 78,000 vehicles, representing 5.1% of total fleet, up 42% since the start of the year and on track towards the target of 150,000 at the end of 2019.

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

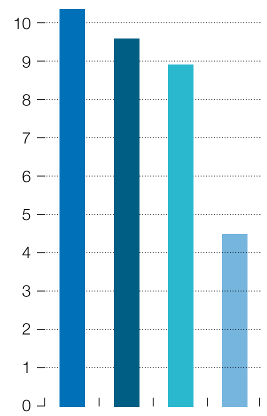
GROWTH OF TOTAL FLEET PER GEOGRAPHICAL REGIONS

+10.3%
Western Europe

+9.6%
Central and Eastern Europe

+8.9%
South America, Africa and Asia

+4.5%
Northern Europe



NET INCOME (Group Share) AT EUR 567.6 MILLION

+10.9%

• Evolving towards a more balanced fleet mix

ALD Automotive benefits from great remarketing expertise and is constantly improving its capabilities in that area including through the further development of an e-auction website and an efficient logistic network, and an increased ability to export more vehicles. The number of used cars sold continued to rise reaching 259,000, up 7.3% vs. 241,000 in 2016. In line with recent years, more than half of vehicles coming off lease were sold within 30 days, while the number of cars sold via electronic platforms continued to rise. The Group's online remarketing platform (ALDcarmarket.com) facilitates decisions by trade buyers through easy access to data for purchasing decisions. The Group has recently upgraded its sales platform to an e-commerce platform, which 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.

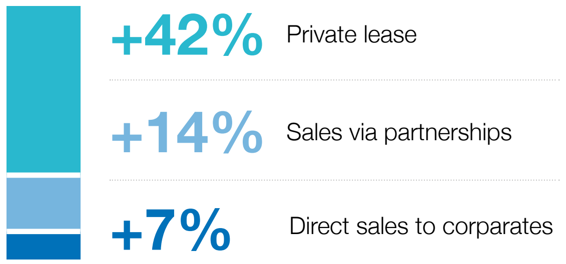
A key focus of the business in 2017 has also been managing our residual values and in particular the diesel product offering. ALD Automotive has implemented a series of measures to accelerate the shift of our fleet away from largely diesel towards a more balanced fleet.

• An industry leading cost/income ratio

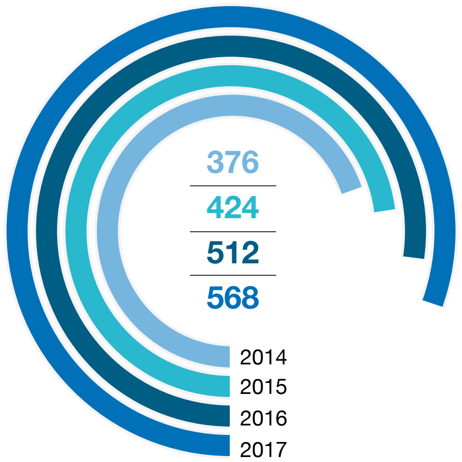
ALD Automotive has a strong focus on cost control and operational efficiency, evidenced by the industry leading cost/income ratio (excluding Car Sales Result) of 51.2% in 2017 from 53.0% in 2016. Synergies relating to recent acquisitions have not yet fully materialized and, together with additional efficiency gains from digitalization, are expected to allow this ratio to fall further.

2017 FINANCIAL PERFORMANCE

FLEET GROWTH
PER CLIENT SEGMENT



NET INCOME (Group Share)
IN EUR MILLION



• An 8th consecutive year of increased income

The Group's share of net income increased for the 8th consecutive year by 10.9% - from EUR 511.7 million to a record high of EUR 567.6 million in 2017 - exceeding our 10% annual growth target.

The Return on Average Earning Assets in 2017 was 3.6% (vs. 3.8% in 2016), while Return on Equity was 17.9% (unchanged from the previous year).

Earning Assets rose 16.1% at the end of 2017 vs. the end of the previous year, reaching EUR 16.9 billion, underpinned by strong fleet growth. Total funding at the end of 2017 stood at EUR 15.1 billion (vs. EUR 12.9 billion at the end of 2016) of which 72% consisted of loans from Societe Generale.

The Group's Total Equity to Total Assets ratio stood at 16.0% at the end of 2017, inside the target range of 15-17%.

• High-end dividend pay-out

Earnings Per Share for 2017 amounts to EUR 1.40. The Board of Directors has decided to propose to the General Meeting of Shareholders that a dividend of EUR 0.55 per share be distributed in respect of the 2017 financial year, corresponding to a payout ratio of 39.2%.

• Our growth is accelerating and will continue

Our growth is speeding up, from 7.3% in 2005-2011 to 8.4% in 2011-2016 to the exceptional rate of 9.8% in 2017, demonstrating the strength of our commercial franchises and the quality of our services. The outsourcing trend, combined with our partnership culture and great technology, will continue to fuel fleet growth and confirm the strength and resilience of our business model.

A SUCCESSFUL INTRODUCTION ON THE EURONEXT STOCK MARKET

ALD was introduced on the Euronext Stock Market in June 2017 with the listing of 20.18% of its shares.

Following the announcement of the Initial Public Offering 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 EUR 14.30 per share implied a total valuation of the company's shares at EUR 5.78 billion. Parent company, Societe Generale, sold a total of 20.18% of ALD's issued share capital and remains the controlling shareholder.

As the largest introduction on the Paris stock exchange since 2015, we are leveraging this successful listing to gain visibility and reputation in the mobility ecosystem and reinforce the company's capacity to react to a fast-changing market and seize new growth opportunities.

The IPO has allowed us to access new means of financing and improved funding capabilities through successful bond market issuance.

- **Successful bond issuance**

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, from its existing EUR 6 billion EMTN programme. In November, the Group raised a further EUR 600 million through a 3 year senior bond issue.

- **Positive S&P Global Ratings**

Rated BBB/A-2, S&P Global Ratings revised its outlook on ALD in 2017 to positive from stable, citing the company's steady growth and business diversification. The credit rating agency noted that ALD has been enjoying robust, profitable growth over the past several years, and ranks among the largest full-service leasing companies worldwide.

EUR 5.78 billion

TOTAL VALUATION AT IPO

20.18%

ISSUED SHARE CAPITAL

OUR AMBITIONS

LOOKING TO THE FUTURE

“

We are enriching our innovation ecosystem and enabling ourselves to identify, design and build the mobility solutions of the future.

Staying a global leader

With industry events transforming the mobility sector in the coming years, our ambition is to be at the forefront of those changes driving freedom in global mobility. There will clearly be a lot of challenges ahead around connected cars, autonomous vehicles, electric cars and the capacity of manufacturers to adapt their production to meet demand. There is also a new long-term social trend away from the ownership of vehicles towards the usage of vehicles with more flexibility. People no longer want to own a car, they simply want to have access to mobility solutions when they need them. These social trends are thus contributing to higher demand for outsourced mobility solutions and offering significant growth opportunities.

Future-proofing through innovation

The disruptive changes being introduced through technological progress, digital lifestyles and changing customer behavior inherently require the development of new products and services. We believe that through a strong focus on R&D and IT capabilities we are well positioned to respond to these changes and intend to lead the industry by facilitating innovation and agile pilot-testing via our local innovation Centers of Excellence. Our aim is to provide our clients with innovative mobility solutions and technology-enabled services by delivering value-added services such as digital and car sharing services, private lease, flexible leasing options and mobility solutions.

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Social trends are thus contributing to higher demand for outsourced mobility solutions.

Driving sustainable mobility

With the growing congestion and pollution in cities, environmental issues are also becoming increasingly important. Our corporate and social responsibility strategy is coordinated across the company with a particular focus on sustainable products and services, as well as responsible business conduct in terms of employment, environmental and social commitments. Not only are we reducing our own carbon footprint, but we are also helping guide our clients towards cost-effective low emission mobility solutions. We believe we can play a consulting role in sustainability mobility strategies by advising our customers on how they can improve their carbon footprint by moving towards a more balanced mix of engine types including petrol, hybrid and electric cars.
The transformation to a more balanced fleet will be progressive in the years ahead but it’s under way and we’ll be ahead of the curve in this transformation.

A resilient business model

As a benchmark in terms of vision, innovation and technology, we believe we have the capacity to accelerate our development through operational and financial efficiency and seize new growth opportunities in both the corporate and retail markets. Our strong corporate and partnership franchise, private lease offering through targeted partnerships and additional innovative mobility solutions will be pivotal in our expansion and our capacity to optimally serve our existing and future clients.

We will also continue to accelerate our growth by broadening geographical coverage through relevant value-accretive bolt-on acquisitions and greenfield developments wherever appropriate to accompany our clients everywhere they operate.

By leveraging our strengths and our global scale, we aim to be the global leader with Top 3 positions in every country where we are present. The growth that we are currently registering, built on new partnerships and great technology, leaves the business well positioned to be a leader in the mobility sector and a long-term partner for our clients in the years ahead.

LEADING IN INNOVATION AND TECHNOLOGY

KILL YOUR OWN BUSINESS

32 TEAMS	**8** SEMI-FINALISTS WITH PROTOTYPES
20 COUNTRIES	**3** WINNING CONCEPTS

DARING TO "KILL YOUR OWN BUSINESS"

In September 2017, employees from throughout the company were invited to participate in an internal innovation challenge *"Kill your own business"*. They were asked to shape the future of global mobility by imagining a disruptive product or service that would either push the company ahead of the competition or destabilize it in its current market taking on the profile of a young start-up, a competitor or a top executive of the company. The challenge was not only a call for talent amongst our internal industry expertise, with 32 teams across 20 countries participating, but also enabled staff members to help shape the company's future business model with the winning top 3 concepts going on to pilot stage for prototyping and testing. We firmly believe that the ability of our employees to adapt and remain agile in a rapidly evolving industry is essential for our success.

Staying ahead in the digital age

The mobility sector is evolving rapidly with the emergence of new trends, new constraints, new players and breakthrough technologies. We are transforming our business model to meet new mobility requirements and offer the flexible and connected solutions of the future that our clients and their surrounding ecosystem need. As a result, we are continually adapting our traditional full service leasing offer to include new mobility capabilities, supported by industry-leading technology, which include digital platforms, connected cars, mobility as a service, e-mobility alternatives and multi-modality.

Innovation at all levels of the organization

Innovation plays a crucial role in positioning ALD Automotive at the centre of this changing environment and will enable us to unlock new experiences for our clients. To encourage idea generation and contribute to the definition of strategic services and capabilities, we have implemented innovation at all levels of the company. Our innovation department plays a key role in defining our innovation strategy and promoting an innovation culture throughout the company and is supported by a dedicated committee which helps prioritize and accelerate innovative initiatives to help them thrive locally.

Local empowerment

Our fundamental belief is that our local managers and their employees are experts in their markets and empowering people is the best way to spread a culture of innovation. In keeping with this, innovation ambassadors have been appointed in each region or country to act as innovation leaders and facilitate the implementation of innovative initiatives. Innovation Centers of Excellence have also been established in targeted countries to experiment and test proof-of-concepts around digital technologies, connected cars, car sharing, multi-modality and innovative partnerships for subsequent implementation within the Group.

> "Our innovation department plays a key role in defining our innovation strategy and promoting an innovation culture throughout the company.

LEADING IN INNOVATION AND TECHNOLOGY

"

We are enriching our innovation ecosystem and enabling ourselves to identify, design and build the mobility solutions of the future.

ALD Automotive at the heart of an enriching innovation ecosystem

Innovation is a complex process and invaluable support can be acquired by calling upon fresh, creative insights. As part of our ambitious innovation strategy, we launched a variety of innovation challenges throughout 2017 which aimed at fostering collective intelligence with our clients, start-ups, schools and partners. These collaborative initiatives aimed at challenging our business practices, collecting new ideas, testing innovative concepts, designing digital prototypes and harnessing expertise beyond the walls of the company. By amplifying our expertise and accelerating our development in an increasingly connected world, we are enriching our innovation ecosystem and enabling ourselves to identify, design and build the mobility solutions of the future.

CO-CREATING THE SMART MOBILITY SOLUTIONS OF TOMORROW

A clear illustration of our commitment to creating the solutions of tomorrow can be seen in the partnership agreement we signed with Microsoft in December 2017 to co-create a smart mobility platform for sustainable, digital and integrated mobility solutions. The partnership is enabling us to significantly increase the speed of development and is leveraging Microsoft's Cloud Azure expertise and Artificial Intelligence solutions for connected cars and cities. This collaboration will help ALD Automotive to stay at the forefront of the changes clients are facing by providing customized digital services which address the growing challenges of urban mobility.

Microsoft

PARTNERING UP TO PROVIDE WORLD-CLASS SOLUTIONS

It is imperative that our global clients have a clear and concise overview of how their fleet is performing across the globe. In keeping with this, the ALD Automotive I Wheels Global Alliance launched GlobalFleetReporting.com, an innovative global reporting solution, to help clients manage their fleet on a global scale. Available to clients of the Alliance, the global data visualization and reporting solution consolidates fleet management data from multiple sources, including third-party data, on an independent and neutral platform. GlobalFleetReporting.com was designed to simplify the data assessment and analysis process for fleet managers with a truly global approach and ensure that they benefit from the very best in operational excellence.

STARTUP CHALLENGE

A CALL FOR START-UPS

ALD Automotive launched an innovation challenge in 2017 which gathered 63 start-ups from around the world to rethink the driver experience by creating an innovative product or service for parking in urban areas. The challenge winner, Austrian start-up, Parkbob, was selected for its innovative digital parking app and, after a short development phase, a successful pilot was launched for ALD Automotive drivers and fleet managers in Austria. Teaming up with start-ups for strategic projects and products will accelerate our innovative initiatives and ensure that we are at the forefront in terms of service differentiation for our clients.

LEADING IN INNOVATION AND TECHNOLOGY

ADDITIONAL STATE-OF-THE-ART SOLUTIONS

We are continually building a comprehensive mobility offering for our clients, whether it be through short-and medium-term leasing solutions, corporate car sharing, pay-as-you-go options or multi-modal alternatives. This past year was no exception with the company focusing on the following services, among others, over the past year:

ALD SHARING is a market leading corporate car sharing solution. This solution offers the possibility to book a short-term car on line in a pool of available corporate vehicles, financed and serviced by the corporate client, for professional or personal use through a dedicated web platform. Car sharing is easy to use, users can open the car with their mobile phone through the latest technology, flexible, cost-efficient and environmentally friendly as one vehicle is shared by multiple drivers.

"PAY-AS-YOU-GO" solutions are being developed to increase mobility flexibility, reduce leasing costs and lower carbon emissions. Customers benefit from a rechargeable lease with an alternate pricing model that provides a vehicle with a predetermined number of kilometres on a monthly basis that can be recharged, as needed, similar to the "pay-as-you-go" mobile phone subscription model.

ALD FREE allows employees to receive an individual mobility budget in order to build their own mobility package. They have access to a variety of multi-modality options and are free to allocate their budget to use the most appropriate means of transportation on an "as needed" basis. Within highly congested, dense, urban areas with accessible public transportation and rail, we offer not only car leasing but other alternative mobility solutions that include car sharing and additional modes of transportation, such trains or bikes.

ALD SWITCH is a flexible leasing solution which allows drivers to use a compact, environmentally-friendly primary vehicle, suitable for urban use, and allows the option of switching to a larger vehicle on a short-term basis. The driver thus benefits from driving a low-emissions vehicle and has access to a larger vehicle (van, MPV, SUV, convertible...) when needed.

DRIVING SUSTAINABLE COMMITMENTS

CORPORATE AND SOCIAL RESPONSIBILITY ARE AT THE VERY HEART OF OUR STRATEGY

As an active player in preparing the future of sustainable mobility, ALD Automotive seeks to ensure that environmental and social principles apply to all the company's activities and are taken into account in the daily conduct of all our businesses. Our CSR strategy is coordinated across the company's markets, products and client segments, working closely with our international network and corporate functions to facilitate 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.

ALD AUTOMOTIVE'S ALTERNATIVE FLEET:

69,433

ELECTRIC OR HYBRID VEHICLES

DRIVING SUSTAINABLE COMMITMENTS

OUR ENVIRONMENTAL COMMITMENTS

A holistic approach to reduce a fleet's environmental footprint

As an international mobility solutions company, our responsibility is to act every day to improve a company's fleet and to limit fuel consumption and CO_2 emissions. The ALD Bluefleet label was created to help our customers measure their carbon footprint, reduce the number of kilometers travelled, and progressively move towards alternatively powered vehicles such as electric, hybrid or hydrogen. ALD Bluefleet is a program available worldwide and proposes concrete actions such as eco driving trainings and emission-oriented fleet analysis, measuring the carbon footprint of a worldwide fleet and associating levers to reduce emissions.
We actively educate and advise our clients, providing knowledge about existing and future technologies, laws and taxation, mobility trends, in order to help them get the right car for the right usage.

Rebalancing alternative powertrains and CO_2

ALD Automotive's alternative fleet has increased by 47% in comparison with 2016. New funded "green" contracts doubled in 2017 in comparison with 2016 and we aim to reach 100,000 "green" vehicles under management by the end of 2018.

Overall, 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 with 2016. In Europe alone, the CO_2 footprint for newly registered passenger cars was 112g/km.
This decrease is challenged by the rise of Sport Utility Vehicles and petrol engines in the context of concerns over diesel and the impact of this technology on public health with regard to particle emissions in particular. The further decrease of CO_2 emissions will therefore be conditional on the uptake of "alternative powertrains", battery electric vehicles, full hybrids, and plug-in hybrids in particular. Our goal is to reduce the average footprint of our global fleet to a maximum of 110g/km by 2020.

47%

ALTERNATIVE FLEET INCREASE

GUIDING OUR CLIENTS TOWARDS LOW EMISSION MOBILITY SOLUTIONS

Reducing our own carbon footprint

We are not just committed to supporting our clients in their efforts to search for sustainable solutions, but are actively working to reduce our own carbon footprint whether it be on our own fleet, limiting waste, paper and energy or business travel consumption. In 2017, for 38 of our countries that participated in the data collection campaign, in comparison with 24 in 2016, greenhouse gas emissions are estimated at approximately 9,900 tons, or 1.5 tons of CO_2 equivalent per occupant/employee, compared to 1.6 tons in 2016, based on a reduced geographical scope. We aim to constantly reduce our footprint per employee and contribute to the Group's 25% reduction objective compared to 2014.

An active player in urban sustainable mobility

ALD Automotive places a strategic focus on investing in new mobility solutions that will transform the usage of cars through initiatives, such as car and ride sharing and Mobility as a Service, to foster new behaviors that will gradually shift the mobility model away from the traditional "one person = one car" scenario.
A car sharing solution, for example, has been rolled-out in 7 countries and will be expanded further in 2018. Several partnerships with electricity providers have also been signed and have been developed into new services.

SAP FRANCE ON A SUCCESSFUL PATH TO GREENER MOBILITY

Business applications specialist, SAP France, decided to set an example and move its fleet towards greener mobility. ALD Automotive was able to help determine the best sustainable strategy for the company to meet an ambitious target of more than 500 electric and hybrid vehicles in its fleet by 2020. As a result, we are progressively accompanying SAP France over a three-year period to gradually transition the fleet towards a more sustainable mix. The company ultimately aims to have at least 20% electric and 80% hybrid vehicles by 2020 which will require the renewal of over 400 vehicles and has started with a 5% decrease in SAP-fleet CO_2 emissions in 2017.

DRIVING ELECTRIC MOBILITY SOLUTIONS WITH ITALIAN UTILITY COMPANY ENEL

A partnership agreement was signed in May 2017 with the Italian utility company Enel to promote and develop electric mobility products. A combined offering provides innovative electric vehicle leasing solutions and access to an extensive charging capacity and infrastructure which aims to have 2,700 recharging stations throughout Italy by the end of 2018.

COMPENSATING CO_2 EMISSIONS WITH OUR CLIENTS BY PLANTING NEW TREES

Our offices in Brazil implemented a CO_2 compensation program this past year, inviting clients to plant trees in an effort to compensate their fleet's CO_2 emissions. More than 100 clients participated alongside our employees with IBFlorestas, a non-profit organization dedicated to reforestation, to plant over 48 million seedlings, compensating up to 15% of ALD Automotive's total fleet in the country. Similar initiatives are currently in practice in other countries, such as Hungary with the World Wide Life Fund and Luxembourg who works closely with MyClimateLux, a local non-profit organization.

DRIVING SUSTAINABLE COMMITMENTS

OUR EMPLOYER COMMITMENTS

• Diversity is one of our greatest assets

With more than 6,300 employees across 43 countries, we have a very international culture. Our decentralized organization allows our managers and their employees the autonomy they need to run their local business and account for local needs, while driving commitment and innovation that we share as a Group throughout the whole organisation. This allows us to benefit from the rich diversity that comes from being a global company while enabling each employee to feel proud of their active, individual role in the success of the company.

• Empowering our employees across the globe

As an employer, we are committed to developing employability and the well-being of our employees through improved working conditions, career development and training. As innovation is an integral part of our development strategy, we regularly promote the spirit of initiative and entrepreneurship by giving the floor to our employees through bottom up processes allowing them to share their opinions and propose new ideas on how to improve the company.

At ALD Automotive, we have an agile "test and learn" culture that allows employees to expand beyond their day-to-day activities and investigate new opportunities which not only fosters the development of new skills but also helps shape the future of the company.

OUR SOCIAL COMMITMENTS

• Driving sustainable mobility for all

As a responsible company, we endeavor to play an active part in our community through citizen commitments, charity, philanthropy and solidarity initiatives. With mobility at the heart of our business, it is important for us to ensure that mobility is accessible to all, regardless of income or background.

• Our high ethical and environmental standards

Through a global approach, with a particular focus on sustainable products and services as well as responsible business, we apply high ethical standards to our business practices which we benchmark annually through EcoVadis Sustainability ratings. Based on four themes of environment, fair labor practices, ethics/fair business practices, and supply chain, ALD Automotive has repeatedly achieved gold Ecovadis certifications within the Group.

EDUCATION JUST A BUS RIDE AWAY

ALD Automotive decided to team up with the French association, Ecoliers du Senegal (The School Children of Senegal), by helping to finance a school bus to provide a means of transport to Senegalese children living in the country, where access to quality education is difficult. Having access to mobility will help support the emergence of a young educated and responsible Senegalese population who will be better equipped in the fight against poverty and contribute to the development of their villages and country. The results have been very conclusive with local school attendance rising by 25% over the past year. The school bus is also used for fieldtrips to visit nearby cities and the seaside opening up a whole new world for children who have never left their villages until now.

2018
CSR Rating
GOLD
ecovadis

OUR GOVERNANCE

EXECUTIVE COMMITTEE MEMBERS

1 MICHAEL MASTERSON
Chief Executive Officer
since 2011
British




2 TIM ALBERTSEN
Deputy Chief Executive Officer
since 2011
Danish

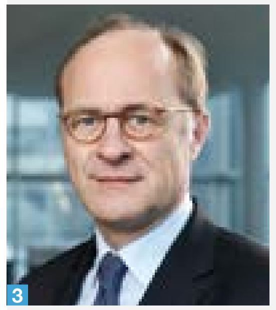
3 GILLES BELLEMERE
Deputy Chief Executive Officer
since 2017
French

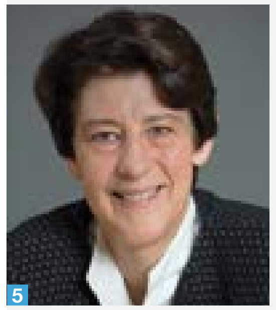
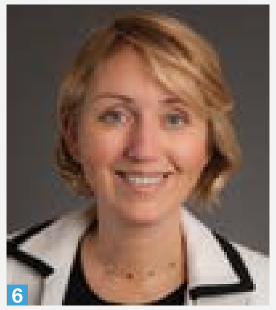
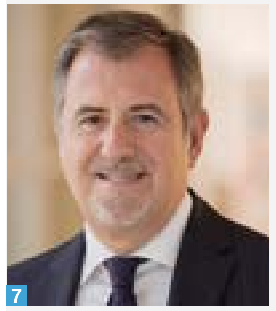
4 GILLES MOMPER
Chief Financial Officer
since 2012
French

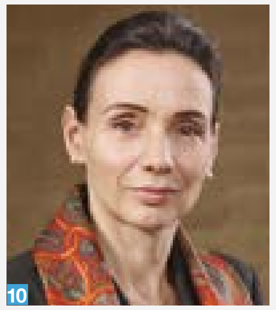
5 JOHN SAFFRETT
Chief Operating Officer
since 2017
British

BOARD OF DIRECTORS





1 KARINE DESTRE-BOHN
Member of the Board
Member of the Audit, Internal Control
& Risk Committee (CACIR)

2 XAVIER DURAND
Independent member of the Board
Chairman of the Audit, Internal Control
& Risk Committee

3 DIDIER HAUGUEL
Chairman of the Board

4 JEAN-LOUIS KLEIN
Member of the Board

5 PATRICIA LACOSTE
Independent member of the Board
Chairman of the Nomination
and Compensation Committee

6 NATHALIE LEBOUCHER
Independent member of the Board
Member of the Audit, Internal Control
and Risk Commitee

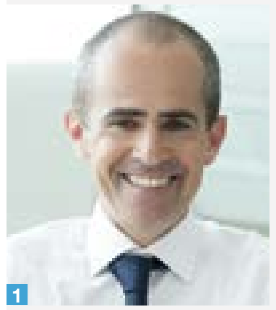
7 GIOVANNI LUCA SOMA
Member of the Board

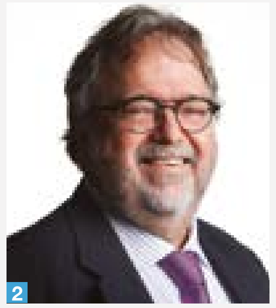
8 MICHAEL MASTERSON
Chief Executive Officer

9 CHRISTOPHE PERILLAT
Independent member of the Board
Member of the Nomination
and Compensation Committee

10 SYLVIE RÉMOND
Member of the Board
Member of the Nomination
and Compensation Committee

OPERATING BOARD: RESPONSIBLE FOR COUNTRY AND REGIONAL SUPERVISION





1 ANDREA BADOLATI
Italy

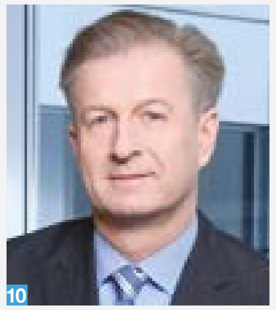
2 CAREL BAL
Benelux Region

3 KENT BJERTRUP
Latin American Region

4 JEAN-FRANÇOIS CHANAL
France

5 MEL DAWSON
UK

6 SHANE DOWLING
Turkey and South Eastern Europe Region



7 MIEL HORSTEN
Belgium

8 MARTIN KOESSLER
Central Europe Region

9 GUILLAUME DE LEOBARDY
Nordic Region

10 MAREK MALACHOWSKI
North East Europe Region

11 PEDRO MALLA
Spain

12 KARSTEN ROESEL
Germany

13 PHILIPPE VALIGNY
Mediterranean Region

RISK MANAGEMENT

ASSESSING OUR RISKS

In accordance with the norms set up by the Societe Generale group, ALD Automotive has implemented all major internal control monitoring systems which ensures that we have a comprehensive and efficient risk management control. Additionally we focus on monitoring specific risk areas within the car leasing business based on our experience.

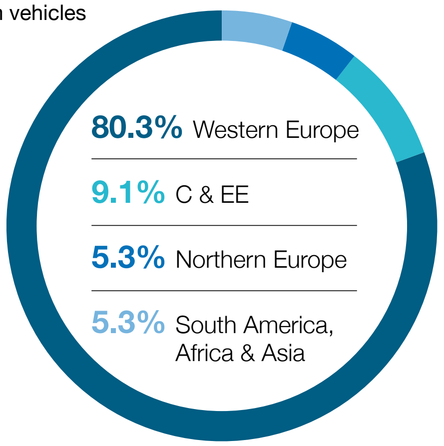
RESIDUAL VALUE
The expected resale price of the vehicle at the end of the lease as estimated by ALD Automotive at inception of the lease. This might differ from the future market value of the car at the end of the contract.

MAINTENANCE
The risk that the actual costs of maintenance incurred during the contract life might be different to those forecasted and budgeted within the quotation issued at the inception of the contract.

INSURANCE
The risk of damage to vehicles within its fleet and also 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.

PRESENCE IN 43 COUNTRIES ALLOWS ALD AUTOMOTIVE TO DIVERSIFY PORTFOLIO RISK BY GEOGRAPHY (as at 31/12/17)

% of total
1.51m vehicles



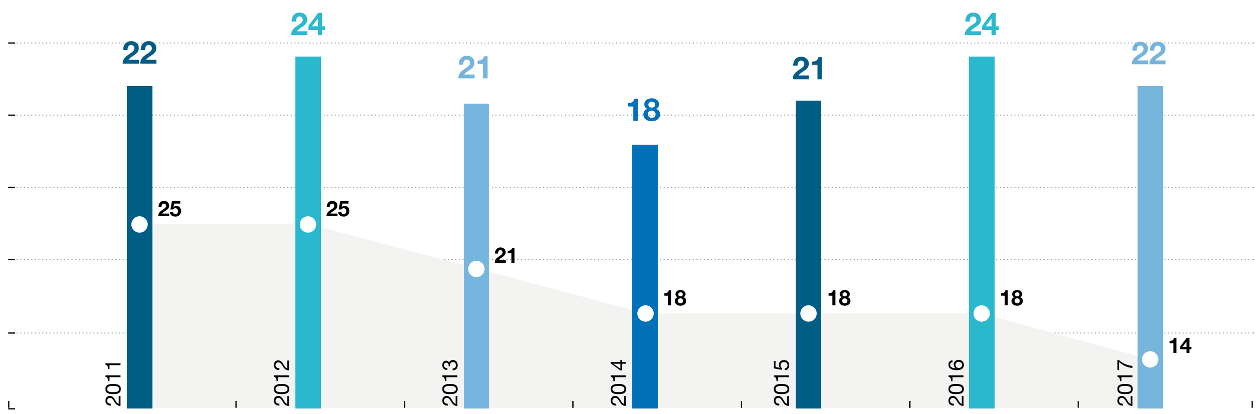
TREASURY
This comprises interest rates, currency and liquidity risk. Interest rates risk is the risk that the profitability of the Group might be affected by movements in interest rates. Liquidity risk is the risk that ALD Automotive might not be able to meet its cash flow obligations when they fall due, because of a mismatch between the financing of its assets and liabilities. Foreign exchange risk is the risk that the profitability might be affected by currency fluctuations.

OPERATIONAL RISK
This is defined as the risk of loss coming from an inadequacy or a failure of a procedure, a person or system or an external event such as disaster, fire or flood.

COMPLIANCE
It is defined by the risk of legal sanctions, disciplinary sanctions, significant financial loss or damage to the reputation of the ALD Automotive Group as a result of a failure to comply with laws, regulations, code of conduct or internal normative documentation.

CREDIT
The risk that a customer is not able to fulfil its financial obligations towards ALD Automotive.

CREDIT RISK EXPRESSED IN PROPORTION OF EARNING ASSETS (as at 31/12/17)



Cost of risk [1] (EUR million) — Cost of risk (As % of average earning assets - bps)

[1] Impairment charges on receivables
Source – ALD Q4 2017 Analyst presentation

ASSESSING OUR RISKS

ALD automotive has a strong risk management set up and is spreading its risk culture.

• We have expertise on ALD Automotive specific risks and we are strengthening internal controls

Residual Value setting is done locally based on external data and local knowledge of the car resale market. In addition, ALD Automotive's central team monitors and supervises Residual Value settings. ALD Automotive performs a bi-annual comprehensive review of all Residual Values. A monthly central reporting of used car sales by country, brand, and model is used by ALD Automotive management. Our growing private lease activity is also monitored through dedicated indicators.

• ALD Automotive is largely embedded in Societe Generale's Risk Management Framework

Credit, compliance and treasury governance is established by our parent company, Societe Generale, in accordance with the risk strategy and appetite determined by the management of the ALD Automotive Group. All subsidiaries have to comply with strict risk procedures issued centrally, which define the way credit requests have to be studied and validated. Although very decentralized, the decision-making process is governed by Societe Generale's Credit Authority structure and requires full compliance with the Group's Risk Management policy principles.

• Even if operational leasing activity is not regulated in most countries where we operate, ALD Automotive has deployed a strong set-up to monitor compliance risk

A compliance officer is appointed in each subsidiary, so as to ensure that procedures and processes are adequately enforced and that the level of awareness towards non-compliance and reputation risk is high within said subsidiaries.

As a subsidiary of a banking institution, ALD Automotive has implemented a full compliance monitoring system, which relies on a set of procedures aimed at monitoring non-compliance and reputation risks, communicated to all of ALD Automotive's subsidiaries by its holding company, ALD. These procedures comply with the principles set forth by Societe Generale and are adapted to the specificities of operational leasing activities.

• A comprehensive and systematic control framework has also been deployed in all subsidiaries

In addition to these measures, Societe Generale has set up a Permanent Supervision procedure, which is fully implemented within ALD Automotive. This instruction includes a referential which covers all operational and risk domains. Each risk is submitted to a mandatory control. Results are analysed and an action plan is set up for every weakness. This methodology is now mature and ensures high quality risk monitoring. Beyond the Permanent Supervision controls, periodical audit missions are carried out by Societe Generale.

FINANCIAL STATEMENTS

Contents

Consolidated income statement

(in EUR million)	Note	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 income statement of comprehensive income

(in EUR million)	Note	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)	Note	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)	Note	Year ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax excluding discontinued operations			
Adjustments for:		**713.6**	**666.1**
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.

Notes to consolidated financial statements

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.

Notes to consolidated financial statements

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, 2016.6.
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.

Notes to consolidated financial statements

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.

Notes to consolidated financial statements

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

Notes to consolidated financial statements

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.

Notes to consolidated financial statements

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".

Notes to consolidated financial statements

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

Notes to consolidated financial statements

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.

Notes to consolidated financial statements

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.

Notes to consolidated financial statements

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

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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:

(A) FAIR VALUE HEDGE

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.

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(B) CASH FLOW HEDGE

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

Other receivables and prepayments include prepayments 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.

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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.

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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.

Notes to consolidated financial statements

(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

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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**

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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

Notes to consolidated financial statements

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.

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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

	December 31,2017				
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

	December 31,2017	December 31,2016
(in EUR million)	**Period-end Rate**	**Period-end Rate**
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.

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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

Notes to consolidated financial statements

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".

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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.

	Year ended December 31, 2017		Year ended December 31, 2016	
(in EUR million)	**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**

	Year ended December 31, 2017	Year ended December 31, 2016
(in EUR million)	**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**

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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 EUR 500 MILLION ARE DETAILED BELOW

	Year ended December 31, 2017	Year ended December 31, 2016	December 31, 2017	December 31, 2016
(in EUR million)	Revenue from external customers	Revenue from external customers	Rental Fleet	Rental Fleet
France	1,808.8	11,625.1	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
Total	**8,266.4**	**7,565.4**	**16,336.1**	**14,075.0**

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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.

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NOTE 7. REVENUES AND COST OF REVENUES

7A. LEASING CONTRACT MARGIN

(in EUR million)	Year ended December 31, 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.

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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
Interest income from finance lease	(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

(in EUR million)	Note	Year ended December 31, 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

(in EUR million)	Year ended December 31, 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.

Notes to consolidated financial statements

NOTE 11.
DEPRECIATION AND AMORTISATION

(in EUR million)	Note	Year ended December 31, 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)**

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EFFECTIVE TAX RATE RECONCILIATION

(in EUR 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:

(in EUR million)	As at December 31, 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)**

Notes to consolidated financial statements

DEFERRED INCOME TAX BY NATURE

(in EUR million)	As at December 31, 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.

Notes to consolidated financial statements

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.

Notes to consolidated financial statements

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)
Depreciate 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**
Year ended 31 December, 2017					
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)
Depreciate charge	**11**	-	(4.5)	(13.1)	(17.7)
Transfer to assets qualified as held-for-sale		-	-	-	-
transfer to rental feel		-	-	(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**

Notes to consolidated financial statements

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 1 January 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**

Notes to consolidated financial statements

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 2017	
Cost	528.8
Accumulated impairment	-
Carrying amount as at December 31, 2017	**528.8**

Notes to consolidated financial statements

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**

Notes to consolidated financial statements

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

(in EUR million)	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%.

Notes to consolidated financial statements

NOTE 17.
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(in EUR million)	Year ended December 31, 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
At 1 January 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.

Notes to consolidated financial statements

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,		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.

Notes to consolidated financial statements

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

(in EUR million)	Year ended December 31, 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

(in EUR million)	Year ended December 31, 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.

Notes to consolidated financial statements

NOTE 21.
RECEIVABLES FROM CLIENTS AND FINANCIAL INSTITUTIONS

(in EUR million)	Year ended December 31, 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	**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

(in EUR million)	Note	As at December 31, 2017	2016
Balance as 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 as at December 31,		**(89.5)**	**(85.8)**

THE MATURITY ANALYSIS IS AS FOLLOWS

(in EUR million)	As at December 31, 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**

Notes to consolidated financial statements

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.

Notes to consolidated financial statements

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 asset category				
(in EUR million)	Loans and receivable	Assets at fair value through profit and loss	Total net book value per balance sheet	Fair value	Level (*)
As at December 31, 2017					
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 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**	
As at December 31, 2016					
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 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 liability category					
(in EUR million)	Loans and receivable	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total net book value per balance sheet	Fair value	Level
As at December 31, 2017						
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						
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.

Notes to consolidated financial statements

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**

Notes to consolidated financial statements

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.

Notes to consolidated financial statements

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:

	As at December 31,	
(in EUR million)	**2017**	**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.

Notes to consolidated financial statements

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 (*)		0.2
Actuarial gains and losses due to changes in demographic	(0.3)	
assumptions		(0.4)
Actuarial gains and losses due to changes in economical	(0.1)	
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**

Notes to consolidated financial statements

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:

	As at December 31,	
(in EUR million)	**2017**	**2016**
Plan assets	0.5	0.1
Separate assets	-	-

The assumptions on return on assets are presented in the following section.

Notes to consolidated financial statements

MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

The significant actuarial assumptions used to determine the pension benefit obligation amount are as follows:

	As at December 31,	
(Percentage of item measured)	2017	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

	As at December 31,	
(Percentage of item measured)	2017 (*)	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.

Notes to consolidated financial statements

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

(in EUR million)	As at December 31, 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

(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 basic earning per share (in cents)	**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.

Notes to consolidated financial statements

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:

(in EUR million)	As at December 31, 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 basic earning per share (in cents)	**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).

Notes to consolidated financial statements

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

(in EUR million)	As at December 31, 2017	2016
Equity Reinvested with related parties	-	-
Long term deposits	939	1,077
Equity replacement Swaps	-	915
Total	**939**	**1,992**

Notes to consolidated financial statements

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.

Notes to consolidated financial statements

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.

Rapport des commissaires aux comptes sur les comptes consolidés

DELOITTE & ASSOCIES | ERNST & YOUNG et Autres

ALD
Exercice clos le 31 décembre 2017

Rapport des commissaires aux comptes sur les comptes consolidés

Rapport des commissaires aux comptes sur les comptes consolidés

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438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ALD
Exercice clos le 31 décembre 2017

Rapport des commissaires aux comptes sur les comptes consolidés

À l'Assemblée Générale de la société ALD,

[illegible]

En exécution de la mission qui nous a été confiée par vos assemblées générales, nous avons effectué l'audit des comptes consolidés de la société ALD relatifs à l'exercice clos le 31 décembre 2017, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes consolidés sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine, à la fin de l'exercice, de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

L'opinion formulée ci-dessus est cohérente avec le contenu de notre rapport au comité d'audit.

[illegible]

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes consolidés » du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance qui nous sont applicables, sur la période du 1er janvier 2017 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par l'article 5, paragraphe 1, du règlement (UE) n° 537/2014 ou par le Code de déontologie de la profession de commissaire aux comptes.

Rapport des commissaires aux comptes sur les comptes consolidés

[illegible]

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur la note 2.1 « Changements de présentation des états financiers » de l'annexe aux comptes consolidés qui expose le changement de méthode comptable relatif à la présentation du chiffre d'affaires.

[illegible]

En application des dispositions des articles L. 823-9 et R. 823-7 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les points clés de l'audit relatifs aux risques d'anomalies significatives qui, selon notre jugement professionnel, ont été les plus importants pour l'audit des comptes consolidés de l'exercice, ainsi que les réponses que nous avons apportées face à ces risques.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes consolidés pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes consolidés pris isolément.

I Réévaluation des valeurs résiduelles des véhicules

Risque identifié	Notre réponse
[illegible]	[illegible]

ALD
Exercice clos le 31 décembre 2017 — 3

Rapport des commissaires aux comptes sur les comptes consolidés

[illegible]

II Reconnaissance des revenus de maintenance

Risque identifié	Notre réponse
[illegible]	[illegible]

III Goodwill

Risque identifié	Notre réponse
[illegible]	[illegible]

ALD
Exercice clos le 31 décembre 2017 — 4

Rapport des commissaires aux comptes sur les comptes consolidés

Au sein du groupe ALD, les principaux pays sensibles [illegible] ALD France, [illegible] et [illegible] regroupant plusieurs pays sur des zones géographiques [illegible].

Les écarts d'acquisition [illegible] au [illegible] M€ 326,8 en valeur nette dont M€ 212 pour ALD France, M€ 104 pour ALD Espagne et M€ 50,2 pour [illegible], comme indiqué dans la note 16 de l'annexe aux comptes consolidés.

Nous avons considéré que les tests d'évaluation des écarts d'acquisition étaient un point clé de l'audit du fait du jugement qui est appliqué sur les modèles utilisés, les projections financières ainsi que les paramètres retenus dans les calculs, et du montant des écarts d'acquisition accumulés lors des acquisitions successives de croissance externe.

- l'implication de nos spécialistes en évaluation afin notamment d'évaluer les principales hypothèses retenues dans les modèles de calcul et leur mise à jour ;
- le rapprochement [illegible] entre les flux futurs actualisés utilisés pour les tests de dépréciation et [illegible] préparées par le management d'ALD et [illegible] ;
- un examen de la cohérence [illegible] des résultats de ces tests et de leur sensibilité à certains paramètres.

[illegible]

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, à la vérification spécifique prévue par la loi des informations relatives au groupe, données dans le rapport de gestion du conseil d'administration.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

[illegible]

- **Désignation des commissaires aux comptes**

Nous avons été nommés commissaires aux comptes de la société ALD par votre assemblée générale du 3 juin 2013 pour le cabinet DELOITTE & ASSOCIES et du 7 novembre 2001 pour le cabinet ERNST & YOUNG et Autres.

Au 31 décembre 2017, le cabinet DELOITTE & ASSOCIES était dans la cinquième année de sa mission sans interruption et le cabinet ERNST & YOUNG et Autres dans la dix-septième année [illegible], dont une année depuis que les titres de la société ont été admis aux négociations sur un marché réglementé.

[illegible]

Il appartient à la direction d'établir des comptes consolidés présentant une image fidèle conformément au référentiel IFRS tel qu'adopté dans l'Union européenne ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

ALD
Exercice clos le 31 décembre 2017 4

Rapport des commissaires aux comptes sur les comptes consolidés

Lors de l'établissement des comptes consolidés, il incombe à la direction d'évaluer la capacité de la société à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider la société ou de cesser son activité.

Il incombe au comité d'audit de suivre le processus d'élaboration de l'information financière et de suivre l'efficacité des systèmes de contrôle interne et de gestion des risques, ainsi que le cas échéant de l'audit interne, en ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Les comptes consolidés ont été arrêtés par le conseil d'administration.

[illegible]

- **Objectif et démarche d'audit**

Il nous appartient d'établir un rapport sur les comptes consolidés. Notre objectif est d'obtenir l'assurance raisonnable que les comptes consolidés pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L. 823-10-1 du Code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de votre société.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;
- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;
- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes consolidés ;

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Exercice clos le 31 décembre 2017 5

Rapport des commissaires aux comptes sur les comptes consolidés

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes consolidés au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;
- il apprécie la présentation d'ensemble des comptes consolidés et évalue si les comptes consolidés reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle ;
- concernant l'information financière des personnes ou entités comprises dans le périmètre de consolidation, il collecte des éléments qu'il estime suffisants et appropriés pour exprimer une opinion sur les comptes consolidés. Il est responsable de la direction, de la supervision et de la réalisation de l'audit des comptes consolidés ainsi que de l'opinion exprimée sur ces comptes.

Rapport au comité d'audit

Nous remettons un rapport au comité d'audit qui présente notamment l'étendue des travaux d'audit et le programme de travail mis en œuvre, ainsi que les conclusions découlant de nos travaux. Nous portons également à sa connaissance, le cas échéant, les faiblesses significatives du contrôle interne que nous avons identifiées pour ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Parmi les éléments communiqués dans le rapport au comité d'audit figurent les risques d'anomalies significatives, que nous jugeons avoir été les plus importants pour l'audit des comptes consolidés de l'exercice et qui constituent de ce fait les points clés de l'audit, qu'il nous appartient de décrire dans le présent rapport.

Nous fournissons également au comité d'audit la déclaration prévue par l'article 6 du règlement (UE) n° 537-2014 confirmant notre indépendance, au sens des règles applicables en France telles qu'elles sont fixées notamment par les articles L. 822-10 à L. 822-14 du Code de commerce et dans le Code de déontologie de la profession de commissaire aux comptes. Le cas échéant, nous nous entretenons avec le comité d'audit des risques pesant sur notre indépendance et des mesures de sauvegarde appliquées.

Neuilly-sur-Seine et Paris-La Défense, le 16 avril 2018

Les Commissaires aux Comptes

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Jean-Marc Mickeler	Micha Missakian

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Exercice clos le 31 décembre 2017 6

Statutory auditors' report on the consolidated financial statements

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 31st 2017

Statutory auditors' report on the consolidated financial statements

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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

Statutory auditors' report on the consolidated financial statements

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.	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.
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.	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:

Statutory auditors' report on the consolidated financial statements

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."

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Statutory auditors' report on the consolidated financial statements

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..

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Statutory auditors' report on the consolidated financial statements

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.

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Statutory auditors' report on 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	ERNST & YOUNG et Autres
Jean-Marc Mickeler	Micha Missakian

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