

2018 ANNUAL FINANCIAL REPORT AND NON-FINANCIAL PERFORMANCE STATEMENT

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AUCHAN HOLDING

PRESENTATION



Auchan Holding

Operating in 19 countries and 3 continents, Auchan Holding combines 3 companies each working in complementary lines of business: Auchan Retail, trading in all forms of useful everyday consumer goods, Oney in banking to finance consumer buying, and Ceetrus in commercial real estate hosting our customers in modern and welcoming locations. Each business strives to strengthen its position in its core market through an economic and responsible approach while pursuing profound transformations to achieve an ambitious and meaningful vision for the future. Auchan Holding is supporting these 3 in-depth, demanding but vital transformations through the engagement of its **358,914 employees**, who are proud of this unique experience in their company's history.

Auchan | RETAIL

Auchan Retail combines all formats of the food trade with 4,084 banner sales outlets (hypermarkets, superstores, supermarkets and convenience stores), plus in some countries the welcome addition of e-commerce and drive-throughs. To build an all-powerful and modern business and change the lives of its customers, Auchan Retail's every move is totally customer-centred and focused on discount prices, a wide range of choices, high quality service, adjustment to local markets, and full consideration for multichannel shopping habits.

With **354,851 employees**, the company is the world's 35th largest employer.



Engaged in a transformation process since 2016 and driven by its Vision 2030 plan, Immochan was renamed Ceetrus in June 2018. Evolving from commercial property to a mixed-use retail estate developer, Ceetrus's mission is to contribute to developing the social bond that will drive the city of the future through the creation of sustainable, smart and lively places to live and shop. This evolution is taking shape primarily on existing commercial sites. With the aim of enhancing their value and attractiveness to contribute to the success of its traders and partners, Ceetrus reinvents commercial sites by integrating housing, offices, leisure and urban infrastructure. Keeping a close eye on the city, the company also works with new programmes to provide each region with a comprehensive and tailored urban solution. The company has **1,124 employees**.



Oney is positioned as a different, one-of-a-kind bank with a commercial background. Oney relies on an original positioning and expertise developed over more than 35 years to create payment solutions and innovative financial services. Every day, nearly 3,000 talents around the globe reinvent the bank, working for a more human relationship with the mission of "giving everyone the freedom to be and act". With 400 business and e-commerce partners, Oney supports the projects completion of over 7.6 million customers around the globe by offering memorable shopping experiences in-store and online.

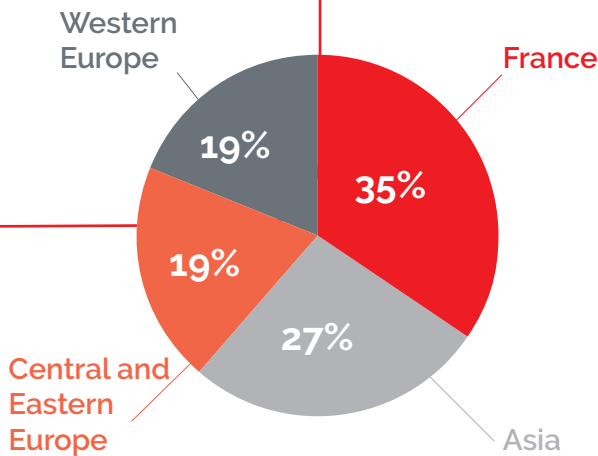
SALES

€51 billion

98.6% **Auchan** | RETAIL

1.4% **CEETRUS**
with citizens & for citizens

SALES BY
GEOGRAPHICAL AREA



The world's
11th largest food
retailer
Deloitte Study "Global
Powers of Retailing 2019"

**Operating
in 19 countries
and 3 continents**



358,914
employees

of which **263,376**
shareholding
employees

Auchan | RETAIL

354,851
employees

CEETRUS
with citizens & for citizens

1,124
employees

oney

2,581
employees

OPERATING PROFIT
FROM CONTINUING
OPERATIONS
2018

€397 million

NET FINANCIAL DEBT
2018

€3,729 million

EBITDA⁽¹⁾ :
2018

€1,999 million

(1) EBITDA is defined as
Operating profit from
continuing operations
excluding other recurring
operating profit and
expenses, depreciation,
impairment and
provisions.

OUR CSR INDICATORS



OUR CSR INDICATORS ENVIRONMENTAL IMPACT:

- 65%** of the average value of waste recovered by hypermarkets and shopping malls
- 5.9%** of energy consumption per sq.m of surface area over a 1 year period
- 7.1%** CO₂ emissions per sq.m over a 1 year period

SOCIETAL IMPACT:

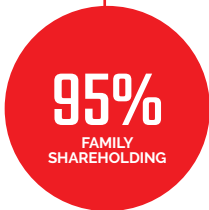
- 216** social projects supported by the foundations
- €2.8 million** allocated to these projects
- 1,103** Social Clause Initiative (ICS) audits conducted on the factories making our own-brand products



SOCIAL

- 62,277** permanent workers hired
- 13,162** meetings held with social partners
- 49%** of managers are women

AUCHAN
HOLDING
OWNERSHIP
OF CAPITAL



SUPERVISORY BOARD

BARTHÉLÉMY GUISLAIN
CEO

Auspar represented by
THIERRY FOSSEUX

JEAN-LOUIS CLAVEL

MARION MENET-BUCHSENSCHUTZ

JÉRÔME MULLIEZ

AUCHAN HOLDING MANAGEMENT BOARD

An unlisted company with family shareholders and employee shareholders, Auchan Holding combines 3 independent companies: Auchan Retail, Ceetrus and Oney.



VIANNEY MULLIEZ
Ceetrus
CEO



EDGARD BONTE
**Chairman of the
Management
Board of Auchan
Holding**
and CEO
of Auchan Retail



**XAVIER
DE MÉZERAC**
Oney CEO

3 INDEPENDENT COMPANIES

Auchan | RETAIL



**EDGARD
BONTE**
CEO

CEETRUS
with citizens • for citizens



**BENOIT
LHEUREUX**
General
Manager

oney



**JEAN-PIERRE
VIBOUD**
General
Manager

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

1

CROIX, 8 MARCH 2019



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



Edgard Bonte

Chairman of the Management Board of Auchan Holding SA

MANAGEMENT REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AUCHAN HOLDING⁽¹⁾

2

FOR FINANCIAL YEAR 2018

(€Bn = Billions of euros, €M = Millions of euros)

2.1	Significant events in 2018 and main changes in the consolidation scope	10
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⁽¹⁾ In their entirety, with the exception of the Non-Financial Performance Statement (DPEF), the main principles of the Group's CSR policy are summarised in this publication

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

2.1 SIGNIFICANT EVENTS IN 2018 AND MAIN CHANGES IN THE CONSOLIDATION SCOPE

CHANGES IN THE STORE NETWORK

The number of points of sale operated by Auchan Retail changed as follows in 2018:

- in Western Europe, the number of points of sale decreased by a net 4 units;
- in Central and Eastern Europe, the number of points of sale grew by a net 10 units, principally through 6 openings in Romania and 4 in Hungary;
- in Asia and Africa, the store network grew by a net 284 units, with 270 in China, 2 in Vietnam and 10 in Senegal.

CHANGES IN THE CONSOLIDATION SCOPE

The consolidation scope changed as follows during 2018:

Auchan Retail Vietnam – Acquisition of Asia Investment

On 28 February 2018, Auchan Retail Vietnam completed the 100% full-ownership acquisition of Asia Investment, the operator of a Giant hypermarket at Crescent Mail.

Ceetrus Portugal

- On 1 March 2018, Ceetrus signed a deal for the acquisition of 2 shopping malls in Lisbon - Forum Montijo, Forum Sintra and Sintra Retail Park - through the acquisition of 5 companies.
- On 26 February 2018, Ceetrus Portugal acquired a 50% stake in Neutripromo, which holds land and commercial permits obtained to carry out a business centre project in Portugal.

Ceetrus Luxembourg – Acquisition of the JBBK and Kubik offices

- On 30 August 2018, Ceetrus Luxembourg completed the acquisition of the JBBK offices, involving the acquisition of 4 companies.
- On 30 November 2018, Ceetrus Luxembourg completed the acquisition of the Kubik offices.

Oney Bank – Acquisition of In Confidence Insurance

29 January 2018: acquisition of 100% of the shares of In Confidence Insurance (ICI), an agent specialising in affinity insurance (warranty extension and breakage insurance).

ONEY BANK RECOGNISED AS "NON-CURRENT ASSETS HELD FOR SALE"

In 2018, negotiations were initiated for the disposal of the majority of shares in Oney Bank SA. At 31 December 2018, since the criteria established by IFRS 5 "non-current assets held for sale" were met, the contributions by Oney Bank and its subsidiaries to the income statement and statement of financial position were classified under the relevant headings of Auchan Holding's consolidated financial statements (see note 2.6 to consolidated financial statements).

PARTNERSHIPS

Auchan Retail - Commercial partnership with Casino Group, Metro and Schiever

In a first phase, on 3 April 2018, Auchan Retail and Casino Group announced that they had entered into exclusive negotiations with a view to establishing, in compliance with competition rules, a strategic partnership enabling them to jointly negotiate purchasing in France and internationally with their main multinational food and non-food suppliers.

Finally, on 29 June 2018, Auchan Retail, Casino Group, Metro and Schiever announced the completion of a number of purchasing partnership agreements collectively known as "Horizon", with the aim of moving from a purely transactional mode of bargaining to a more collaborative, balanced and innovative method.

OTHER SIGNIFICANT EVENTS

Ceetrus, Immochan's new name

On 5 June 2018, Immochan became Ceetrus. Representing the transformation that Immochan initiated 2 years ago, this new name symbolises the company's evolution from a commercial property company to a mixed-use property developer. Ceetrus is part of a process of dialogue with local communities aimed at creating balanced, vibrant urban spaces that have a positive impact.

Change of governance at Auchan Holding

On 2 January 2018, Auchan Holding announced that Barthélémy Guislain would replace Régis Degelcke as Chairman of the Supervisory Board.

From that date and until 9 October 2018, the Management Board comprised the chairmen of the Boards of Directors of Auchan Holding's 3 core businesses: Régis Degelcke for Auchan Retail, Vianney Mulliez for Ceetrus and Xavier de Mézerac for Oney. Auchan Holding's Management Board was chaired by Régis Degelcke.

On 10 October 2018, Auchan Retail International announced the appointment of Edgar Bonte to replace Régis Degelcke as Chairman of its Board of Directors. This appointment was accompanied by the elimination of the role of General Manager of Auchan Retail, a position occupied up to this date by Wilhem

Hubner. Edgard Bonte was also appointed Chairman of the Management Board of Auchan Holding by the Auchan Holding Supervisory Board.

Bond issue

On 25 January 2018, Auchan Holding issued a bond under the EMTN programme for an amount of €350 million over two years at a rate of 3-month EURIBOR + 15bp (coupon floor level of "0").

Ceetrus - signing of a "Club Deal" financing agreement and a Euro PP (Euro Private Placement) financing agreement

On 26 July, Ceetrus completed a €500 million fund-raising maturing in 2023. This financing was taken out with 5 banks in the form of a "Club Deal".

On 11 December 2018, Ceetrus completed a €60m Euro PP fund-raising maturing in 2025.

Auchan Holding – Capital reductions

Auchan Holding's Extraordinary General Meeting of 20 June 2018 authorised a capital reduction through the purchase and cancellation of own shares. It carried out the related transaction

on 27 July 2018. 429,642 shares were bought back at a unit price of €400.24 (including a par value of €20) and cancelled. This reduced Auchan Holding's share capital from €603,893,800 to €595,300,960.

Auchan Holding's Extraordinary General Meeting of 22 November 2018 authorised a second capital reduction through the purchase and cancellation of own shares. The transaction was completed on 21 December 2018 by the repurchase of 199,880 shares at a unit price of €400.24 (including a par value of €20) and their cancellation, bringing Auchan Holding's share capital to €591,303,360.

Ceetrus France – Announcement of the creation of the Gare du Nord 2024 public/private joint venture company Société d'Économie Mixte à Opération Unique (SEMOP)

On 20 December 2018, Gares & Connexions, an arm of the SNCF responsible for managing and operating 3,000 stations in France, and Ceetrus announced the creation of the "SEMOP Gare du Nord 2024" organisation that will undertake the transformation of the Gare du Nord by 2024. SEMOP Gare du Nord 2024, whose share capital will be owned 34% by SNCF Gares & Connexions and 66% by Ceetrus, will be created in February 2019.

2

2.2 ACTIVITIES AND RESULTS

2.2.1 AUCHAN RETAIL ACTIVITY

At 31 December 2018, Auchan Retail operated in 14 countries through 963 hypermarkets, 1,041 convenience stores and 530 ultra-convenience stores.

The consolidated store network at 31 December 2018, excluding the drive outlets, breaks down as follows:

Country	Hypermarkets	Convenience stores	Ultra-convenience stores	Notes
France	119	412	10	
Italy	46	232	79	
Spain	60	82	51	
Portugal	29	5	21	
Luxembourg	1	5		
Poland	74	27	6	
Hungary	19	5		
Romania	31	4	19	
Ukraine	19	8		(1)
Russia	62	231	12	
Senegal	0	12	15	
Mainland China	484	1	310	(2)
Vietnam	1	17	3	
Taiwan	18		4	
TOTAL	963	1,041	530	

(1) Excluding the Furshet supermarkets which are consolidated using the equity method (10% owned).

(2) 388 Auchan stores (including Auchan Minute) and 407 RT Mart stores.

Including the franchised store network (1,550 points of sale), the total number of outlets at 31 December 2018 was 4,084.

Auchan Retail generated revenue in 2018 of €50.3 billion (down 3.3% in relation to 2017), including the sale of goods to franchisees.

Auchan Retail's activities outside of France accounted for 64.9% of total revenue.

Auchan Retail's operating profit from continuing operations decreased by 71.5% to €177 million in 2018.

2.2.2 PROPERTY MANAGEMENT ACTIVITY

At 31 December 2018, the Group's property management business, comprising Auchan Holding and its subsidiaries, managed 394 shopping centres (shopping malls and retail parks) in 12 countries, of which 343 were fully-owned or leased and 51 under management contracts.

The revenue from this activity came to €717 million in 2018 (up 7.5%), of which 61.9% was generated internationally.

Operating profit from property management fell by 16.0% to €193 million.

2.2.3 CUSTOMER CREDIT ACTIVITY (ONEY BANK)

At 31 December 2018, Oney Bank operated in 12 countries (France, Spain, Italy, Portugal, Poland, Hungary, Romania, Ukraine, Russia, Mainland China, Belgium and Malta). Oney Bank had a total of 10 million customers at the end of 2018.

Oney Bank's consolidated financial statements (drawn up according to banking IFRS) showed net banking income of €432 million, up by 3.8%. The cost of risk stood at €64 million. Operating profit increased by 11.76% to €65 million.

2.2.4 COMMENTS ON THE 2018 FINANCIAL YEAR

Comments on the income statement

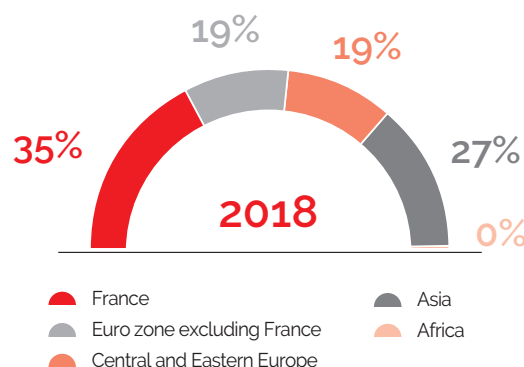
The revenue of consolidated entities amounted to €51.0 billion, down 3.2% in relation to 2017.

At constant exchange rates, revenue fell by 1.3%.

Auchan Retail accounted for 98.6% of revenue while property management accounted for 1.4%.

In geographic terms, France accounted for 35% of revenue, Western Europe, excluding France (Spain, Italy, Portugal and Luxembourg) contributed 19% and the rest of the world (Poland, Hungary, Romania, Ukraine, Russia, Mainland China and Taiwan) contributed 46%. The geographic breakdown was identical in 2017.

> BREAKDOWN IN REVENUE BY GEOGRAPHICAL AREA



> BREAKDOWN IN REVENUE BY ACTIVITY



Gross profit fell by 1.2% to €12,069 million while the margin increased from 23.2% to 23.7%.

Current operating expenses (payroll expenses, external expenses, depreciation, amortisation and impairment, other recurring operating profit and expenses) increased by 2.8%.

Operating profit from continuing operations fell by 54.7% to €397 million. EBITDA, or operating profit from continuing operations excluding other recurring operating profit and expenses and depreciation, amortisation and impairment, fell by 15.8% to €1,999 million versus €2,373 million in 2017.

After taking into account "Other operating profit and expenses", operating profit fell by €1,560 million.

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

In 2018	
Impairment of goodwill and other intangible assets	(687)
Impairment of property, plant and equipment	(372)
Impairment of investment properties	(88)
Impairment of non-current assets	(17)
Store closure costs	(71)
Impairment of goodwill and receivables of Cambria (Italy)	(11)
Provision for reorganisation costs of Auchan Retail France	(6)
Other exceptional income and expenses (€5 million from prepaid cards in China and €(6) million in asset disposal costs)	(1)
TOTAL	(1,254)

In 2017	
Impairment of non-current assets (€102m) and store closure costs (€24m)	(126)
Impairment of goodwill and receivables	(118)
Reorganisation costs of Auchan Retail France support services	(36)
Revaluation gain related to the assumption of control and full consolidation of real estate assets	44
Exceptional income from prepaid cards	40
Other exceptional income, principally reversals of provisions for disputes	23
TOTAL	(173)

The net cost of financial debt is down and came to €37 million (versus €39 million in 2017). Other financial revenue and expenses came to €43 million against €5 million in 2017.

Profit before tax comprised a loss and came to €(937) million (compared with +€669 million in 2017).

The effective tax rate was negative at -6.1% in 2018, compared with 35.9% in 2017. The effective tax rate in 2018 was not representative as it was affected by the "Other operating profit and expenses" described above which do not usually have an impact on the tax expense.

The share of net profit or loss of associates was a loss of €3 million (compared with a loss of €2 million in 2017).

Net profit from continuing operations came to €(997) million.

Net profit was €(946) million compared with €509 million in 2017.

Profit for the year attributable to owners of the parent came to €1,145 million.

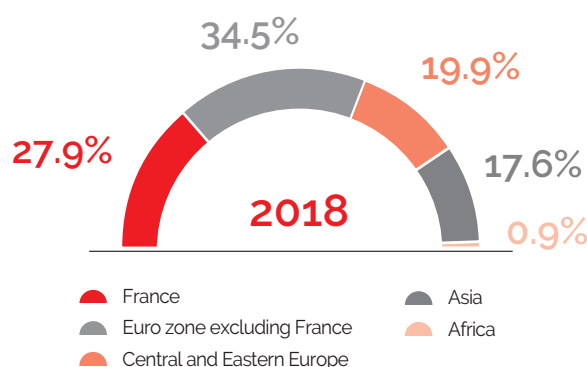
Cash flows from operations slipped by 17.8% to €1,703 million (compared with €2,070 million in 2017).

Comments on the statement of financial position as at 31 December 2018

Assets

Current investments excluding business combinations (acquisitions of intangible assets, property, plant and equipment and investment property) amounted to €1,952 million. The volume of current investments is unchanged in relation to 2017.

> BREAKDOWN IN CURRENT INVESTMENT BY GEOGRAPHICAL AREA



> BREAKDOWN IN CURRENT INVESTMENT BY ACTIVITY



The breakdown of investments was 28% in France (33% in 2017), 34% in Western Europe excluding France (21% in 2017) and 38% in Central and Eastern Europe and Asia (46% in 2017).

Liabilities

Total equity amounted to €11,448 million at 31 December 2018 compared with €13,281 million at 31 December 2017 (down €1,833 million).

Equity attributable to owners of the parent amounted to €7,939 million, down by €1,973 million. The main changes were as follows (in €m):

• 2018 profit	(1,146)
• capital decrease and treasury shares	(253)
• dividends paid	(196)
• exchange differences (mainly with the Russian and Chinese subsidiaries)	(148)
• change in debt linked to put options granted and repurchase commitments (see consolidated statement of changes in equity)	(233)
• Others	3

Non-controlling interests amounted to €3,509 million compared with €3,369 million at 31 December 2017.

Net financial debt, as defined in note 10.1 of the notes to the consolidated financial statements, amounted to €3,729 million at 31 December 2018 versus €2,470 million at 31 December 2017. It represented 32.6% of equity compared with 18.6% at 31 December 2017, 2.2 years of cash flows from operations, and 1.9 years of EBITDA.

2.3 EVENTS AFTER THE REPORTING PERIOD

BOND ISSUE

In January 2019, Auchan Holding launched a new bond issue as part of its Euro Medium-Term Note (EMTN) programme for a nominal amount of €1,000 million over 5 years at a fixed rate of 2.625%.

COMMENCEMENT OF NEGOTIATIONS WITH BPCE GROUP WITH A VIEW TO BPCE TAKING AN EQUITY INTEREST IN ONEY BANK SA

Following negotiations initiated in 2018, on 12 February 2019 BPCE group and Auchan Holding announced that they had

entered into exclusive negotiations with a view to forming a long-term partnership involving BPCE taking a 50.1% equity interest in Oney Bank SA.

Personnel representative bodies will be informed and consulted about this proposal. At the conclusion of this consultation process, the parties would enter into their partnership agreement. This transaction may only be completed once the approval of the relevant French and European authorities has been obtained; it is therefore scheduled for the second half of 2019.

In accordance with IFRS 5, the contributions of Oney Bank and its subsidiaries to the income statement and balance sheet have been classified in the appropriate headings in the Auchan Holding consolidated financial statements.

2.4 OUTLOOK

All 3 Auchan Holding businesses will have strict financial objectives in 2019:

- Auchan Retail will be focused on turning around profits :
 - in the near term through its "Renaissance" action plan, the prioritisation of investments and close examination of loss centers, which will involve renonciations and financial decisions ;
 - and, in the medium term, by giving true meaning to what we do, in order to bestserve the people in their "living zones", as well as its stakeholders (as a trustedfood retailer,

a retailer that works in the interests of local areas and buildsinnovative ecosystems with its partners).

- Ceetrus will concentrate on the successful completion of projects already underway and onoptimising returns on its existing asset base, working alongside Auchan Retail.
- Oney will continue to broaden its range of solutions and plough ahead with itsdevelopment.,
- Lastly, Auchan Holding will be looking to finalise the exclusive talks to have BPCE take up a 50.1% interest in Oney.

2.5 FINANCIAL RISK MANAGEMENT

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

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

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

2.5.1 CREDIT RISK

Operating activity

Auchan Holding and its subsidiaries work solely with a list of banks authorised by the management of Auchan Holding.

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

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

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

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

2.5.2 LIQUIDITY RISK

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

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

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

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

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

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

Some medium and long-term bank financing facilities (confirmed credit lines not used as at 31 December 2018) and private bond placements in the United States contain a 'callability' clause in the event of non-compliance with certain ratios at the balance sheet date, including the following ratio: consolidated net financial debt/consolidated EBITDA < 3.5.

Other medium- and long-term bank loans as well as private bond placements contracted by the Ceetrus group may be subject to covenants based on financial ratios. Some contracts include an early repayment clause in the event of non-compliance with these ratios, as of the closing date of Ceetrus SA's consolidated financial statements, the most important of which are presented below: LTV (Loan to Value) ratio: Net Financial Debt/Fair Value of Portfolio > 50%; and ICR (Interest Coverage Ratio) ratio: EBITDA/Cost of Financial Debt > 2.

The Group complied with these ratios at 31 December 2018.

No financial debt involves a commitment or a default clause in relation to a reduction in Auchan Holding's rating.

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

On 31 December 2018, this ratio was complied with.

2.5.3 INTEREST RATE RISK

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

Excluding the credit activity

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

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

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

For the credit activity

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

2.5.4 FOREIGN EXCHANGE RISK

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

- purchases of goods (transactional foreign exchange);
- internal and external financing denominated in a currency other than the euro (balance sheet risk);
- the value of subsidiaries' net assets in foreign currencies (net investment hedges).

At 31 December 2018, the main currencies concerned were the US dollar, Polish zloty, Hungarian forint, Russian rouble, Chinese Yuan, Taiwanese dollar and Romanian leu.

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

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

At 31 December 2018, no derivative instrument was qualified as a hedge of a net investment.

2.5.5 FINANCIAL RISKS LINKED TO THE IMPACT OF CLIMATE CHANGE

Auchan Holding's companies are exposed to the effects of climate change in the majority of countries in which they operate. Their activities, assets and employees may be directly

or indirectly impacted. As such, financial consequences are possible. The main risk identified in relation to climate change is the increase in the number of extreme climatic events: drought in areas already subject to water scarcity, storms, flooding and heavy snowfall. Such events can hamper the stores' sales activities and supply operations.

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

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

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

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

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

2.5.6 OTHER RISKS

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

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

2.6.1 PROCEDURES RELATED TO THE PRODUCTION OF FINANCIAL STATEMENTS

2.6.1.1 Management and structure of Auchan Holding's Finance Division

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

The Treasury Department reports directly to the General Secretary.

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

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

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

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

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

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

2.6.1.2 Computerised accounting systems

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

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

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

2.6.1.3 Accounting policies

Auchan Holding's consolidated financial statements are established in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board and approved by the European Union on 31 December 2018. These statements are prepared based on the information communicated by the core businesses' Finance Divisions. In this regard, a reporting and consolidation framework (manual of principles and accounting rules, chart of accounts) has been established and distributed to the core businesses. It is updated regularly and can now be consulted on the intranet, including by the Statutory Auditors.

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

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

2.6.1.4 Procedures for approving the individual and consolidated financial statements

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

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

A report of the Statutory Auditors' audit observations and findings is prepared and distributed to the local Finance Division initially, and subsequently in a more centralised manner to the General Secretariat of Auchan Holding and the Audit Committees of Auchan Holding and the 3 core businesses.

The main procedures to be carried out are as follows:

A) Concerning the individual financial statements

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

B) Concerning the consolidated financial statements

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

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

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

C) Pre-closure meetings

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

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

D) Accounts closure meetings

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

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

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

A full physical inventory is carried out on all other products twice a year or on a rolling basis, at all stores and warehouses. These inventories, along with the impairment entries, are monitored on a sample basis by the Statutory Auditors and Internal Audit Departments.

2.6.2.2 Procedures for monitoring inventories and valuing non-current assets

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

The management control or Performance Division of each entity oversees budget monitoring of all major investment projects.

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

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

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

Brand management is centralised at the head office.

2.6.2.3 Procedures for monitoring and documenting benefits granted to employees

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

2.6.2.4 Procedures for monitoring cash

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

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

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

2.6.2.5 Legal and tax policies

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

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

Each year in January, all of the legal organisational structures are presented on a country-by-country and core business-by-core business basis to the Finance Divisions, Statutory Auditors, valuation experts, the Chairman of the Supervisory Board, and shareholder representatives.

2.7 CSR POLICY

2.7.1 PRELIMINARY INFORMATION

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

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

In 2018, the implementation in French law of European Directive 2014/95/EU on the disclosure of non-financial and diversity information has led to the structure of this report being reconsidered, refocusing it on the non-financial issues and risks that are most material or have the greatest impacts. In response to this change, while providing its internal and external stakeholders with adequate information, Auchan Retail's CSR Department has decided to consolidate and build on the various existing work and studies in order to identify "major" and "minor" CSR issues.

The certified conclusions concerning the 2018 financial year "show no significant anomaly that would raise a question concerning the sincerity of CSR information as a whole".

2.7.2 LABOUR INFORMATION

As major employers, Auchan Retail, Ceetrus and Oney take the responsibility they have towards their 358,914 employees very seriously. In order to constantly improve workplace security and quality of life as well as individual involvement, for all their employees, all of Auchan Holding's entities capitalise on their employees' diverse profiles to foster growth as part of a culture of responsibility and sharing.

Between May and October 2018, Auchan Retail, Oney and Ceetrus conducted their second survey into engagement and satisfaction at an international level (excluding Retail France and Hungary that wished to postpone their survey until 2019 on account of unfavourable local circumstances). The objective of this survey is to understand the level of employee engagement as well as their perception of the major issues feeding into this engagement such as the quality of management, work content or the work/life balance. Following the first survey carried out in 2016, this was an opportunity for each entity to discover what changes had occurred. In addition to the level of engagement, this survey allowed the level of workplace satisfaction to be

tested along with the quality and effectiveness of action plans introduced at each site.

Building on the success of its first two years, the Auchan Retail's Executive Graduate Programme saw its third intake in 2018. This certified three-year course, whose purpose is to prepare future managers, is divided into several stages of workplace immersion (six months discovering the holding company's businesses, one year in-store experience, 1 year in practical management training and six months of project management in a foreign country). Alongside this hands-on experience, the graduates attend an annual academic session run by the Centrale Supélec school of engineering and the ESSEC business school. By the end of 2018, the Auchan Executive Graduate Programme had 62 participants, of whom two-thirds were young graduates and one-third were young employees identified in-house. Gender equality is respected with 53% women and 47% men.

2.7.3 ENVIRONMENTAL INFORMATION

Energy consumption represents a major environmental and financial issue for Auchan Retail, as it incurs costs of several hundreds of millions of euros with significant indirect emissions of greenhouse gases. The three primary energy consumption categories for stores are: food refrigeration, lighting and heating/air conditioning. Launched in 2015, the objective of Auchan Retail's energy efficiency program is to reduce the energy intensity of its stores by 20% in four years. Despite a delay due to the slower than initially expected launch, and delayed investments in several countries, this energy saving programme has now achieved a 12% reduction in energy consumption in stores. Designed to remedy some of the cumulative delay, the 2017 investment budget enabled energy consumption reductions to be speeded up. The change to LED lighting in all stores, which was planned for the third quarter of 2018, has been completed in the majority of countries.

In 2018, greenhouse gas emissions related to refrigerant leaks were reduced by 11%. This reduction is explained by a number of elements. Firstly, the coming into force of the first measures of the European Directive on "F-gases" led to the launch of a program to swap refrigerants for solutions with lower impacts.

R404, which is still the refrigerant most widely used in Auchan Retail's stores, has seen its price more than quadruple year-on-year in European countries. Faced with these increased costs, the stores have paid particular attention to monitoring refills and quickly identifying leaks, particularly through the gradual deployment of detection systems.

2.7.4 SOCIETAL INFORMATION

Created in 1996, the Auchan Youth Foundation now forms part of the Auchan Retail Vision, "Auchan changes lives", whose ambition is to promote the consumption of "good, healthy, local" products. With this in mind, the foundation now prioritises solidarity initiatives related to healthy eating, and healthcare for young people between 5 and 25 years of age and who come from districts and cities where the banner's stores are located. The foundation is now up and running in 13 Auchan Retail countries, where it operates based on a system of delegation. This system provides countries with greater freedom to select which initiatives to support, provides a more suitable response to the needs of local associations, and operates in a more pragmatic fashion.

The WOF Foundation was formed in April 2014 under the umbrella of the Fondation de France to provide support,

through local NGOs, for initiatives that seek to improve the working and living conditions of workers and their families, in the textile and general merchandise industries in the least developed countries. Since it was created, the foundation has provided assistance in 4 countries: Bangladesh, Cambodia, Vietnam and Myanmar. And more than 1 million people have benefited. In Bangladesh, for instance, two pilot healthcare coverage schemes have been launched to help 20,000 workers in Dhaka, thanks to the financial support and involvement of WOF with the NGOs, GK Savar and BADAS. With the support of the WOF Foundation, the participation of factory owners and inexpensive healthcare coverage, workers will have free access to healthcare for the most common pathologies, including ophthalmic and dental care.

The 5 foundations attached to Auchan Holding companies supported a total of 230 projects in 2018.

2.8 VIGILANCE PLAN

2.8.1. INTRODUCTION

Act n° 2017-399 on the "duty of vigilance" of parent companies and contracting companies was published in March 2017. Under this law, the companies concerned must adopt measures to ensure that their supply chain does not entail breaches of human rights or fundamental liberties, or impinge on protection of the environment and the health and safety of people in the short, medium and long terms.

Over the last 20 years or so, Auchan Holding's companies have been working to continuously improve their supply chains in all countries in which they operate. As part of this policy, in 2017 Auchan Retail initiated a process involving systematic identification, mapping and measurement of its CSR risks across its entire supply chain. This work is helping to steer and sustain the company's CSR policies.

2.8.2 SCOPE USED FOR THE VIGILANCE PLAN

2.8.2.1 Company scope

Auchan Holding combines the main activities as follows: Auchan Retail's retail distribution business, the property management business (principally Ceetrus) and Oney Bank's customer lending business.

Risk management in each of these businesses is subject to global and specific procedures that are closely correlated with the activity concerned. In addition to their CSR and audit activities, these core businesses are gradually implementing compliance programmes, specifically in the fight against corruption. The Auchan Holding ethics charter, which was reviewed in 2017, reasserts the core businesses' stance

concerning fundamental subjects such as human rights, or respect for the environment.

Because Auchan Retail is the dominant economic player from the 3 businesses, Auchan Holding decided to keep its focus on the vigilance plan implemented within Auchan Retail.

2.8.2.2 Scope of suppliers concerned

Auchan Retail uses different sources to supply all of its activities: local purchasing, its purchasing centre and a dedicated subsidiary responsible for the design and supply of Auchan-brand products. These different categories of products supplied all undergo a risk evaluation.

2.8.2.3 Scope of the risk environment

The law on the duty of vigilance sets out a very general framework for defining the environment of risks to be taken into account. On this basis and taking into account recognised international frameworks such as the UNGPs⁽¹⁾, Auchan Retail worked on a definition of a risk environment appropriate to the diversity of its activities in order to assess the major risks to which the Group is potentially exposed.

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

- human rights and fundamental liberties: child labour, forced labour, failure to comply with the freedom of association and to strike, discrimination and intolerance of diversity, failure to comply with the rights of indigenous peoples, failure to comply with the laws governing migrant workers, excessive working hours, wages below legal thresholds, harassment and abuse, wage inequality, failure to comply with animal rights;

(1) United Nations Guiding Principles on Business and Human Rights

- health and safety: safety of buildings, accidents in the workplace, toxic substances in the workplace, industrial accidents, health and safety of consumers;
- environment: water, land and air pollution, destruction of biodiversity, climate change, water shortage, inappropriate use of land, potential consequences of the use of chemical inputs.

2.8.3. RISK MAPPING

Auchan Retail has carried out a CSR risk mapping exercise, initiated in 2017 and completed in 2018. Its objective is to prioritise the main working guidelines.

2.8.3.1 Risk mapping methodology

A) Risk mapping

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

B) Reporting format

To carry out the risk mapping, more than 5,000 "triplets" were analysed. Each triplet was ascertained according to three criteria:

- the activity or product or service category (for example, fruit and vegetables, hygiene and cosmetics, leisure, etc.);
- the nature of the risk (for example, unsuitable workplace environment and housing);
- product's country of origin, goods and services from that country.

Despite the methodological limits inherent in the nature of this exercise, the mapping provides a clear overview of the main risks in terms of breaching human rights and fundamental freedoms, and affecting the health and safety of people, and the environment.

C) Reporting per activity

Risk mapping is divided specifically into broad categories:

- own activities: these cover the direct risk related to operating the company's sites including the human resources management aspect;
- food or non-food direct purchases: that is to say, products intended for sale in-store;
- indirect purchases: that is to say, purchases required in order to operate the company's sites. These may include physical goods (for example, furniture, IT equipment) or the provision of services (for example, transport, site cleaning, energy purchases).

2.8.3.2 Principal lessons of the mapping

A) Geographic origin of the risk

One of the first lessons of the mapping is a disconnection, sometimes significant, between the countries where the main risks originate and the countries where Auchan Retail operates. By way of example, India appears as a source of major risks in the general merchandise and toys segment, although Auchan Retail is not physically present in the country. Spain, for its part, appears as the source of serious risks with regards to fruit and vegetables because of its significant exports to European Union countries.

B) Summary of the principal risks per category

Because of its sector of activity and the wide range of the goods and services it offers, the CSR risks in terms of Auchan Retail's business are numerous and the potential likelihood of their occurrence varies according to the country where the risk originates. The basic objective of the methodology used is therefore to rank the CSR risks.

The table below offers a summary of the principal risks identified, thus allowing the company to prioritise its CSR risk reduction initiatives, in addition to those already launched.

	Type of risk	Country where risk originates	Products/material causing the risk
Specific activities	Health and safety at work	China	N/A
	Fundamental freedoms	China	N/A
	Health and safety at work	China	Leisure, EEGP, Textiles, Household
		India	Household
Non-food direct purchases	Health and safety at work	Bangladesh	Textiles
		China	Leisure, EEGP, Textiles, Household
	Fundamental freedoms	India	Household
		Bangladesh	Textiles
		Bangladesh	Textiles
Direct food purchases	Environment	Bangladesh	Textiles
	Health and safety at work	Spain	Fish
Indirect purchases	Health and safety at work	Spain	Meat, dairy produce and egg products
		China	Construction
		France	Construction, transport, marketing

2.8.4. REGULAR EVALUATION OF THE SITUATION OF SUBSIDIARIES, SUBCONTRACTORS OR SUPPLIERS

In order to assess the extent to which its requirements (particularly in the area of employment) are applied in its supply chain, Auchan Retail performs audits at the production sites of its suppliers using the same set of criteria for each country.

Accordingly, 1,103 social audits of the Corporate Product Department's suppliers were carried out in 2018. Most of these suppliers are from Asian countries. These audits are supplemented more broadly by local audits conducted by business units that are authorised to source own brand products directly.

Aware of the risk that obscure outsourcing raises in terms of breaching human rights and fundamental freedoms, and affecting the health and safety of people and the environment, specific checks in this respect are carried out to ensure strict prohibition. The Corporate Product Department's direct suppliers must accordingly declare their direct and indirect production sites through a specific information system, and comply with current control regulations prior to every order, together with random checks. Accordingly, 1,134 random traceability controls (RTCs) were carried out in 2018. The results of these audits are also used to provide information for risk mapping purposes. As risk mapping by nature requires constant adjustment, it is updated in the event of a notable change in the company's activity or the identification of an emerging risk that was previously not identified.

Finally, Auchan Retail monitors emerging risks through its ethic or CSR Committees that have been introduced in all of the countries in which it operates.

2.8.5. ACTIONS IMPLEMENTED TO MITIGATE RISKS AND PREVENT SERIOUS HARM

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

In Bangladesh, Auchan Retail is a signatory to the Accord on Fire and Building Safety, the aim of which is to ensure that buildings are safe and healthy, and that basic safety measures for the prevention of risks in the textile industry are applied. The agreement covers more than 1,600 textile plants in Bangladesh whose safety levels have clearly improved (with the remediation rate increasing from 81% to 90% over the period November 2017 to November 2018). This is thanks to the inspections and to the regular checks carried out at the initiative of the parties to the agreement, while waiting for the local authorities to assume the role.

Unannounced audits to combat obscure outsourcing have helped to raise awareness among suppliers of the issues and risks this practice raises across the entire supply chain. This can even lead to immediately cutting contractual relationships with an offending supplier.

In addition to these audits, the Auchan Holding companies have defined an ethics policy which comprises:

- an ethics charter: it is common to all countries and to the 3 companies and, for Auchan Holding, it reaffirms all of the ethical principles guiding its relationships with stakeholders – employees, customers, partners, shareholders and civil society;
- a code of business ethics: this also draws on the ethics charter and is intended for all Auchan Retail's economic partners (suppliers of tradeable and non-tradeable goods, subcontractors of suppliers). It is attached to the general terms and conditions of sale. Whereby they agree to comply with its principles and to ensure that their own subcontractors and partners do the same;
- day-to-day ethical guidelines: this draws on the ethics charter and is intended for all Auchan Retail employees. It describes the types of conduct that should be avoided within the company and addresses various topics such as conflicts of interests, rules with respect to gifts or invitations, etc.

This policy is distributed to employees and coordinated by country Ethics Committees which are shared by all 3 companies.

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

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

2.8.6. PROGRESS REPORT

In its 2018 action plan, Auchan Retail has, in particular, completed its risk mapping and developed alert and monitoring systems. In France, the system will be rolled out in 2019 after consultation with social partners.

In 2018, 20 environmental audits were carried out by the Corporate Product Department. These audits were performed in accordance with the ICS environmental audit framework. They aim to provide a clear audit process in order to verify that Auchan Retail's suppliers comply with environmental standards once they have been listed. These audits have covered the integrated plants of strategic textile suppliers in India,

Bangladesh and Pakistan. They have highlighted failures in terms of the management of chemical products and water treatment.

Training for buyers in ethics and responsible purchasing is ongoing, both within countries and in international sourcing offices. As a result, all sourcing office employees have been trained in India and Bangladesh, together with 95% of buyers in China. This training is in the process of being rolled out in the DPC where 81% of employees were trained in 2018.

2.8.7 2019 PROGRESS PLAN

In order to continue the work carried out in 2018:

- Auchan Retail will ensure that the risk mapping is updated, while assessing the mitigation capacity of the actions introduced in 2018 and 2019;
- a progress report on the CSR risk reduction process will be presented in the first half of 2019 to the social partners on the European works council through the specific CSR Committee;
- the Steering Committee responsible for duty of vigilance issues will have the role of defining the specific level of response for each of the risks identified, then of specifying ad hoc governance arrangements;
- a regular assessment will be carried out of alerts received and the scope of remedial actions;
- Following the first environmental audits carried out in 2018, remedial actions in relation to the management of chemical products and treatment of waste water will be put in place.

2.8.8 SYSTEM FOR MONITORING ALL IMPLEMENTED MEASURES

The Steering Committee responsible for duty of vigilance issues, which began its work in 2017, comprises representatives from the Auchan Retail's CSR Department, Audit Department, Risk and Compliance Department and Legal Department. In particular, it will be responsible for working with the company's other departments in order to ascertain the most appropriate entity and/or individual to be responsible for managing the actions identified to reduce each CSR priority risk.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3

Years ended 31 December 2018 and 2017

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3.1 CONSOLIDATED ASSETS

Assets (in €m)	Notes	2018	2017
Goodwill	6.1	2,992	3,692
Other intangible assets	6.2	1,036	1,052
Property, plant and equipment	6.3	10,941	11,636
Investment property	6.4	5,265	4,627
Investments in associates	7	222	184
Credit activity (*)	11.1	0	1,265
Other non-current financial assets	10.5	436	504
Non-current derivative financial instruments	10.4	126	129
Deferred tax assets	12.1	342	350
NON-CURRENT ASSETS		21,359	23,439
Inventories	3.5	4,797	4,910
Credit activity (*)	11.1	136	1,647
Trade receivables	10.5	498	526
Tax assets	12.1	158	113
Other current receivables	10.5	2,444	2,339
Current derivative financial instruments	10.4	123	52
Cash and cash equivalents	10.1	3,420	2,619
Assets classified as held for sale	2.6	3 000	
CURRENT ASSETS		14,576	12,206
TOTAL ASSETS		35,935	35,645

(*) Including customer loans granted by Oney in 2017

3.2 CONSOLIDATED EQUITY AND LIABILITIES

Equity and liabilities (in €m)	Notes	2018	2017
Share capital	8.1.3	591	604
Share premiums		1,673	1,914
Reserves and net income attributable to owners of the parent		5,674	7,394
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		7,939	9,912
Non-controlling interests	8.1.7	3,509	3,369
TOTAL EQUITY (*)		11,448	13,281
Provisions	9.1	265	282
Non-current borrowings and other financial liabilities	10.6	4,198	3,728
Debts financing the credit activity	11.2	462	928
Non-current derivative financial instruments	10.4	17	22
Other non-current liabilities	10.6	458	341
Deferred tax liabilities	12.1	531	627
NON-CURRENT LIABILITIES		5,931	5,927
Provisions	9.1	284	247
Current borrowings and other financial liabilities	10.6	3,162	1,487
Debts financing the credit activity	11.2	399	1,387
Current derivative financial instruments	10.4	22	52
Trade payables	10.6	8,457	8,799
Current tax liabilities	12.1	119	140
Other current liabilities	10.6	4,375	4,325
Liabilities classified as held-for-sale	2.6	1,738	
CURRENT LIABILITIES		18,557	16,436
TOTAL EQUITY AND LIABILITIES		35,935	35,645

* The Group applied IFRS 9 - Financial Instruments for the first time on 1 January 2018. Given the transition method chosen, the comparative data has not been restated and the impact (net of tax) resulting from the first application of the standard, as set out in note 2.2, has been recognised in equity at 1 January 2018 (see changes in equity).

The Group applied IFRS 15 - Revenue from Contracts with Customers as from 1 January 2018 without restating comparative periods, as authorised by the standard.

3.3 CONSOLIDATED INCOME STATEMENT

(in €m)	Notes	2018	2017
Revenue⁽¹⁾	3.1	50,986	52,669
Cost of sales	3.1	(38,917)	(40,448)
Gross profit		12,069	12,221
Payroll expenses	5.1	(6,351)	(6,179)
External expenses		(3,680)	(3,614)
Depreciation, amortisation and impairment	3.3	(1,630)	(1,565)
Other recurring operating profit	3.3		13
Other recurring operating expenses	3.3	(11)	
OPERATING PROFIT FROM CONTINUING OPERATIONS		397	876
Other operating profit and expenses	3.4	(1,254)	(173)
OPERATING PROFIT		(857)	703
Income from cash and cash equivalents		65	59
Gross cost of financial debt		(102)	(98)
Net cost of financial debt	10.2	(37)	(39)
Other financial revenue	10.3	13	15
Other financial expenses	10.3	(56)	(10)
PROFIT BEFORE TAX		(937)	669
Share of net profit (loss) of associates	7	(3)	(2)
Income tax expense	12.2	(57)	(240)
NET PROFIT FROM CONTINUING OPERATIONS		(997)	427
Net profit from assets held for sale and discontinued operations ⁽²⁾	2.6	51	82
NET PROFIT		(946)	509
of which attributable to owners of the parent		(1,145)	275
of which attributable to non-controlling interests		200	234
EARNINGS PER SHARE FROM CONTINUING OPERATIONS, ATTRIBUTABLE TO OWNERS OF THE PARENT (IN €)			
• basic	8.2	(40.10)	6.42
• diluted	8.2	(40.08)	6.41
EBITDA⁽³⁾	3.2	1,999	2,373

(1) The Group applied IFRS 15 - Revenue from Contracts with Customers as from 1 January 2018 without restating comparative periods, as authorised by the standard.

(2) Net profit from assets held for sale and discontinued operations comprises Oney's net profit in 2018 and 2017 (see note 2.6 to the consolidated statements), and also the contribution of Alinéa which was sold in 2017 for €40m.

(3) Operating profit from continuing operations less other recurring operating profit and expenses and after depreciation, amortisation and impairment (excluding that recognised under cost of sales).

The Group applied IFRS 9 - Financial Instruments for the first time on 1 January 2018. Given the transition method chosen, the comparative data has not been restated and the impact (net of tax) resulting from the first-time application of the standard, as set out in note 2.2, has been recognised in equity at 1 January 2018 (see changes in equity).

3.4 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in €m)	2018			2017		
	Gross Amount	Income tax	Net	Gross Amount	Income tax	Net
Net profit for the period			(946)			509
Revaluation of net liabilities in respect of defined benefits	33	(10)	23	20	(5)	15
TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	33	(10)	23	20	(5)	15
Exchange differences on translating foreign operations	(178)		(178)	(348)		(348)
Change in fair value						
• of available-for-sale financial assets				1		1
• of instruments hedging net investments in foreign operations						
• of cash-flow and forex hedges	31	(10)	21	(26)	18	(8)
Share of other components of comprehensive income of associates						
TOTAL ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	(147)	(10)	(157)	(373)	18	(355)
OTHER COMPONENTS OF COMPREHENSIVE INCOME	(115)	(19)	(134)	(353)	13	(340)
Total comprehensive income			(1,080)			169
<i>Attributable to:</i>						
- attrib. to owners of the parent			(1,250)			87
- non-controlling interests			170			82

The Group applied IFRS 9 - Financial Instruments for the first time on 1 January 2018. Given the transition method chosen, the comparative data has not been restated and the impact (net of tax) resulting from the first-time application of the standard, as set out in note 2.2, has been recognised in equity at 1 January 2018 (see changes in equity).

The Group applied IFRS 15 - Revenue from Contracts with Customers as from 1 January 2018 without restating comparative periods, as authorised by the standard.

3.5 CONSOLIDATED STATEMENT OF NET CASH FLOWS

(in €m)	Notes	2018	2017
Consolidated profit for the period (including non-controlling interests)		(946)	509
Share of net profit (loss) of associates		3	2
Dividends received (non-consolidated investments)		(4)	(5)
Net cost of financial debt		37	39
Income tax expenses (including deferred taxes)		70	263
Net depreciation, amortisation and impairment expenses (other than on current assets)		2,801	1,709
Income and expenses on share-based payment plans		1	1
Other non-cash items			
Capital gains/losses net of tax and negative goodwill		35	(92)
Cash flows from operations before net cost of financial debt and tax		1,997	2,426
Income tax paid		(257)	(317)
Interest paid		(153)	(151)
Other financial items		116	112
Cash flows from operations after net cost of financial debt and tax		1,703	2,070
Changes in working capital requirement	13	(74)	94
Changes in items relating to the credit activity	13	(28)	(59)
Net cash generated by operating activities		1,601	2,105
Acquisition of property, plant and equipment, intangible assets and investment property ⁽¹⁾		(1,999)	(1,700)
Proceeds from sales of property, plant and equipment, intangible assets and investment property		82	109
Acquisition of shares in non-consolidated companies including associates accounted for by the equity method ⁽²⁾		(69)	(14)
Proceeds from sales of shares in non-consolidated companies including associates accounted for by the equity method		4	22
Acquisitions of subsidiaries net of cash acquired ⁽³⁾		(434)	(151)
Sales of subsidiaries net of cash disposed of ⁽⁴⁾			57
Dividends received (non-consolidated investments)		31	12
Changes in loans and advances granted	13	2	71
Net cash from (used in) investing activities		(2,383)	(1,594)
Amounts received from shareholders on capital increases			
Purchases and sales of treasury shares ⁽⁵⁾		(251)	(50)
Dividends paid during the period	13	(313)	(537)
Acquisitions and disposals of interests without change of control:	13	(27)	(41)
Changes in net financial debt	13	2,022	442
Net cash from (used in) financing activities		1,431	(186)
Effect of changes in foreign exchange rates ⁽⁶⁾		35	(68)
Net increase (decrease) in cash and cash equivalents		683	257
Cash and cash equivalents at beginning of period	13	2,304	2,047
Cash and cash equivalents at end of period	13	2,987	2,304
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		683	257

(1) In 2018, acquisition of offices in Luxembourg (Ceetrus Luxembourg – see 1.2 Significant events).

(2) Of which primarily capital increase of a company accounted for by the equity method at Ceetrus.

(3) In 2018, this principally relates to the acquisitions of 2 shopping malls and a Retail Park through the full 100% acquisition of 5 companies (Ceetrus Portugal - see 1.2 Significant events).

(4) In 2017, the disposal of shares in Alinéa.

(5) Principally relates to the reduction in the capital of Auchan Holding through the cancellation of shares in the context of the employee share ownership plan.

(6) Primarily the impact of variations in the rouble amounting to €39m.

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

(in €m)	Share capital	Share premiums ⁽¹⁾	Treasury shares ⁽²⁾	Currency translation, financial instrument revaluation, and actuarial gains and losses reserves ⁽³⁾	Consolidated reserves and profit for the period	Equity		Total
						Attrib. to owners of the parent	Non-controlling interests	
As at 1 January 2017	613	1,914	(281)	(478)	8,276	10,044	2,858	12,902
Net profit for the period					275	275	234	509
Other components of comprehensive income ⁽³⁾				(188)		(188)	(152)	(340)
Total comprehensive income				(188)	275	87	82	169
Capital reduction	(9)		179		(179)	(9)		(9)
Treasury shares			(50)			(50)		(50)
Dividend distributions					(350)	(350)	(187)	(537)
Changes in consolidation scope					(7)	(7)	(24)	(31)
Changes in put options granted to non-controlling interests					194	194	637	831
Other					3	3	3	6
AT 31 DECEMBER 2017	604	1,914	(152)	(666)	8,212	9,912	3,369	13,281
As at 1 January 2018	604	1,914	(152)	(666)	8,212	9,912	3,369	13,281
Adjustments associated with the initial application of IFRS 9						(35)	(2)	(37)
Adjusted equity as at 1 January 2018	604	1,914	(152)	(666)	8,212	9,877	3,367	13,244
Net profit for the period					(1,146)	(1,146)	200	(946)
Other components of comprehensive income ⁽³⁾				(104)		(104)	(30)	(134)
Total comprehensive income				(104)	(1,146)	(1,250)	170	(1,080)
Capital reduction	(13)	(241)				(253)		(253)
Treasury shares			(1)			(1)		(1)
Dividend distributions					(196)	(196)	(117)	(313)
Changes in consolidation scope					(6)	(6)	(4)	(10)
Changes in put options granted to non-controlling interests ⁽⁵⁾					(233)	(233)	94	(139)
Other					1	1	(1)	0
AT 31 DECEMBER 2018	591	1,673	(153)	(770)	6,632	7,939	3,509	11,448

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

(2) See note 8.1.4.

(3) See note 8.1.6.

(4) The Group applied IFRS 9 - Financial Instruments for the first time on 1 January 2018. Given the transition method chosen, the comparative data has not been restated and the impact (net of tax) resulting from the first application of the standard, as set out in notes 2.2, has been recognised in equity at 1 January 2018.

(5) See note 8.1.7.

The Group applied IFRS 15 as from 1 January 2018 without restating comparative periods, as authorised by the standard.

3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS



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NOTE 1 GENERAL DESCRIPTION OF THE CONSOLIDATION SCOPE AND SIGNIFICANT EVENTS

1.1 GENERAL DESCRIPTION OF THE CONSOLIDATION SCOPE

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

The world's 12th largest mass market retailer, Auchan Holding and the companies included in the consolidation scope operate in 14 countries and employ 340,577 people (full-time equivalent).

Since 2 December 2015, Auchan Holding has been organised around 3 core activities, which at 31 December 2018 comprised:

- Auchan Retail, which groups together the food retail activities. This activity includes operation of the hypermarkets (963 stores, fully consolidated), convenience stores (1,043 stores, fully consolidated) and ultra-convenience stores (528 stores, fully consolidated). It also includes the e-commerce (Auchandirect and Auchan.fr, principally) and drive outlets (Chronodrive and Auchan Drive);
- retail property management, principally by Ceetrus and its subsidiaries (394 shopping centres with shopping malls and retail parks, managed by Ceetrus);
- the banking activity carried out by Oney Bank, which specialises in consumer credit, insurance, electronic payments and payment card management. Oney Bank has a portfolio of 10 million customers. In application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the contributions of Oney Bank and its subsidiaries to the income statement and balance sheet have been classified under the appropriate headings in the Auchan Holding consolidated financial statements (see Note 2.6).

In 2018, all the entities in the consolidation scope generated revenue excluding tax of €51.0 billion, 65% of which was generated outside France and 98.6% of which was generated by Auchan Retail.

1.2 SIGNIFICANT EVENTS IN 2018 AND MAIN CHANGES IN THE CONSOLIDATION SCOPE

Significant events

Auchan Retail - Commercial partnership with Casino group, Metro and Schiever

In a first phase, on 3 April 2018, Auchan Retail and Casino group announced that they had entered into exclusive negotiations with a view to establishing, in compliance with competition rules, a strategic partnership enabling them to jointly negotiate purchasing in France and internationally with their main multinational food and non-food suppliers.

Finally, on 29 June 2018, Auchan Retail, Casino Group, Metro and Schiever announced the completion of a number of purchasing partnership agreements collectively known as "Horizon", with the aim of moving from a purely transactional mode of bargaining to a more collaborative, balanced and innovative method.

Ceetrus, Immochan's new name

On 5 June 2018, Immochan became Ceetrus. Representing the transformation that Immochan initiated 2 years ago, this new name symbolises the company's evolution from a commercial property company to a mixed-use property developer. Ceetrus is part of a process of dialogue with local communities aimed at creating balanced, vibrant urban spaces that have a positive impact.

Change of governance at Auchan Holding

On 2 January 2018, Auchan Holding announced that Barthélémy Guislain would replace Régis Degelcke as Chairman of the Supervisory Board.

From that date and until 9 October 2018, the Management Board comprised the chairmen of the Boards of Directors of Auchan Holding's 3 core businesses: Régis Degelcke for Auchan Retail, Vianney Mulliez for Ceetrus and Xavier de Mézerac for Oney. Auchan Holding's Management Board was chaired by Régis Degelcke.

On 10 October 2018, Auchan Retail International announced the appointment of Edgar Bonte to replace Régis Degelcke as Chairman of the Board of Directors. This appointment was accompanied by the elimination of the role of General Manager of Auchan Retail, a position occupied up to then by Wilhem Hubner. Edgard Bonte was also appointed Chairman of the Management Board of Auchan Holding by the Auchan Holding Supervisory Board.

Bond issue

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

Ceetrus - signing of a "Club Deal" financing agreement and a "EURO PP" (Euro Private Placement) financing agreement

On 26 July 2018, Ceetrus completed a €500 million Euro PP fund-raising maturing in 2023. This financing was taken out with 5 banks in the form of a "Club Deal".

On 11 December 2018, Ceetrus completed a €60 million Euro PP fund-raising maturing in 2025.

Auchan Holding – Capital reductions

Auchan Holding's Extraordinary General Meeting of 20 June 2018 authorised a capital reduction through the purchase and cancellation of own shares. It carried out the related transaction on 27 July 2018. 429,642 shares were bought back at a unit price of €400.24 (including a par value of €20) and cancelled. This reduced Auchan Holding's share capital from €603,893,800 to €595,300,960.

Auchan Holding's Extraordinary General Meeting of 22 November 2018 authorised a second capital reduction through the purchase and cancellation of own shares. The transaction was completed on 21 December 2018 by the repurchase of 199,880 shares at a unit price of €400.24 (including a par value of €20) and their cancellation, bringing Auchan Holding's share capital to €591,303,360.

Ceetrus France – Announcement of the creation of the Gare du Nord 2024 public/private joint venture company (Société d'Economie Mixte à Opération Unique (SEMOP))

On 20 December 2018, Gares & Connexions, an arm of the SNCF responsible for managing and operating 3,000 stations in France, and Ceetrus announced the creation and composition of the "SEMOP Gare du Nord 2024" organisation that will undertake the transformation of the Gare du Nord by 2024. SEMOP Gare du Nord 2024, whose share capital will be owned 34% by SNCF Gares & Connexions and 66% by Ceetrus, will be created in February 2019.

Changes in the store network

The number of points of sale operated by Auchan Retail changed as follows in 2018:

- in Western Europe, the number of points of sale decreased by a net 4 units;
- in Central and Eastern Europe, the number of points of sale grew by a net 10 units, principally through 6 openings in Romania and 4 in Hungary;
- in Asia and Africa, the store network grew by a net 284 units, with 270 in China, 2 in Vietnam and 10 in Senegal.

Change in the consolidation scope

Auchan Retail Vietnam – Acquisition of Asia Investment

On 28 February 2018, Auchan Retail Vietnam completed the 100% full-ownership acquisition of Asia Investment, the operator of a Giant hypermarket at Crescent Mail.

Ceetrus Portugal

- On 1 March 2018, Ceetrus Portugal signed a deal for the acquisition of 2 shopping malls in Lisbon - Forum Montijo, Forum Sintra and Sintra Retail Park - through the acquisition of 5 companies.
- On 26 February 2018, Ceetrus Portugal acquired a 50% stake in Neutripromo, which holds land and commercial permits obtained to carry out a business centre project in Portugal.

Ceetrus Luxembourg – Acquisition of the JBBK and Kubik offices

- On 30 August 2018, Ceetrus Luxembourg completed the acquisition of the JBBK offices, involving the acquisition of 4 companies.
- On 30 November 2018, Ceetrus Luxembourg completed the acquisition of the Kubik offices

These acquisitions were recognised as acquisitions of investment properties and property, plant and equipment.

Oney Bank – Acquisition of In Confidence Insurance

29 January 2018: acquisition of 100% of the shares of In Confidence Insurance (ICI), an agent specialising in affinity insurance (warranty extension and breakage insurance).

1.3 EVENTS AFTER THE REPORTING PERIOD

Bond issue

In January 2019, Auchan Holding launched a new bond issue as part of its Euro Medium-Term Note (EMTN) programme for a nominal amount of €1,000 million over 5 years at a fixed rate of 2.625%.

Commencement of negotiations with BPCE group with a view to BCPE taking an equity interest in Oney Bank SA

Following negotiations initiated in 2018, on 12 February 2019 BPCE group and Auchan Holding announced that they had entered into exclusive negotiations with a view to forming a long-term partnership involving BCPE taking a 50.1% equity interest in Oney Bank SA.

Personnel representative bodies will be informed and consulted about this proposal. At the conclusion of this consultation process, the parties would enter into their partnership agreement. This transaction may only be completed once the approval of the relevant French and European authorities has been obtained; it is therefore scheduled for the second half of 2019.

Pursuant to IFRS 5, the non-Group assets and liabilities of this business were classified at 31 December 2018 under the headings "Assets held for sale" and "Debts associated with assets held for sale" in the 2018 financial statements.

NOTE 2 GENERAL ACCOUNTING PRINCIPLES AND CONSOLIDATION SCOPE

2.1 BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Auchan Holding's consolidated financial statements were approved by the Management Board on 7 March 2019. They will not be finalised until they have been approved by the Ordinary General Meeting of Shareholders scheduled for 21 May 2019.

2.1.1 Statement of compliance

Auchan Holding's consolidated financial statements have been prepared in compliance with international accounting standards, as adopted by the European Union at 31 December 2018, comprising IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards) and interpretations thereof issued by the IASB (International Accounting Standards Board) and by the IFRS IC (International Financial Reporting Standards Interpretations Committee)

2.1.2 Application of standards

The international standards, amendments to existing standards and interpretations adopted by the European Union and effective from 1st of January 2018, and which have a significant impact on Auchan Holding's consolidated financial statements, are detailed in the note below.

First-time application of IFRS 15 - Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes and IFRIC 15 - Agreements for the *Construction of Real Estate*. Its scope covers all contracts entered into with customers, with the exception of leases (revenue from rentals and sub-letting), financial instruments (interest income) and insurance contracts, which are covered by other standards.

IFRS 15 introduces a single 5-step model for determining when and how much revenue to recognise under the contract. It introduces new revenue recognition concepts and principles, including for identifying performance obligations or allocating transaction prices for multi-component contracts. Revenue must be recognised such that it reflects the transfer of goods and services to the customer and the payments that the company expects to receive in exchange for these goods and services.

The Group applied IFRS 15 as from 1 January 2018 without restating comparative periods, as authorised by the standard.

As the major share of the Group's revenue consists of sales to end customers made in stores, service stations or drive outlets - sales without any other performance obligation, for which the revenue is recognised when customers go through the checkout - the impact of the application of IFRS 15 on the recognition of revenue and other income is immaterial. The main impact of the standard's entry into force was the reclassification of a portion of revenue as a deduction from the cost of sales, in the amount of €189 million and the recognition of a net agent's commission in the margin of some partnerships. These restatements had no impact on income or equity.

While the principle of revenue and margin generation in relation to the percentage of completion is not called into question, calculation of the contract's progress (housing and offices) includes land-related costs, which results in recognition of higher revenue and margin early in the contract. Ceetrus already applied this principle for the recognition of its revenue. Consequently, no impact has been recorded.

First-time application of IFRS 9 - Financial Instruments

IFRS 9 replaces IAS 39 - Financial instruments - *Recognition and Measurement* for the classification and measurement of financial assets and liabilities as well as general hedge accounting.

The Group applied IFRS 9 as from 1 January 2018 without restating comparative periods, as authorised by the standard. The impacts related to the first retrospective application of the standard, recognised in opening equity at 1 January 2018, are mentioned below.

This standard comprises 3 parts: classification and measurement of financial instruments, impairment of financial assets, and recognition of hedging transactions excluding macro-hedging.

The main changes introduced by each part are as follows:

• Part 1: Classification and measurement of financial assets and liabilities

For the classification and measurement of financial assets, IFRS 9 uses a new approach based on the one hand on the assets' contractual characteristics and on the other hand on their business model.

IFRS 9 removes the former IAS 39 categories assets held to maturity, loans and receivables, and available-for-sale assets.

The new standard introduces 3 main categories of financial assets: those measured at amortised cost, those measured at fair value through other comprehensive income (recyclable or non-recyclable) and those measured at fair value through profit or loss. Financial assets are classified in accordance with IFRS 9 based on the business model used to hold the asset and the characteristics of the asset's contractual cash flows.

The financial assets held by the Group carried at amortised cost in accordance with IAS 39 meet the IFRS 9 criteria of solely *payment of principal and interest* and a *business model* based on the collection of contractual cash flows. The application of IFRS 9 did not have a material impact on the Group's accounting policies with respect to the measurement of financial assets at amortised cost.

Application of the "Classification and measurement of financial instruments" part led the Group to split into two categories, assets previously classified under IAS 39 as 'Available-for-sale assets' as follows:

- "Investments in equity instruments measured at fair value through equity";
- "Investments in equity instruments measured at fair value through profit or loss".

Application of the standard also led the Group to create a new non-recyclable component in its comprehensive income to record, as of the 1st of January 2018, changes in the fair value of "investments in equity instruments measured at fair value through equity". The change related to the recognition at fair value of securities previously recognised at historical cost, i.e. +€8 million was recognised at 1 January 2018 (with the offsetting entry to equity).

● Part 2: Impairment of financial assets

Application of the "Impairment of financial assets" part impacted the Group's financial statements at 1 January 2018 particularly with regard to its customer credit business. For the Retail and Ceetrus activities, the impact on the opening balance sheet is immaterial, as IFRS 9 introduces a new credit risk impairment model that requires switching from incurred credit loss provisioning to expected credit loss (ECL) provisioning.

- For the customer credit activity, the impact at 1 January 2018 of the application of IFRS 9 was a €65 million increase in the impairment of outstanding loans (net of the reintegration of off-balance sheet items), with the offsetting entry to equity in a negative amount of €(44) million, net of deferred taxes.

This impact is attributable to the provisioning of stage-1 performing loans (not provisioned in accordance with IAS 39) and the longer-term provisioning (increased lifespan) of stage-2 outstandings (outstandings with a material level of increased credit risk). The impact on stage-3 (outstandings for which a credit event has been recorded) is negligible, with the exception of over-indebtedness plans in France, which are reclassified as stage-3.

- For the Retail and Ceetrus activities, the Group applies the simplified approach to accounting for expected losses on customers and related accounts.

● Part 3: Hedge accounting

Application of the "Recognition of hedging transactions" part results in a broadening of the eligibility conditions for hedging instruments and hedged items, a relaxation of the effectiveness test criteria and less volatility in the income statement.

The Group has prospectively classified floating rate receiver, fixed rate payer swaps as cash flow hedges, covering aggregated exposures of fixed rate debt and fixed rate receiver, floating rate payer swaps. The effective portion of the change in value of these newly eligible hedging instruments is recognised in the cash flow hedge reserve as from 1 January 2018.

The Group has opted to retrospectively classify as a hedging cost the *foreign currency basis spread of cross-currency swaps* classified as *fair value hedges*. The impact of the IFRS 9 restatement on the Group's opening equity was €1.6 million and represents the fair value of the *basis spread of instruments* retrospectively classified as hedges at 1 January 2018.

The change in fair value of *the basis spread* cannot be considered a hedging component. It is recognised in the hedge

reserve and amortised through profit or loss over the hedging period.

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

IFRS 16 – Leases

The new standard will be applicable in financial years beginning on or after 1 January 2019. IFRS 16 mainly concerns lessees, and removes the distinction set out in IAS 17 between operating leases and finance leases. It provides a single accounting model for lessees, under which they must recognise an asset for the right of use of the leased asset over the duration of the contract, which must be offset by the recognition of a liability representing the lease payment obligation. It also allows exemption of leases with a duration of less than 12 months and those with a low-value underlying asset. Under this model, the depreciation charge on the asset will be recognised in operating expenses and the cost of the debt to the lessor in financial expenses, whereas under currently applicable rules the rental expense is recognised in operating expenses.

In 2017, the Group had identified its leases and started assessing how to implement the standard. During 2018, the Group completed the following tasks which are being finalised:

- carried out a study of IT solutions and selected a dedicated tool for implementing the standard;
- configured the tool introduced to collect lease data and to perform the calculations required by the standard;
- input into the dedicated tool the leases, firstly, those falling within the standard's field of application and, secondly, those fulfilling the criteria used by the Group in the context of the simplifying measures authorised by the standard;
- approved the method for determining the discount rates of future rents and calculated the rates that are to apply from the 1st of January 2019 when the standard comes into effect.

IFRS 16 will be applied as of the 1st of January 2019, in accordance with the so-called "modified retrospective" approach. This provides that a liability equal to the present value of lease payments remaining be recognised on the transition date, in exchange for a right of use adjusted by the amount of prepaid rents or expenses to be paid; all transition impacts will be recorded as an adjustment to equity.

The work of estimating the debt related to the application of the standard at 1st of January 2019 is being finalised.

The level of the minimum financial cost for leases is detailed in note 6.5.2.

IFRIC 23 – Uncertainty over income tax treatments

The Group has not chosen to apply IFRS 23 early; its application is mandatory from 1 January 2019. The work is being analysed.

2.1.3 Use of estimates

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

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

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

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

2.1.4 Consolidation scope and methods

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

The companies over which Auchan Holding directly, indirectly or jointly exercises significant influence on management and financial policies, without exercising control, are accounted for using the equity method. Auchan Holding's share of the profit or loss of associates is recognised in the income statement under the heading "Share of net profit of associates". The share of other components of associates' comprehensive income is recorded on a separate line in the consolidated statement of comprehensive income. If Auchan Holding's share of the losses of an associate is equal to or exceeds its shareholding, in its consolidated financial statements, Auchan Holding ceases to recognise its share of the losses unless it has a legal or implicit obligation to do so, or must make payments on behalf of the associate.

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

Transactions and balances between companies that are included within the consolidation scope are eliminated.

2.1.5 Consolidation of the financial statements of the credit activity

The financial statements of the credit activities of Oney Bank and its subsidiaries are fully consolidated in the consolidated financial statements of Auchan Holding. However, pursuant to IFRS 5, their contributions to the consolidated financial statements of Auchan Holding have been reclassified as "Non-current assets held for sale and discontinued operations" (see note 2.6).

Comfactor Commercio Factoring SpA, is a captive factoring company operating in Italy, that provides pre-financing to suppliers.

Comfactor's financial statements are fully consolidated in the consolidated financial statements of Auchan Holding as follows:

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

2.1.6 Business combinations

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

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

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

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

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

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

Any negative goodwill is recognised immediately in the income statement.

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

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

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

2.1.7 Foreign currency transactions

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

Translation of the financial statements of foreign subsidiaries

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

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

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

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

Recognition of foreign currency transactions

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

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

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

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

2.1.8 Presentation of financial information

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

Statement of financial position

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

Auchan Holding's statement of cash flows is prepared in conformance with IAS 7, using the indirect method, based on the net profit of all companies in the consolidation scope, and is broken down into 3 categories:

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

2.2 MAIN CHANGES DURING THE PERIOD

The entry into effect of the standards IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Contracts with Customers" are the main changes during the period (see note 2.1.2).

2.3 MAIN CHANGES IN THE CONSOLIDATION SCOPE

The main changes in the consolidation scope in 2018 were as follows:

- Acquisition of 100% of Asia Investment by Auchan Retail Vietnam (see significant events in note 1.2);
- Ceetrus Portugal: acquisition of 2 shopping malls, Forum Montijo, Forum Sintra and a Sintra Retail Park in Lisbon, and 50% equity interest in Neutripromo (see significant events in note 1.2);
- Ceetrus Luxembourg: acquisition of the offices JBBK and Kubik (see significant events in note 1.2).

2.4 TRANSACTIONS WITH RELATED PARTIES

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

Related parties with control over Auchan Holding

No material transactions were carried out with the reference shareholders of Auchan Holding SA apart from the dividend paid to all the shareholders (see note 8.1).

Remuneration of corporate officers

The total expense recognised in respect of the remuneration of corporate officers (members of the Management Board and Supervisory Board) amounted to €3.7 million in 2018, and broke down as follows:

- short-term benefits (including directors' fees): €3.1 million;
- share-based payments: €0.6 million
- post-employment benefits: €0.1 million.

Joint ventures/Associates

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

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

Joint arrangements

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

2.5 OFF-BALANCE SHEET COMMITMENTS RELATING TO THE CONSOLIDATION SCOPE

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

At 31 December 2018, the Finance Division was not aware of any off-balance sheet commitments likely to have a material impact on the financial situation of Auchan Holding's consolidated companies.

Details of off-balance sheet commitments relating to intangible assets and property, plant and equipment are provided in note 6.7, those relating to financing are provided in note 10.7, and those relating to the credit activity are provided in note 11.4.

Share options

Oney Bank and Ceetrus Luxembourg have commitments relating to call options on shares linked to the minority holdings of some of their subsidiaries. These amounted to €26 million as at 31 December 2018. At 31 December 2017, these commitments stood at €25 million.

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

The Group comprising Oney Bank and its subsidiaries is consolidated within the consolidated financial statements drawn up at 31 December 2018.

During 2018, Auchan Holding began negotiations to form a strategic partnership between its Oney subsidiary and a partner. Given the level of progress in these negotiations and pursuant to the criteria set out in IFRS 5, Oney Bank was classified under "non-current assets held for sale". The criteria for application of IFRS 5 include the condition that the shares must be available for immediate sale in their current state and that a loss of control is "highly probable" (see events after the reporting period in note 1.3).

The result of the Oney Bank group and its subsidiaries is presented on a separate line in the income statement under "Net profit from assets held for sale and discontinued operations" and is restated for all periods published in the income statement. The non-Group assets and liabilities of this activity are classified under "assets held for sale" and "liabilities classified as held for sale" for the 2018 financial statements, without restatement of prior periods.

Breakdown of Oney's assets and liabilities to be sold at 31 December 2018

(in €m)	Non-Group	Group ⁽¹⁾	Total
Non-current assets	1,521	185	1,706
<i>mainly including customer loans</i>	1,369	-	1,369
Current assets	1,479	35	1,514
<i>mainly including customer loans</i>	1,374	-	1,374
TOTAL ASSETS	3,000	220	3,220
Non-current liabilities	519	450	969
<i>mainly including debts financing the credit activity</i>	535	450	985
Current liabilities	1,219	282	1,501
<i>mainly including debts financing the credit activity</i>	928	251	1,179
TOTAL LIABILITIES	1,738	732	2,470

(1) Inter-company assets and liabilities eliminated on consolidation.

In accordance with IFRS 5, all items of Oney's income statement are presented under the single line item "Net profit from assets held for sale and discontinued operations" for financial years 2018 and 2017.

Breakdown of Oney's net profit in the annual financial statements for financial years 2018 and 2017

(in €m)	2018	2017
Revenue	489	486
Gross profit	443	424
Operating profit from continuing operations	65	59
Other operating profit and expenses	-	-
OPERATING PROFIT	65	59
Net cost of financial debt	-	-
Other financial revenue and expenses	(1)	(2)
PROFIT BEFORE TAX	64	57
Income tax expense	(14)	(15)
PROFIT FOR THE YEAR	51	42*
• Attributable to owners of the parent	48	40
• Attributable non-controlling interests	2	2
EBITDA	76	61

The Group's income statement shows a net profit from assets held for sale and discontinued operations of €82m in 2017 including Alinéa's contribution of €40m in 2017.

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

(in €m)	2018	2017
Net cash from (used in) operating activities	46	37
Net cash from (used in) investing activities	(34)	(22)
Net cash from (used in) financing activities	(26)	(20)
Net change in cash from activities sold	(15)	(5)

NOTE 3 OPERATING DATA

3.1 REVENUE/GROSS PROFIT

Accounting principles

Revenue comprises "Sales before tax" and "Other revenue".

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

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

Pursuant to IFRS 15, commissions received in connection with commercial activities for which the group is deemed to act as an agent are also recognised as revenue.

Revenue is assessed on the basis of the contractual price corresponding to the amount of remuneration to which the Group expects to be entitled, in exchange for provided goods or services. The cost of the transaction is allocated to each of the performance obligations in the contract which constitutes the unit of account for recognising revenue. Revenue is recognised when the performance obligation is fulfilled, i.e. when the customer obtains control of the good or service. Revenue can therefore be recognised at a given moment or continuously (i.e. percentage of completion).

The breakdown of the Group's principal sources of revenue is as follows:

- sales of goods: in this case, the Group has only one performance obligation which is the delivery of the good to the customer. Revenue from the sales recognised at the moment where the control of the good has been transferred to the customer, generally at the time of delivery. Given the Group's activities, the transfer of control takes place:
 - when customers go through checkout for in-store sales,
 - when goods are received by franchisees and affiliates,
 - when received by the customer for e-commerce sales;
- the provision of services, such as franchise fees, logistical services, property revenues (rental income, rental management fees): in this case, the Group has only one performance obligation, namely delivery of the service.

- revenue from the services are recognised continuously over the period in which the services are provided;
- revenue from property promotion activities: in this case, the Group generally has several performance obligations, some of which may be carried out at a given moment and others continuously according to the percentage of progression method. Progression-based profit is calculated using the projected termination profit, weighted by the rate of progression determined according to the costs incurred.

The Group offers customers loyalty programmes through which to enjoy reductions or other benefits when they make subsequent purchases. The benefits accumulated by customers from loyalty programmes constitute a performance obligation that is separate from the initial sale. For this reason, a contract liability is recognised in respect of this performance obligation. The revenue from these rights accorded is deferred until the date on which the customers use the benefits.

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

Rebates and commercial cooperations, recognised as a deduction from the cost of sales, result from contractual agreements signed by the Group companies with their suppliers. These agreements, which are specific from one supplier to another, include rebates calculated according to the volume of purchases of goods made, as well as rebates for commercial cooperation actions invoiced to suppliers. These commercial cooperation actions are the subject of contractual agreements.

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

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

(in €m)	2018	2017
Sales	50,699	52,198
Other revenue	287	471
Revenue⁽¹⁾	50,986	52,669
Purchases net of discounts, commercial cooperation services and ancillary and logistics costs	38,882	40,259
Change in inventories (net of impairment)	34	189
Cost of sales	38,917	40,448
Gross profit	12,069	12,221

(1) At 31 December 2018, sales as a whole correspond to revenue transferred on a specific date.

3.2 EBITDA

Accounting principles

EBITDA corresponds to operating profit from continuing operations excluding other recurring operating profit and expenses and after depreciation, amortisation and impairment (excluding that recognised under cost of sales).

Store pre-opening costs are recognised in operating expenses when they occur.

(in €m)	2018	2017
Operating profit from continuing operations	397	876
• Other recurring operating profit and expenses	11	(13)
• Depreciation, amortisation and impairment ⁽¹⁾	1,591	1,509
EBITDA	1,999	2,373

(1) Including the amounts recognised under payroll expenses and other external expenses for €62m in 2018 and €82m in 2017.

3.3 OPERATING PROFIT FROM CONTINUING OPERATIONS

3.3.1 Other operating profit and expenses

(in €m)	2018	2017
Net gains on disposals (including reversals of provisions on sold assets)	(23)	25
Other	12	(13)
TOTAL OTHER OPERATING PROFIT AND EXPENSES	(11)	13

3.3.2 Auditors' fees

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

(in €m)	PricewaterhouseCoopers Audit	KPMG Audit
Auditing service	1.3	1.7
Non-audit services (NAS)	0.1	1.1

Non-audit services include fees for work required by law, in particular the authorisation of the award of bonus shares, capital increases reserved for employees, capital decreases, as well as certificates, comfort letters, agreed procedures and due diligence. The fees for the period are primarily related to the planned disposal of the Oney Bank Group.

3.3.3 Depreciation, amortisation and impairment

(in €m)	2018	2017
Depreciation and amortisation expenses, net of reversals ⁽¹⁾	1,507	1,478
Provision and impairment expenses, net of reversals of unused provisions	123	87
NET AMOUNT IN INCOME STATEMENT	1,630	1,565

(1) Of which €100m related to the amortisation of other intangible assets in 2018 (€83m in 2017) (see note 6.2).

3.4 OTHER OPERATING PROFIT AND EXPENSES

Accounting Principles

Non-recurrent transactions involving significant amounts and which could diminish the readability of operating performance are recorded under "Other operating profit and expenses" in accordance with French accounting standards authority (ANC) recommendation N°. 2013- R.03.

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

(in €m)	2018	2017
Impairment of non-current assets €(1,147)m and store closing costs €(71)m, principally in France and Russia:	(1,218)	(126)
<ul style="list-style-type: none"> • 2018: principally in France €(457)m, Italy €(440)m, Russia €(155)m, China €(46)m, Poland €(44)m, of which €(93)m sur on investment property; €(21)m at Ceetrus Russia) • 2017: Principally in France €(7)m, China €(44)m, Russia €(7)m, Poland €(48)m and Taiwan €(5)m, of which €(56)m on investment property. 		
Re-estimated profit from taking control and full consolidation of property assets :		44
<ul style="list-style-type: none"> • <i>profit from the sale of property assets/profit from the sale of property assets :2017: In France, re-estimated profits from taking control of property assets (in particular, SCI Petit Menin (Promenade de Flandre))</i> 		
Cambria Group: Impairment of goodwill and depreciation of receivables ⁽¹⁾	(11)	(118)
Impairment of prepaid rents	(17)	
Extraordinary profit on prepaid cards in China ⁽²⁾	5	40
Provision for reorganisation costs of Auchan Retail France's support services ⁽³⁾	(6)	(36)
Other revenue and expenses:	(6)	23
2018: Oney disposal fees		
2017: Reversal of a provision for disputes following a favourable court decision in 2016: Indemnities on contract terminations		3
TOTAL OTHER OPERATING PROFIT AND EXPENSES	(1,254)	(173)

(1) Retail Italy: Various events that occurred during the first half of 2017, gave rise to a change in the assessment of control for this company, as required by IFRS, with the result that it was fully consolidated from 30 June 2017. Also, an agreement in December enabled Auchan to acquire the partner's 49% shareholding and to hold now 100% of the securities of SCS Cambria. On 27 July 2018, Auchan applied to the Court of Barcellona Pozzo di Gotto (Messina) for the Cambria group to be declared bankrupt. Based on the assessment, at the end of December 2018, of the risk resulting from the bankruptcy of Cambria group, an additional expense of €11m has also been recognised in the financial year. In 2017, based on the assessment at the end of December of the risk resulting from the company's economic and financial situation, an expense of €118m had also been recognised in the financial year, consisting of a full impairment of goodwill for €94m and of receivables from SCS Cambria towards its partner Cambria for €24m.

(2) This amount represents the proportion of cards issued more than 5 years ago that are very unlikely to be used in stores in the future.

(3) Impact of the roll-out of the single brand and the reorganisation of the support services, and of the new commercial structure in keeping with customers' "living areas".

3.5 INVENTORIES

Accounting principles

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

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

<i>(in €m)</i>	2018	2017
Gross amount	4,933	5,046
Impairment	(136)	(136)
NET CARRYING AMOUNT	4,797	4,910

Change in impairment

<i>(in €m)</i>	2018	2017
At 1 January	(136)	(130)
Provisions for impairment, net of reversals	(3)	(9)
Changes in the consolidation scope and exchange differences	3	3
AT 31 DECEMBER	(136)	(136)

No inventory amounts have been pledged to secure debt.

NOTE 4 OPERATING SEGMENTS

Accounting principles

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

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

The measurement of each operating segment's performance, used by the various operational decision-makers, is based on

operating profit from continuing operations. The main operational decision-maker is the Chairman of the Board of Directors.

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

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

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

4.1 SEGMENT INFORMATION BY BUSINESS ACTIVITY

Segment data (in €m)	Auchan Retail		Property		Oney Bank ⁽¹⁾		Holding companies and Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External revenue	50,269	52,002	717	667	489	486			51 475	53 155
Inter-segment revenue	6	9	9	6	18	14	(33)	(30)		
REVENUE	50,275	52,011	726	673	507	500	(33)	(30)	51 475	53 155
Operating profit from continuing operations	177	621	193	229	65	59	27	27	462	935
Other operating profit and expenses									(1,254)	(173)
Operating profit									(792)	762
Net cost of financial debt									(37)	(39)
Other financial revenue									13	15
Other financial expenses									(56)	(12)
Income tax expense									(71)	(255)
Share of net profit (loss) of associates									(3)	(2)
Net profit from continuing operations									(946)	470
Net profit from assets held for sale and discontinued operations										40
NET PROFIT									(946)	509
Segment assets	23,609	24,271	4,697	4,636	2,294	2,914	25	57	31 255	31,878
Segment liabilities	12,865	12,843	486	493	2,604	2,595	30	38	15 985	15,969

(1) Oney is shown as not being restated as an activity held for sale.

Other information (in €m)	Auchan Retail		Property		Oney Bank		Holding companies and eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Investments (gross)	1,251	1,342	455	365	14	13		1	1,720	1,721
Depreciation and amortisation expenses	1,280	1,269	226	208	(1)				1,507	1,488
Impairment losses, net of reversals ⁽¹⁾	(1,056)	(185)	(96)	(64)					(1,152)	(249)
Other non-cash operating profit and expenses ⁽¹⁾⁽²⁾	(162)	(60)	(17)	(13)	(32)	(18)		(8)	(212)	(99)

(1) () = expenses.

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

4.2 SEGMENT INFORMATION BY GEOGRAPHIC AREA

<i>(in €m)</i>	France		Western Europe excluding France		Central and Eastern Europe		Rest of the World-Asia and Africa		Eliminations		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	17,972	19,270	9,727	9,977	9,570	10,411	13,716	14,355	(904)	(858)	51,475	53,155
Non-current segment assets, excluding tax and financial assets	5,376	5,744	4,340	4,018	3,806	4,211	6,800	7,034			20,323	21,007

Oney is shown as not being restated as an activity held for sale.

4.3 RECONCILIATION OF SEGMENT ASSETS AND LIABILITIES

Oney is shown as not being restated as an activity held for sale.

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

<i>(in €m)</i>	2018	2017
Goodwill	3 022	3,692
Other intangible assets	1,058	1,052
Property, plant and equipment	10,977	11,636
Investment property	5,265	4,627
Non-current segment assets excluding tax and financial assets	20,323	21,007
Investments in associates	222	184
Non current credit activity	1 369	1,265
Inventories	4,797	4,910
Current credit activity	1 510	1,647
Trade receivables	498	526
Other current receivables	2,536	2,339
Segment assets	31 255	31,878
Other non-current financial assets	479	504
Non-current derivative financial instruments	126	129
Deferred tax assets	361	350
Current tax assets	160	113
Current derivative financial instruments	125	52
Cash and cash equivalents	3,429	2,619
TOTAL ASSETS	35,935	35,645

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

(in €m)	2018	2017
Non-current provisions	267	282
Non current debts financing the credit activity	997	928
Current provisions	333	247
Current debts financing the credit activity	1,327	1,387
Trade payables	8,536	8,799
Other current liabilities	4,526	4,325
Segment liabilities	15,985	15,969
Equity	11,448	13,281
Non-current borrowings and other financial liabilities	4,199	3,728
Non-current derivative financial instruments	17	22
Other non-current liabilities	468	341
Deferred tax liabilities	500	627
Current borrowings and other financial liabilities	3,162	1,487
Current derivative financial instruments	22	52
Current tax liabilities	132	140
TOTAL EQUITY AND LIABILITIES	35,935	35,645

NOTE 5 PAYROLL EXPENSES AND EMPLOYEE BENEFITS

5.1 PAYROLL EXPENSES

(in €m)	2018	2017
Wages and salaries including social security costs and external labour	6,246	6,029
Employee incentives and profit-sharing	169	237
French Competitiveness and Employment Tax Credit (CICE)	(90)	(103)
Employee benefits and share-based payments ⁽¹⁾	26	16
NET AMOUNT IN INCOME STATEMENT	6,351	6,179

(1) Including expenses booked in 2018 in respect of defined benefit schemes, including a net reversal of provision of €22m and other long-term employee benefits for €4m, compared with €(10) m in 2017.

The average "full-time equivalent" headcount of the consolidated companies was 340,577 in 2018, compared with 341,399 in 2017.

5.2 EMPLOYEE BENEFITS

Accounting principles

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

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

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

Defined contribution plans

Under defined contribution plans, regular contributions are made to external bodies that are responsible for the plans' administrative and financial management. Contributions to these plans are expensed as incurred.

Defined contributions amounted to €429 million in 2018 (€450 million in 2017).

Defined benefit plans

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

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

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

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

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

while all other expenses incurred in respect of defined benefit plans are recognised under employee benefits in the income statement.

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

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

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

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

Provisions (non-current and current) for employee benefits amounted to €174 million on 31 December 2018 (compared with €188 million on 31 December 2017), of which €10 million for other long-term benefits and €164 million for post-employment benefits.

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

Actuarial assumptions	2018		2017	
	France	Italy	France	Italy
Discount rate at 1 January	1.80%	1.80%	2.00%	1.50%
Discount rate at 31 December	1.80%	1.80%	1.80%	1.80%
Expected rate of salary increases	2.00%	3.00%	2.00%	2.00%
Table of mortality rates	TF 00-02 and TH 00-02	IPS55	TF 00-02 and TH 00-02	IPS55

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

The assumptions relating to salary increases correspond, for each country, to the forecast inflation rate plus projected individual salary increases. The assumption for the end of 2018 is an increase in inflation of 2% in France and 3% in Italy.

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

Sensitivity to assumptions

A 50 basis point fall in the discount rate would increase the amount of the obligation by 5% in France and by 4% in Italy (impact on other comprehensive income).

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

Change (in €m)	2018	2017
Present value of obligation at 1 January	372	385
Interest expense	7	7
Current service cost	16	16
Past service cost	7	3
Curtailments and settlements ⁽¹⁾	3	(5)
Benefits paid	(7)	(6)
Actuarial gains and losses	(45)	(28)
Exchange differences		
Other		1
Changes in consolidation scope	(4)	
PRESENT VALUE OF OBLIGATION AT 31 DECEMBER	350	372
<i>Of which funded obligations</i>	249	270

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

Estimated contributions to be paid in respect of 2019 amount to €7 million.

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

(in €m)	2018	2017
Fair value of assets at 1 January	196	185
Expected return on plan assets	4	3
Contributions paid		15
Benefits paid		
Actuarial gains and losses	(11)	(7)
Changes in consolidation scope	(2)	
FAIR VALUE OF ASSETS AT 31 DECEMBER	186	196

	2018	2017
Assets in euro	49%	51%
Fonds Club 3	49%	47%
Equities	2%	2%

Assets in euro are essentially invested in government or investment grade bonds (81.50%), international blue chip shares (10.50%) and office real estate (8.00%).

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

The equity portfolio is invested entirely in multi-strategy UCITS. The strategic equity allocation is 68.64% Europe and 31.36% the rest of the world.

The financial management of the retirement indemnities contract of Auchan Holding and its subsidiaries is based on euro-denominated assets (general and Fonds Club 3 assets made up of equities and bonds) with a guaranteed floor rate for the general assets and a capital guarantee for Fonds Club 3, and equity units of account recognised at fair value. The gross return in respect of 2018 has been set at 2.87% for assets in euro and 1.20% for Fonds Club 3. The gross floor rate expected for 2019 is 0.50% for assets in euro and 0% for Fonds Club 3.

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

(in €m)	2018			2017		
	Total	Of which France	Of which Italy	Total	Of which France	Of which Italy
Present value of the obligation	350	243	96	372	264	99
Fair value of assets	(186)	(180)		(196)	(190)	
Deficit/(surplus)	164	63	96	176	74	99
NET LIABILITY RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION	164	63	96	176	74	99

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

(in €m)	2018	2017
Provision recognised in the statement of financial position at 1 January	176	200
Actuarial gains and losses recognised under other comprehensive income	(34)	(21)
<i>of which actuarial gains and losses on plan liabilities ⁽¹⁾</i>	<i>(45)</i>	<i>(28)</i>
<i>of which actuarial gains and losses on plan assets</i>	<i>11</i>	<i>7</i>
Net expenses for the period	29	17
Contributions paid	(0)	(15)
Benefits paid	(6)	(6)
Other	(1)	1
Changes in consolidation scope		
PROVISION RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER	164	176

(1) This line consists of experience actuarial gains and losses for €(23)m and actuarial gains and losses related to changes in assumptions for €(22)m in 2018.

The aggregate amount of revaluations of net liabilities on defined benefit plans recognised in other comprehensive income at 31 December 2018 amounted to €(98) million net of tax compared with €(75) million at 31 December 2017.

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

(in €m)	2018	2017
Current service cost	16	16
Interest expense	4	4
Past service cost	7	2
Curtailements and settlements	3	(5)
EXPENSES RECOGNISED	30	17
<i>of which recognised in payroll expenses</i>	<i>23</i>	<i>13</i>
<i>of which recognised in other financial revenue and expenses</i>	<i>7</i>	<i>4</i>

5.3 SHARE-BASED PAYMENTS

Accounting principles

In exchange for services provided, Auchan Holding SA awarded some employees share option purchase plans, or long-term bonus plans.

Share purchase option and bonus share plans

In accordance with IFRS 2 "Share-Based Payments", Auchan Holding recognises a payroll expense in respect of these benefits. This expense is spread over the beneficiary's vesting

period. A corresponding amount is recorded under liabilities (re-estimated at each accounts closing date with a corresponding amount recorded under profit and loss) if Auchan Holding SA or one of its subsidiaries has undertaken to repurchase the shares.

This expense is calculated as follows:

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

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

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

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

The Group's bonus share plans are subject to presence and in some cases performance conditions. The performance condition is dependent on the average annualised increase in the Auchan Holding share price or on the scopes of Auchan Retail or Ceetrus. The value of Auchan Holding's shares or of the scopes of Auchan Retail or Ceetrus is assessed annually by a body of independent experts.

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

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

Long-term bonus plans

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

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

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

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

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

5.3.1 Share option purchase plans allocated by Auchan Holding SA⁽¹⁾

Change in number of options and weighted average exercise price for 2018 and 2017

	2018		2017	
	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)	Number of options
Options outstanding at 1 January	413.11	10,600	413.24	20,876
Adjustment of number of options ⁽²⁾		0		403
Options granted during the year	0.00	0	0.00	0
Options exercised during the year		0	397.61	10,064
Options cancelled or lost	413.27	3,692	407.75	615
Options expired	426.34	1,880	-	-
Options outstanding at 31 December	408.04	5,028	413.11	10,600
• Price range		408.04		408.04/426.34
• Weighted average contractual duration		8 months		17 months
Options exercisable at 31 December	-	-	-	-

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

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

Calculation of fair value of existing plans at 31 December 2018

	Year allocated			
	2018	2017	2016	2015
Fair value of options	N/A	N/A	N/A	23.64
Share price (2018)	N/A	N/A	N/A	400.24
Exercise price	N/A	N/A	N/A	408.04
Expected volatility	N/A	N/A	N/A	3.96%
Residual duration of the option	N/A	N/A	N/A	20 months
Expected dividends	N/A	N/A	N/A	1.520%
Risk-free interest rate	N/A	N/A	N/A	0.000%
Type of model	N/A	N/A	N/A	binomial

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

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

	2018 ⁽¹⁾
	Number of shares
Bonus shares at the beginning of the year	7,796
Adjustment to the number of bonus shares ⁽²⁾	
Bonus shares granted during the year	10,387
Bonus shares returned during the year	0
Bonus shares cancelled or lost	1,950
Bonus shares at the end of the year	16,233

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

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

Characteristics of the bonus share plans

- Date of inception plan 2016/2018 geared to performance: 31 August 2016.

- Value of the underlying share: €400.24.
- Definitive grant date: 1 September 2018.
- End of lock-up period: 1 September 2020.

- 2016/2020 plan inception date subject to performance conditions: 31 August 2016.

- Value of the underlying share: €400.24.
- Definitive grant date: 1 September 2020.
- End of lock-up period: 1 September 2022.

- 2018/2019 plan inception date subject to performance conditions: 16 January 2018.

- Value of the underlying share: €400.24.
- Definitive grant date: 1 July 2019.
- End of lock-up period: 1 July 2021.

- 2018/2019 plan inception date: 16 January 2018.
- Value of the underlying share: €400.24.
- Definitive grant date: 1 July 2019.
- End of lock-up period: 1 July 2022.

- 2018/2021 plan inception date subject to performance conditions: 16 January 2018.

- Value of the underlying share: €400.24.
- Definitive grant date: 1 July 2021.
- End of lock-up period: 1 July 2023.

- 2018/2021 plan inception date: 16 January 2018.

- Value of the underlying share: €400.24.
- Definitive grant date: 1 July 2021.
- End of lock-up period: 1 July 2023.

The bonus share plans put in place are subject to conditions of presence. Three out of the 5 plans have a related performance condition.

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

Bonus plans

Plan name	Condition	Plan	Start date	Underlying	Allocation date	Length
RCV*	Presence	2015/2019	01/10/2015	Value of each reference scope established by a body of independent experts	30/04/2019	43 months
RCV*	Presence	2016/2020	01/10/2016	Value of each reference scope established by a body of independent experts	30/04/2020	43 months
RCV*	Presence	2017/2021	01/10/2017	Value of each reference scope established by a body of independent experts	30/04/2021	43 months
RCV*	Presence	2018/2022	01/10/2018	Value of each reference scope established by a body of independent experts	30/04/2022	43 months
ILT*	Presence and performance	2015/2019	01/10/2015	Value of each reference scope established by a body of independent experts	30/04/2019	43 months

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

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

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

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

For share option purchase plans awarded by Auchan Holding SA:

- the liability (including buyback commitments to beneficiaries of stock option or bonus share plans) came to €2.1 million as at 31 December 2018 compared with €0.9 million at 31 December 2017;

- the total impact of plans recorded in the income statement amounted to €0.7 million in 2018 versus €0.6 million in 2017.

For long-term bonus (ILT) and value creation remuneration (RCV) plans:

- debt as at 31 December 2018 amounted to €6.9 million (excluding social security charges);
- expenses related to the above plans amounted to €2 million in 2018 (excluding social security charges).

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 GOODWILL

Accounting principles

The accounting principles for goodwill are described in note 2.1.5.

Goodwill is not amortised but is tested for impairment at each year-end and more often if events or circumstances indicate that it may be impaired. Such events or circumstances relate to

significant, adverse and lasting changes with an impact on economic conditions or on the assumptions and objectives adopted at the acquisition date.

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

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

Change in gross carrying amount

(in €m)	Gross amount	
	2018	2017
Gross carrying amount at 1 January	4,801	4,708
Change linked to business combinations ⁽¹⁾	54	148
Other acquisitions	8	13
Disposals	(5)	
Exchange differences ⁽²⁾	(61)	(69)
Other movements and transfers ⁽³⁾	(16)	
Non-current assets held for sale and discontinued operations ⁽⁴⁾	(25)	
GROSS CARRYING AMOUNT AT 31 DECEMBER	4,755	4,801

(1) In 2018, changes over the period correspond mainly to completed acquisitions at Ceetrus Portugal

(2) Exchange differences mainly in the Russian rouble for €(53)m and the Polish zloty for €8m.

(3) Reclassification of transfers following merger, between gross carrying amounts and impairment.

(4) Oney Bank Goodwill reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations".

Change in impairment

(in €m)	Impairment
Impairment loss as at 1 January 2017	1,008
Impairment loss for the year ⁽¹⁾	105
Disposals	
Exchange differences	(4)
Other movements and transfers	
IMPAIRMENT LOSS AT 31 DECEMBER 2017⁽²⁾	1,109
Impairment loss as at 1 January 2018	1,109
Impairment loss for the year ⁽¹⁾	673
Disposals	(4)
Exchange differences	1
Other movements and transfers ⁽²⁾	(16)
IMPAIRMENT LOSS AT 31 DECEMBER 2018	1,763

(1) Impairment losses are recorded under "Other operating profit and expenses" in the amount of €673m in 2018, compared with €7m in 2017 (see note 3.4).

(2) Reclassification of transfers following merger. See Change in gross carrying amount.

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

Net carrying amount

(in €m)	
As at 1 January 2017	3,700
As at 31 December 2017	3,692
As at 1 January	3,692
AT 31 DECEMBER 2018	2,992

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

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

(in €m)	2018	2017
Retail Holding	3	3
Retail France	1,152	1,438
Retail Spain	178	178
Retail Italy (including impairment of €371m in 2018, €94m in 2017)		371
Retail Portugal	178	178
Retail Poland ⁽¹⁾	274	282
Retail Russia ⁽¹⁾	354	407
Retail China ⁽¹⁾	557	566
Retail Taiwan ⁽²⁾	88	54
Other Retail	127	111
Ceetrus France	14	25
Ceetrus Italy	19	19
Ceetrus Taiwan ⁽²⁾		29
Ceetrus others	46	4
Auchan Holding	2	2
Oney Bank ⁽³⁾		25
TOTAL	2,992	3,692

(1) Including exchange rate impact of (€53m) in Russia, (€8m) in Poland and (€5m) in China

(2) Transfer of the Taiwan property management activity to the Retail business in 2018

(3) Oney Bank non-current assets reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations".

6.2 OTHER INTANGIBLE ASSETS

Accounting principles

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

Intangible assets with an indefinite life (mainly leasehold rights in France and acquired brands) are therefore not amortised and are tested for impairment when events suggest a risk of

impairment and in all cases at least once a year. When their recoverable amount based on criteria applied at the time of acquisition falls below their carrying amount, an impairment loss is recognised (see note 6.6).

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

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

Change in gross carrying amount

(in €m)	Licenses, brands and leaseholds	Internal IT development costs	Total
Gross carrying amount at 1 January 2017	1,286	195	1,481
Acquisitions and internal development	52	45	97
Acquisitions linked to business combinations			
Assets sold or scrapped	(8)	(10)	(18)
Exchange differences	(59)		(59)
Other movements and transfers	18	2	20
Non-current assets held for sale and discontinued operations			
GROSS CARRYING AMOUNT AT 31 DECEMBER 2017	1,289	232	1,522
Acquisitions and internal development	39	84	123
Acquisitions linked to business combinations			
Assets sold or scrapped	(13)		(14)
Exchange differences	(11)		(11)
Other movements and transfers	6		6
Non-current assets held for sale and discontinued operations ⁽¹⁾	(57)		(57)
GROSS CARRYING AMOUNT AT 31 DECEMBER 2018	1,253	316	1,570

(1) Oney Bank non-current assets reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations".

Change in amortisation and impairment

(in €m)	Licenses, brands and leaseholds	Internal IT development costs	Total
Depreciation and impairment at 1 January 2017	270	133	403
Amortisation for the year	47	36	83
Amortisation related to business combinations			
Impairment net of reversals	1		1
Assets sold or scrapped	(7)	(9)	(16)
Exchange differences	(1)		(1)
Other movements and transfers			
Non-current assets held for sale and discontinued operations			
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2017	310	160	470
Amortisation for the year	52	48	100
Amortisation related to business combinations			
Impairment losses, net of reversals ⁽¹⁾	6	8	14
Assets sold or scrapped	(13)		(13)
Exchange differences	(2)		(2)
Other movements and transfers			
Non-current assets held for sale and discontinued operations ⁽²⁾	(35)		(35)
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2018	318	216	534

(1) Impairment losses are recorded under "Other operating profit and expenses" in the amount of €14m in 2018.

(2) Oney Bank non-current assets reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations".

Net carrying amount

(in €m)	Licences	Internal IT development costs	Total
As at 1 January 2017	1,016	62	1,078
As at 31 December 2017	978	73	1,051
AT 31 DECEMBER 2018	936	100	1,036

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

6.3 PROPERTY, PLANT AND EQUIPMENT

Accounting principles

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

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

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

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

Depreciation is calculated based on the following useful lives:

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

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

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

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

Change in gross carrying amount

(in €m)	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction ⁽¹⁾	Total
Gross carrying amount at 1 January 2017	16,640	5,728	742	23,110
Acquisitions linked to business combinations		2	8	10
Other acquisitions	504	371	415	1,290
Assets sold or scrapped	(240)	(171)	6	(405)
Exchange differences	(286)	(172)	(34)	(491)
Transfers to investment property ⁽²⁾	(15)	4	(43)	(54)
Other movements and transfers	138	119	(243)	13
Non-current assets held for sale and discontinued operations				
GROSS CARRYING AMOUNT AT 31 DECEMBER 2017	16,741	5,881	851	23,473

(in €m)	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction ⁽¹⁾	Total
Acquisitions linked to business combinations		1		1
Other acquisitions	420	472	255	1,147
Assets sold or scrapped	(183)	(208)	(4)	(395)
Exchange differences	(228)	(95)	(17)	(340)
Transfers to investment property ⁽²⁾	(45)	(12)	11	(46)
Other movements and transfers	197	152	(363)	(13)
Non-current assets held for sale and discontinued operations ⁽³⁾	(47)	(26)		(73)
GROSS CARRYING AMOUNT AT 31 DECEMBER 2018	16,856	6,164	734	23,754

(1) Property, plant and equipment under construction concerned the Retail activity for €680m at 31 December 2017 and €821m at 31 December 2017.

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

(3) Oney Bank non-current assets reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations"

Change in amortisation and impairment

(in €m)	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction	Total
Depreciation and impairment at 1 January 2017	7,730	3,254	21	11,006
Amortisation for the year	705	536		1,241
Reversals through business combinations		1		1
Impairment ⁽¹⁾	68	1	8	77
Reversals of impairment provisions	(9)		(1)	(10)
Assets sold or scrapped	(222)	(159)		(381)
Exchange differences	(54)	(65)	(3)	(122)
Transfers to investment property	(8)			(8)
Other movements and transfers	34			34
Non-current assets held for sale and discontinued operations				
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2017	8,244	3,568	25	11,837
Amortisation for the year	579	642		1,221
Reversals through business combinations		1		1
Impairment ⁽¹⁾	325	39	11	375
Reversals of impairment provisions	(10)		(1)	(10)
Assets sold or scrapped	(161)	(195)	(8)	(364)
Exchange differences	(101)	(53)		(154)
Transfers to investment property	(45)	(7)		(52)
Other movements and transfers	11	(16)		(5)
Non-current assets held for sale and discontinued operations ⁽²⁾	(15)	(22)		(37)
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2018	8,828	3,957	28	12,813

(1) Including €52m in 2017 and €379m in 2018 related to expenses recorded under "Other operating profit and expenses" and €41m in 2017 and €3.4m in 2017 recorded under "Depreciation, amortisation and impairment" (see notes 3.4 and 6.6).

(2) Oney Bank non-current assets reclassified in the balance sheet under "Non-current assets held for sale and discontinued operations".

Net carrying amount

<i>(in €m)</i>	Land, buildings and facilities	Materials and other property, plant and equipment	Property, plant and equipment under construction ⁽¹⁾	Total
As at 1 January 2017	8,910	2,474	721	12,105
As at 31 December 2017	8,497	2,313	826	11,636
AT 31 DECEMBER 2018	8,028	2,207	706	10,941

(1) At 31 December 2018, net property, plant and equipment under construction mainly concerned the Retail activity for €665m.

6.4 INVESTMENT PROPERTY

Accounting principles

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

In its consolidated financial statements, Shopping malls, retail parks and undeveloped land are classified as investment property. It measures investment property at cost less accumulated depreciation and any impairment loss, in the same way as property, plant and equipment.

In accordance with IAS 40, a property valuation process has been put in place to estimate the fair value of investment property. The fair value measurements correspond to a level 3 hierarchy as defined in note 10.4.7. Two independent real estate experts intervene, dividing the work on the valuation of investment property in the whole group. For all assets, the fair value is determined by reference to external valuations based on the 10-year cash flow method ("DCF method") for shopping malls and retail parks and on the sales comparison approach or developer's balance sheet method according to ongoing development projects for property reserves.

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

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

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

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

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

Change

<i>(in €m)</i>	Gross amount	Depreciation and impairment	Net carrying amount
As at 1 January 2017	6,711	2,284	4,426
Acquisitions linked to business combinations ⁽¹⁾	254		254
Other acquisitions	337		337
Assets sold or scrapped	(91)	(14)	(77)
Amortisation for the year		215	(215)
Reversals through business combinations		2	(2)
Impairment ⁽²⁾		74	(74)
Reversals of impairment provisions		(20)	20
Exchange differences	(100)	(13)	(88)
Transfer from "Property, plant and equipment"	53	8	45
AT 31 DECEMBER 2017	7,164	2,537	4,627
Acquisitions linked to business combinations ⁽¹⁾	410		410
Other acquisitions	683		683
Assets sold or scrapped	(100)		(100)
Amortisation for the year		204	(204)
Reversals through business combinations			
Impairment ⁽²⁾		106	(106)
Reversals of impairment provisions		(14)	14
Exchange differences	(88)	(37)	(51)
Transfer from "Property, plant and equipment"	46	52	(7)
AT 31 DECEMBER 2018	8,114	2,849	5,265

(1) In 2018, principally transactions relating to Ceetrus Portugal and Ceetrus Luxembourg and in 2017, principally the acquisition of Promenade de Flandre (Ceetrus France)

(2) Impairment losses in 2018 are recorded under "Other operating profit and expenses" for €85m (see note 3.4).

Investment property generated rental income in 2018 of €739 million (€673 million in 2017) and direct operating expenses of €406 million (of which €49 million generated no rental income). In 2017, these direct operating costs represented €340 million of which €54 million generated no rental income.

At 31 December 2018, the fair value (net of transaction costs) of investment property was estimated at €10,279 million for a net carrying amount of €5,265 million (respectively €9,264 million and €4,627 million in 2017).

6.5 LEASES

Accounting Principles

In the consolidated financial statements, Auchan Holding records leases in accordance with IAS 17 "Leases", which makes a distinction between finance leases and operating leases, and with IFRIC 4 "Determining whether an Arrangement contains a Lease", which describes the circumstances under which contracts that do not have the legal form of a lease must nonetheless be recognised as such, in accordance with IAS 17.

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

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

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

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

6.5.1 Finance leases

Finance leases as lessee

Minimum future lease payments under finance lease agreements

(in €m)	2018			2017		
	Total	Interest	Principal	Total	Interest	Principal
Less than 1 year	23	11	11	22	8	14
1 to 5 years	71	36	35	64	29	34
More than 5 years	153	60	93	167	62	106
TOTAL	247	107	139	253	99	154

Conditional rents based on actual sales came to €2 million in 2018 compared with €2 million in 2017.

At 31 December 2018, total future minimum lease payments expected on non-cancellable sub-lease agreements came to €0 million.

Net value of finance lease fixed assets by country

(in €m)	Land, buildings and facilities	Materials and other property, plant and equipment	Investment property	Total
As at 31 December 2017	1,036	24	847	1,907
France	1	18	6	25
Italy		1	19	20
Spain	14	5		19
Poland	35		40	75
Russia	99		17	116
China	881		765	1,646
Other	6			6
AT 31 DECEMBER 2018	1,008	23	807	1,838
France		18	6	23
Italy		1		1
Spain	14	4		18
Poland	34		37	71
Russia	81		15	95
China	868		740	1,607
Taiwan	8		9	18
Other	4	1	1	5

Net value of finance lease fixed assets by business line

(in €m)	2018	2017
Retail ⁽¹⁾	1,574	1,495
Property Management	264	411
Other		1
TOTAL	1,838	1,907

6.5.2 Operating leases

Operating leases as lessee

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

<i>(in €m)</i>	2018	2017
Less than 1 year	682	632
1 to 5 years	2,200	2,014
More than 5 years	2,128	2,225
TOTAL	5,010	4,870

At 31 December 2018, total future minimum lease payments expected on non-cancellable sub-lease agreements came to €89 million.

Discounted based on the incremental borrowing rate of each country, with future minimum payments expected on non-cancellable agreements (€5.01 billion) amounting to €3.41 billion.

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

<i>(in €m)</i>	2018	2017
Minimum payments	845	893
Conditional rents (based on actual sales)	9	14
Sub-leasing revenue	(21)	(22)
TOTAL	833	885

Operating leases as lessor

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

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

<i>(in €m)</i>	2018	2017
Less than 1 year	461	586
1 to 5 years	1,189	1,231
More than 5 years	673	735
TOTAL	2,323	2,553

Conditional rent included in the income statement for the year came to €43 million (€22 million in 2017).

Assets received as guarantees

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

The total amount received in guarantee deposits at 31 December 2018 came to €109 million compared with €156 million at 31 December 2017.

The conditions of use are generally as follows:

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

6.6 IMPAIRMENT OF NON-CURRENT ASSETS

Accounting principles

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

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

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

Cash flows after tax are estimated based on 3-year forecasts updated for the past year. Cash flows beyond this period are extrapolated for 6 years over a period corresponding to the asset's estimated useful life. To test the impairment of assets in a given country (including goodwill), cash flows are estimated over a period of 9 years, taking into account a terminal value calculated by discounting year-9 data to infinity. The to-infinity growth rate is determined based on International Monetary Fund data.

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

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

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

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

(in €m)	Goodwill	Other intangible assets	Property, plant and equipment	Investment property	2018	2017
Impairment:						
• expenses ⁽¹⁾	673	14	375	106	1,168	258
• reversal			(10)	(14)	(24)	(20)
• net	673	14	365	92	1,144	237
Reversal of impairment on sold assets	-	-	(8)	-	(8)	(10)
TOTAL	673	14	356	92	1,136	227

(1) Of which €1,147m classified under "Other operating profit and expenses" in 2018 compared with €210m in 2017 (see note 3.4) and €21m in impairment on fixed assets classified under "Depreciation, amortisation and impairment" in 2017 compared with €48m in 2017.

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

The 2018 impairment tests led in particular to the recognition of impairment of €1,054 million on the assets of Auchan Retail and €93 million on the assets of Ceetrus. Their results take into

account the worse development outlook (particularly in Italy, France, Russia, China and Poland) and also the costs of site closures planned for 2019.

Impairment (€1,147 million in total, of which €673 million relating to goodwill) was reported on the line "Other operating profit and expenses" in order to make the income statement clearer to read (see note 3.4).

In 2018, Auchan Holding used different discount rates for each of its three main activities: Retail/Property Management/ Banking. The discount rates used in 2018 for the Ceetrus business were those used for the appraisals of the entire property portfolio and broken down by category of assets within the countries. For Retail and Banking, the rates used are as follows:

	2018		2017	
	Retail	Banking	Retail	Banking
France	5.20%	7.63%	5.78%	9.19%
Luxembourg	4.94%	7.63%	5.84%	9.19%
Spain	5.99%	9.13%	6.39%	9.99%
Portugal	7.44%	11.25%	7.69%	11.94%
Italy	6.31%	9.63%	6.43%	10.09%
Poland	5.67%	8.60%	6.66%	10.32%
Hungary	6.82%	10.17%	8.15%	12.42%
Romania	6.77%	10.17%	7.35%	11.31%
Ukraine	10.18%	15.13%	13.65%	20.74%
Russia	6.97%	10.50%	8.07%	12.44%
CHINA	5.51%	8.44%	7.15%	11.13%
Taiwan	5.47%	8.32%	6.35%	9.83%
Tunisia	8.40%	12.63%	8.56%	-
Vietnam	7.75%	11.63%	7.28%	-
Senegal	7.78%	11.77%	8.31%	-

The sensitivity analyses conducted on the main assets tested, related to the discount rates (+50bp) and the long-term growth rate (-50bp) showed an additional impairment risk of €233m and €166m, respectively.

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

Collateral

No property, plant and equipment had been used to secure debt.

Commitments

	2018	2017
Land and property purchase options ⁽¹⁾	152	155
<i>of which on investment property</i>	142	108
Conditional purchase of future non-current assets ⁽²⁾	405	675
<i>of which on investment property</i>		

(1) Option commitments on land decreased significantly in France by €36m, option commitments on buildings increased significantly in France by €34m (principally Ceetrus activity).

(2) Conditional commitments to purchase future non-current assets decreased by €270m: reduction mainly in China (Retail activity for €164m and Property activity for €17m), and in Russia (Retail activity for €84m).

NOTE 7 INVESTMENTS IN ASSOCIATES

7.1 BREAKDOWN OF INVESTMENTS IN ASSOCIATES (IN €M)

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

Division/business line	Company	"Country"	% of capital		Equity value*	
			2018	2017	2018	2017
Auchan Retail	Mainly Including:				22	25
	Arma INV	Poland	25%	25%	5	5
	Xiao Hehe	China	34%	40%	2	2
	Shanghai He Xiao Ma	China	49%		3	
	SMG ⁽¹⁾	Tunisia	10%	10%	8	9
Ceetrus	Mainly Including:				200	159
	Immaucom, Sppicav	France	20%	20%	33	33
	Alliages et Territoires	France	50%	50%	10	13
	C.C. Zenia SL	Spain	50%	50%	21	42
	Alegro Alfragide	Portugal	50%	50%	19	20
	Alegro Setubal	Portugal	50%	50%	15	17
	Neutripromo	Portugal	50%		9	
	Lsgji8	Italy	50%		12	
	Galerie Commerciale De Kirchberg SA	Luxembourg	20%	20%	19	21
	Cinisello SRL	Italy	50%	50%	36	(4)
	Patrimonio Real Estate	Italy	50%	50%	8	8
TOTAL INVESTMENTS IN ASSOCIATES					222	184

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

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

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

	2018				2017			
	Total assets	Equity	Revenue	Profit for the period	Total assets	Equity	Revenue	Net income
Holding company and others								
Auchan Retail	323	43	437	(2)	335	43	592	2
Ceetrus	1,347	533	137	(6)	1,162	448	86	(6)
Oney Bank								
TOTAL⁽¹⁾	1,669	576	574	(8)	1,497	490	678	(4)

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

Change

(in €m)	2018	2017
At 1 January	184	195
Results for the period (share of profit or loss and impairment)	(3)	(2)
Dividend and capital repayment ⁽¹⁾	(26)	(29)
Acquisition of equity interests ⁽³⁾	26	-
Acquisitions and increases in capital ⁽²⁾	41	17
Disposals (including decrease in percentage of capital held)		
Exchange differences	1	3
AT 31 DECEMBER	222	184

(1) Ceetrus Division dividend distribution, where €(21)m distributed by Zénia (Ceetrus Spain).

(2) €40m capital increase by GCI (Ceetrus Italy) in Gallerie Cinisello.

(3) Acquisitions of a 40% equity stake in Huis (Ceetrus Holding), 50% in Neutripono for a total of €9m (Ceetrus Portugal), and 50% in LSGI18 (Ceetrus Italy)

NOTE 8 EQUITY AND EARNINGS PER SHARE

8.1 EQUITY

8.1.1 Equity Management

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

8.1.2 Shareholders

At 31 December 2018, the majority of Auchan Holding's capital was owned by Aumarché.

The employees owned nearly 5% of the capital via the Valauchan, Valfrance and Oney Val mutual funds and via the companies included in the employee share ownership plans outside of France (Valauchan Sopaneer International, Val Italia SCA, Valauchanrus Sopaneer SCA, Valespaña SCA, Valpoland SCA, Valhungary International SCA, Valportugal SCA and Valrussie SCA). Only the companies included in the

employee share ownership plans outside of France are fully consolidated.

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

The rules of the Valauchan, Valfrance and Oneyval mutual funds set out the procedures for ensuring the liquidity of funds for unitholders. New rules were introduced in the first half of 2018, increasing the amount of the buyback commitments recognised as liabilities in Auchan Holding's consolidated financial statements from €104 million at 31 December 2017 to €238 million at 31 December 2018.

8.1.3 Number of shares representing the share capital

	2018	2017
At 1 January	30,194,690	30,639,965
Issue of new shares for cash		
Capital reduction	(629,522)	(445,275)
AT 31 DECEMBER	29,565,168	30,194,690

At 31 December 2018, the share capital stood at €591,303,360. It was divided into 29,565,168 fully paid-up shares with a par value of €20 each. The share capital amounted to €603,893,800 at 31 December 2017, split into 30,194,690 shares with a nominal value of €20.

8.1.4 Treasury shares

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

In 2018, Auchan Holding purchased 629,522 treasury shares from FCP Valauchan, Valfrance and Valrussie, which it subsequently cancelled. 1,950 treasury shares were allocated as part of the 2016-2018 AGM fund-raising plan. At 31 December 2018, the total number of treasury shares owned by Auchan Holding SA and its subsidiaries stood at 434,272 (compared with 437,404 at the end of 2017). Auchan Holding SA owns 60,616 Auchan Holding SA shares for a transaction cost of €25 million (of which 16,484 shares are allocated to cover share option plans for Auchan Holding's management at an

acquisition cost of €7 million), while 373,656 shares are owned by Valauchan Sopaneer International, Val Italia SCA, Valauchanrus Sopaneer SCA, Valportugal SCA, Valpoland SCA, Valhungary International SCA, Valespaña SCA and Valrussie SCA at an acquisition cost of €128 million, under the employee share ownership plans.

Moreover, Auchan Holding SA has made a commitment to buy back 1,950 treasury shares temporarily owned by the employees for €1 million.

At 31 December 2018, the treasury shares owned by Auchan Holding SA represented 0.2% of its capital.

8.1.5 Legal Reserve

Auchan Holding SA's legal reserve amounted to €61 million at 31 December 2018, compared with €61 million at 31 December 2017.

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

(in €m)	Currency translation reserve	Available-for-sale financial assets revaluation reserve	Cash flow hedge reserve	Net foreign investment hedge reserve	Actuarial differences on defined benefit plans	Total
As at 1 January 2017	(419)	1	(2)	2	(60)	(478)
Change	(196)	1	(8)		15	(188)
AT 31 DECEMBER 2017	(615)	2	(10)	2	(45)	(666)
As at 1 January 2018						
Change	(148)		21		23	(104)
AT 31 DECEMBER 2018	(763)	2	11	2	(22)	(770)

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

(in €m)	2018	2017
Poland	(2)	17
Hungary	(47)	(41)
Mainland China	199	218
Taiwan	22	21
Russia	(632)	(525)
Ukraine	(149)	(152)
Hong Kong	(125)	(125)
Romania	(22)	(22)
Tunisia	(5)	(4)
Vietnam	(2)	(2)
TOTAL	(763)	(615)

8.1.7 Non-controlling interests

Non-controlling interests of €3,509 million mainly comprise interests in the capital of subsidiaries in Mainland China and Taiwan (Retail and Property Management activities) in the amount of €3,275 million (up by €74 million), in Valauchan Sopaneer International, Valauchanrus Sopaneer SCA, Val Italia SCA, Val Portugal SCA, Valpoland SCA, Valhungary International SCA, Valespaña SCA and Valrussie SCA in the amount of €182 million.

8.1.8 Dividends

On 7 March 2019, the Management Board proposed not paying any dividends at the Ordinary General Meeting convened to approve the financial statements for the financial year ended 31 December 2018. A total dividend of €196 million, corresponding to €6.50 per share, was paid on 20 June 2018 in respect of the 2017 financial year, €0.4 million of which related to treasury shares.

The appropriation of net profit for 2018 has not been recognised in the financial statements for the year ended 31 December 2018.

8.1.9 Repurchase commitments

Auchan Holding records a liability for its securities repurchase commitments with respect to Valauchan, ValFrance and OneyVal. As of December 31, 2018, the repurchase commitment stood at €238 million.

8.2 EARNINGS PER SHARE

Accounting Principles

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

Basic earnings per share are calculated by dividing net profit attributable to owners of the parent for the year by the weighted average number of shares outstanding during the year, less treasury shares. The average number of shares outstanding during the year is the number of shares outstanding at the beginning of the year adjusted by the number of shares issued during the year.

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

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

8.2.1 Calculation of the weighted average number of shares

	2018	2017
Number of outstanding shares at 1 January	30,194,690	30,639,965
Number of treasury shares at 1 January	(437,404)	(770,452)
Weighted average number of treasury shares acquired	(203,789)	(82,368)
Weighted average number of treasury shares sold or cancelled	204,981	295,514
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES (EXCLUDING TREASURY SHARES) USED FOR THE CALCULATION OF BASIC EARNINGS PER SHARE	29,758,478	30,082,659
Potentially dilutive shares to be created (share purchase or subscription options, allocation of bonus shares)	14,684	11,054
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES (EXCLUDING TREASURY SHARES) USED FOR THE CALCULATION OF DILUTED EARNINGS PER SHARE	29,773,162	30,093,713

8.2.2 Calculation of earnings per share

Basic earnings per share	2018	2017
Weighted average number of outstanding shares:	29,758,478	30,082,659
Net profit attributable to owners of the parent (in €m)	(1,145)	275
Per share (in €)	(38.48)	9.14
Net profit from operations closed or held for sale attributable to owners of the parent (in €m) ⁽¹⁾	48	82
Per share (in €)	1.61	2.73
Net profit from continuing operations attributable to owners of the parent (in €m)	(1,193)	193
Per share (in €)	(40.09)	6.42

Diluted earnings per share	2018	2017
Weighted average number of diluted outstanding shares:	29,773,162	30,093,713
Net profit attributable to owners of the parent (in €m)	(1,145)	275
Per share (in €)	(38.46)	9.14
Net profit from operations closed or held for sale attributable to owners of the parent (in €m) ⁽¹⁾	48	82
Per share (in €)	1.61	2.72
Net profit from continuing operations attributable to owners of the parent (in €m)	(1,193)	193
Per share (in €)	(40.07)	6.41

(1): Net profit of operations held for sale attributable to owners of the parent is made up of the net profit of Oney Bank operations in 2018 and the net profit of the sale of Alinéa as well as the net profit of Oney Bank in 2017.

NOTE 9 PROVISIONS AND CONTINGENT LIABILITIES

9.1 PROVISIONS

Accounting principles

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

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

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

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

Non-current provisions

(in €m)	Tax disputes		Other disputes	Employee benefits	Miscellaneous	Total
	Excluding income tax	Income tax				
As at 31 December 2017	5	39		179	59	282
Provision expenses ⁽¹⁾		2	8	33		43
Reversals of used provisions		(1)		(11)	(9)	(21)
Reversals of unused provisions		(2)				(3)
Actuarial gains and losses recognised under other comprehensive income ⁽²⁾				(33)		(33)
Reclassification and other movements ⁽³⁾	(0)	2		(2)	(3)	(3)
AT 31 DECEMBER 2018	5	39	8	166	47	265

(1) Non-current provision expenses mainly relate to Auchan Retail France employee benefits of €25m.

(2) These losses of €30m relate to actuarial losses on employee benefits (of which €28.7m for Auchan Retail France).

(3) Concerns the reclassification of Oney Bank as "Non-current assets held for sale and discontinued operations".

Current provisions

(in €m)	Tax disputes	Other disputes	Provisions for	Employee benefits	Miscellaneous	Total
			guarantees			
As at 31 December 2017		106	10	8	123	247
Provision expenses ⁽¹⁾	9	35	11		124	180
Reversals of used provisions ⁽²⁾		(23)	(10)		(41)	(73)
Reversals of unused provisions ⁽³⁾		(16)			(5)	(20)
Actuarial gains and losses recognised under other comprehensive income						
Reclassification and other movements ⁽⁴⁾		(1)		(1)	(48)	(50)
AT 31 DECEMBER 2018	9	102	12	7	154	284

(1) Other disputes: concern supplier and other third-party disputes amounting to €28m and disputes with employees amounting to €7m.

The €124m under miscellaneous expenses mainly corresponds to restructuring provisions for the Retail Division, which include €80m (of which €48m in Russia and €21m in France).

(2) Other disputes: corresponds to €18m for disputes with suppliers and miscellaneous third parties and in the amount of €4m for employee disputes. Miscellaneous: corresponds mainly to reversal of reorganisation provisions for €27m.

(3) Other disputes: partly corresponds to the risks and disputes settled in 2018 in excess of the recognised provision. Reversals of unused provisions include disputes with suppliers and other third parties for €12m and disputes with employees for €3m.

(4) Miscellaneous: Mainly concerns the reclassification of Oney Bank as "Non-current assets held for sale and discontinued operations".

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

9.2 CONTINGENT LIABILITIES

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

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

NOTE 10 FINANCING AND FINANCIAL INSTRUMENTS EXCLUDING CREDIT ACTIVITY

10.1 NET FINANCIAL DEBT (EXCLUDING CREDIT ACTIVITY)

Accounting principles

Net financial indebtedness consists of current and non-current borrowings and other financial liabilities, the fair value of derivatives that qualify as hedging instruments for an item of net financial debt, plus related accrued interest and minus net cash and cash equivalents and positive margin calls on derivatives that qualify as hedging instruments for an item of net financial debt. Negative margin calls (which correspond to the margins received from counterparties) are included in current borrowings and other financial liabilities.

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

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

10.1.1 Net financial debt

(in €m)	2018	2017
Borrowings and other financial liabilities ⁽¹⁾	7,360	5,214
• non-current	4,198	3,728
• current	3,162	1,487
Cash and cash equivalents	(3,420)	(2,619)
Derivative assets and liabilities qualifying as hedging instruments for an item of net financial debt	(126)	(131)
Margin call assets on derivatives qualifying as hedging instruments ⁽¹⁾		
Net financial debt	3,815	2,464
Derivative assets and liabilities not qualifying as hedging instruments for an item of net financial debt ⁽²⁾	(84)	23
Margin call assets on derivatives not qualifying as hedging instruments ⁽¹⁾		
Other short-term investment assets ⁽³⁾	(2)	(17)
NET FINANCIAL DEBT	3,729	2,470

(1) A number of margin call agreements have been implemented to reduce counterparty risk. Amounts relating to margin calls received (liabilities) or paid (assets) are included under net financial debt. At 31 December 2018, these represented a liability of €44m booked under "Borrowings and other financial liabilities".

(2) Including derivative instruments linked to the credit activity (including derivative instruments covering financing issued by Auchan Holding) €(25)m in 2018 and €(21)m in 2017.

(3) Including short-term cash investment instruments not meeting the definition of "Cash and cash equivalents" owned by the Chinese entities for €2m at 31 December 2018.

10.1.2 Changes in net financial debt (excluding financing of the credit activity)

(in €m)	31 December 2017	Increase (decrease) in cash and cash equivalents	Effects of exchange rate variations	Changes in consolidation scope	Reclassifications and other	31 December 2018
Borrowings and other financial liabilities	5,214	2,209	(61)	(19)	17	7,360
• non-current	3,728	1,041	(22)	(2)	(547)	4,198
• current	1,487	1,167	(40)	(16)	565	3,162
Cash and cash equivalents	2,619	825	(39)	14		3,420
Derivative assets and liabilities qualifying as hedging instruments for an item of net financial debt	(131)	(3)			9	(126)
Margin call assets on derivatives qualifying as hedging instruments						
Net financial debt	2,464	1,380	(23)	(33)	26	3,815
Derivative assets and liabilities not qualifying as hedging instruments for an item of net financial debt	23	(100)		2	(9)	(84)
Margin call assets on derivatives not qualifying as hedging instruments						
Other short-term investment assets	(17)	15				(2)
NET FINANCIAL DEBT	2,470	1,295	(22)	(31)	17	3,729

10.2 NET COST OF FINANCIAL DEBT

The net cost of financial debt includes:

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

(in €m)	2018	2017
Income from cash and cash equivalents	65	59
Gross cost of financial debt:	(102)	(98)
• interest expenses	(154)	(152)
• hedging results	52	54
NET COST OF FINANCIAL DEBT	(37)	(39)

The net cost of financial debt amounted to €37 million (versus €39 million in 2017). The variation is relatively stable in comparison to December 2017.

10.3 OTHER FINANCIAL REVENUE AND EXPENSES

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

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

(in €m)	2018	2017
Disposal of other non-current financial assets	2	(2)
Gains and losses on financial transactions not eligible for hedge accounting ⁽¹⁾	(42)	(42)
Provisions and impairment, net of reversals:	(3)	41
• reversal of provisions for impairment of other financial assets		31
• provision for impairment of other financial assets	(4)	(2)
• other provisions, net of reversals	1	13
Cost of discounting retirement obligations net of the expected yield on plan assets	(3)	(4)
Income from equity interests	4	5
Other ⁽²⁾	1	7
OTHER FINANCIAL REVENUE AND EXPENSES	(42)	5

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

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

10.4 FINANCIAL RISK MANAGEMENT AND DERIVATIVES

Accounting principles

The Group has decided to adopt the new IFRS 9 hedge accounting model, under which its hedging relationships must be consistent with its objectives and risk management strategy, and requires a more qualitative assessment of its hedges.

Derivatives are measured and recognised at fair value on the balance sheet and their changes are always recorded in profit or loss, except for future cash flow hedging relationships and net investments.

Hedging accounting applies only if three criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedging relationship meets all the following hedge effectiveness requirements:
 - there is an economic relationship between the hedged item and the hedging instrument,
 - the effect of credit risk does not dominate the value changes that result from that economic relationship, and
 - the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge.

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

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

There are 3 hedge accounting models according to IAS 9: fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation:

- For derivatives documented as hedges of assets or liabilities recognised in the statement of financial position (fair value hedges), hedge accounting makes it possible to recognise changes in the fair value of the derivatives through the income statement. These two values offset each other on the same line in the income statement and cancel each other out if the hedge is completely effective.
- For derivative instruments documented as hedges of highly probable future cash flows, changes in the value of the derivative are recognised in "Other comprehensive income" (Cash flow hedge reserve) for the effective portion of the hedge. These reserves are recycled in profit or loss when the hedged transaction impacts income or are included in the non-financial asset or liability when this asset or liability is recognised in the balance sheet. Changes in the value of the estimated ineffective portion are recognised in the income statement.
- For derivatives documented as hedges of net investments in foreign operations, the change in the value of the hedging instrument is recognised under other comprehensive income, the purpose of these hedges being to neutralise the change in value in euro of part of the net assets of foreign subsidiaries.

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

The Group has prospectively classified floating rate receiver, fixed rate payer swaps as cash flow hedges, covering aggregated exposures of fixed rate debt and fixed rate receiver, floating rate payer swaps. The effective portion of the change in value of these newly eligible hedging instruments is recognised in the cash flow hedge reserve as from 1 January 2018.

The Group has opted to retrospectively classify as a hedging cost the foreign currency basis spread of cross-currency swaps classified as fair value hedges. The impact of IFRS 9 restatement on opening equity of the Group amounts to €(2) million and represents the fair value of the Basis Spread of instruments qualified retrospectively as hedges at 1 January 2018.

The change in fair value of the basis spread cannot be considered a hedging component. It is recognised in the hedge reserve and amortised through profit or loss over the hedging period.

Derivative instruments with an initial maturity of more than one year are recorded in the statement of financial position as non-current assets or liabilities. Other derivative instruments are recorded as current assets or liabilities.

The accounting date for derivative instruments is the transaction date.

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

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

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

10.4.1 Income and expenses on financial instruments

Recognised in other comprehensive income (after deferred taxes)

<i>(in €m)</i>		2018	2017
IFRS 9 categories	IAS 39 category		
Cash flow hedge – effective portion of the change in fair value	Effective portion of changes in fair value of cash flow hedging instruments	15	(6)
Cash flow hedge – reclassified in profit or loss	Fair value of cash flow hedging instruments transferred to profit or loss	6	(2)
Foreign activities – exchange difference	Exchange differences on translating foreign operations	(178)	(348)
<i>(in €m)</i>		2018	2017
Change in fair value reserve		-	-
Change in hedge reserve		21	(8)
Change in currency translation reserve		(178)	(348)

10.4.2 Credit risk (excluding credit activity)

Credit risk represents the Group's risk of financial loss in the event that a customer or a counterparty to a financial instrument fails to meet their contractual obligations.

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

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

ISDA contracts have been signed with most of the bank counterparties to ensure that financial instrument operating rules are in place. In particular, these contracts set out the procedures for terminating transactions and for netting in the event of a change in the initial contractual balance, including default by the counterparty.

The fair value assessment of derivatives carried by Auchan Holding and the consolidated companies includes a "counterparty risk" component (CVA) for derivative assets and an "own credit risk" component (DVA) for derivative liabilities. The credit risk is calculated using mathematical models generally used on the market which take historical data into account. At 31 December 2018, the adjustments booked in relation to counterparty risk and own credit risk were not material.

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

For the Retail and Ceetrus activities, the Group applies the simplified approach to accounting for expected losses on customers and related accounts. The adjustment for impaired trade receivables at 1 January 2018 and for the 2018 financial year 2018 is immaterial for these activities.

Impairment excluding credit activity

<i>(in €m)</i>	Debt instrument at fair value through other comprehensive income	Financial assets at amortised cost
Balance as at 1 January 2017	6	196
Net impairment	1	(9)
Changes in consolidation scope		(4)
Exchange difference		
AT 31 DECEMBER 2017	7	183
Balance as at 1 January 2018	7	183
Net impairment		51
Changes in consolidation scope	(2)	
Exchange difference		(1)
AT 31 DECEMBER 2018	5	233

10.4.3 Liquidity risk (excluding credit activity)

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

Risk of early call on financial debt

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

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

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

consolidated net financial debt/consolidated EBITDA < 3.5.

Other medium- and long-term bank loans as well as private bond placements contracted by the Ceetrus group may be subject to covenants based on financial ratios. Some contracts include an early repayment clause in the event of non-compliance with these ratios, as of the closing date of Ceetrus SA's consolidated financial statements, the most important of which are presented below: LTV (Loan to Value) ratio: Net Financial Debt/Fair Value of Portfolio > 50%; and ICR (Interest Coverage Ratio) ratio: EBITDA/Cost of Financial Debt > 2.

On 31 December 2018, all of the ratios were complied with.

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

Exposure to liquidity risk

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

<i>(in €m)</i> Amounts at 31 December 2018	Carrying amount	Contractual cash flow			
		Total	< 1 year	1 -5 years	> 5 years
Bonds and private placements	3,303	3,473	432	2,873	168
Bank borrowings	1,411	1,411	273	861	277
Finance lease liabilities	140	140	10	39	91
Other financial liabilities	1,970	1,970	1,154	812	4
Trade payables	8,457	8,457	8,379	78	
Other current liabilities	4,375	4,375	4,333	38	4
Other non-current liabilities	458	458		429	29
Current tax liabilities	119	119	119		
Current bank credit facilities	433	433	433		
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	20 666	20 836	15 133	5 130	573
Interest rate derivatives not eligible for hedge accounting	4	1	1		
Interest rate derivatives used as hedges	19	19	9	10	
Forward foreign exchange contracts used as hedges:	11				
• cash outflow		12	12		
• cash inflow					
Other forward foreign exchange contracts:	1				
• cash outflow		2	2		
• cash inflow					
TOTAL DERIVATIVE FINANCIAL LIABILITIES	36	34	24	10	

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

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

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

10.4.4 Interest rate risk (excluding credit activity)

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

Transactions on the derivative markets are undertaken solely for hedging purposes. However, some macro-hedging.

transactions used to hedge interest rate risk do not qualify for hedge accounting. These instruments are therefore recognised in «Financial assets held for trading».

10.4.4.1 Interest rate hedges

The Group's policy is to ensure that 95% of its exposure to interest rate risk is on variable rate borrowings by contracting either variable rate instruments, or fixed rate instruments that are subject to interest rate swaps which transform the fixed rates. The Group then reprices its debt at variable rates with shorter maturities than the underlying borrowing. The repricing policy is according to the currency in question and the term. For example, in the current year, 80% of the net financial position EUR must be repriced, and only 70% pour Y+1. For currencies (PLN, RON, HUF and RUB), the hedging target in N is of the order of 70%, then 50% in N+1.

The Group determines that there is an economic relationship between the hedging instrument and the hedged instrument in accordance with reference interest rates, the periods for which they are established, determination dates, maturity and notional or nominal amounts.

It uses a hypothetical derivative to determine whether it is expected that the designated derivative in each hedging relationship is effective in offsetting the changes in cash flows from the item being hedged.

The principal sources of ineffectiveness in these hedging relationships are:

- the impact of the counterparty's and of the Group's credit risks on the fair value of the swaps, which is not reflected in

the change in the fair value of cash flows attributable to interest rate changes; and

- differences in the rate repricing dates between swaps and borrowings.

Fair value hedges

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

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

The net fair value (excluding accrued interest not yet due) of these instruments in the statement of financial position was €98 million as at 31 December 2018 compared with €115 million as at 31 December 2017.

Macro-hedging transactions recorded as hedges of future cash flows

These transactions are aimed at protecting earnings against a possible rise in interest rates on the Group's variable rate debt. They consist of euro swaps in which Auchan is a fixed rate borrower and a floating rate lender. These transactions were prospectively designated as cash-flow hedges as of January 1, 2018, to hedge aggregate fixed-rate debt and fixed-rate payer/variable-rate receiver swap exposures, in accordance with IFRS 9. As of December 31, 2017, they were recognised at fair value through profit or loss as they are not eligible for hedge accounting. The fair value of these instruments was €(3,6) million at 31 December 2018 compared with €(2,2) million at 31 December 2017.

Other "macro-hedging" transactions recognised at fair value through profit or loss

These transactions are aimed at protecting earnings against a possible rise in interest rates. They consist of swaps in which Auchan is a fixed rate borrower and a floating rate lender, or of caps or swaptions. These transactions are carried out in euro, Hungarian forint, Polish zloty, Russian rouble and Romanian leu. The fair value of these instruments was €2.8 million as at 31 December 2018 compared with €(1.5) million as at 31 December 2017.

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

(in €m)	2018	2017
Fixed rate financial assets	50	50
Fixed rate financial liabilities	5,020	3,287
Floating rate financial assets	3,581	2,846
Floating rate financial liabilities	2,340	1,925

(1) excluding operating debt and receivables.

10.4.4.3 Sensitivity analysis

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

Impact on the income statement and equity

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

- a €30 million decrease in the cost of financial debt until maturity based on the financial situation at 31 December 2018, of which €2 million relates to 2019. As in 2017, it would also give rise to stable equity. It represented a decrease of €41 million as at 31 December 2017, of which €4 million related to 2018.

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

- a €31 million increase in the cost of financial debt until maturity based on the financial situation at 31 December 2018, of which €1 million relates to 2019. As in 2017, it would also give rise to stable equity. It represented an increase of €41 million as at 31 December 2017, of which €4 million related to 2018.

Short-term financial assets and liabilities are not included in the scope of this analysis.

10.4.5 Foreign exchange risk (excluding credit activity)

Auchan Holding is exposed to foreign exchange risk on:

- purchases of goods (transactional foreign exchange);
- internal and external financing denominated in a currency other than the euro (balance sheet risk);
- the value of subsidiaries' net assets in foreign currencies (net investment hedges).

At 31 December 2018, the main currencies concerned were the US dollar, Polish zloty, Hungarian forint, Russian rouble, Chinese yuan, Taiwanese dollar and Romanian leu.

The Group's risk management policy is at all times to hedge all of its estimated exposure to foreign exchange rate risk in respect of forecast sales and purchases for at most the next 18 months. The Group uses over-the-counter forward contracts to hedge its foreign exchange risk together with option strategies, in particular to provide volume flexibility. At the accounts closing date, the majority of future contracts have maturities of more than one year. These contracts are generally designated as cash flow hedges. The Group's policy prohibits outright

option sales, barrier option strategies and asymmetric option strategies.

The Group designates the spot price for a forward foreign exchange contract to hedge its exchange rate risk and applies a 1:1 hedging ratio.

The swap elements of forward foreign exchange contracts are not designated as hedging instruments and are recognised separately as "hedging costs" in the equity hedging expenses reserve. The Group's policy is align the basic terms and conditions of forward foreign exchange contracts with those of the hedged item.

The Group determines that there is an economic relationship between the hedging instrument and the hedged instrument according to the currency, the amount and the schedule of their respective cash flows.

The principal sources of ineffectiveness in these hedging relationships are:

- the impact of the counterparty's and of the Group's credit risks on the fair value of the swaps, which is not reflected in the change in the fair value of cash flows attributable to interest rate changes; and
- amendments to the schedule of hedged transactions.

10.4.5.1 Foreign exchange hedges

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

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

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

Fair value hedges

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

Cash flow hedges

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

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

At 31 December 2018 (in €m)	Carrying amount	Contractual cash flows			
		Total	< 1 year	1-5 years	> 5 years
Foreign exchange swaps					
• cash inflow		155	155		
• cash outflow		(155)	(155)		
Forward foreign exchange swaps	33				
• cash inflow		614	610	4	
• cash outflow		(580)	(577)	(4)	

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

The table below shows Auchan Holding's exposure at 31 December 2018:

At 31 December 2018 (in €m)	USD
Trade payables	25
Estimated future purchases ⁽¹⁾	667
GROSS EXPOSURE	692
Foreign exchange swaps	(569)
Foreign exchange options ⁽²⁾	(183)
NET EXPOSURE	(61)

(1) Budgeted purchases for 2019

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

Balance sheet risk

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

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

At 31 December 2018 (in €m)	USD	RMB	PLN	HUF	RUB	RON
Intragroup financing	104		483	192	412	306
Gross exposure	104	-	483	192	412	306
Foreign exchange swaps	(104)		(483)	(192)	(412)	(306)
NET EXPOSURE	-	-	-	-	-	-
At 31 December 2017 (in €m)	USD	RMB	PLN	HUF	RUB	RON
Intragroup financing	42		490	166	274	217
Gross exposure	42	-	490	166	274	217
Foreign exchange swaps	(42)		(490)	(166)	(274)	(217)
NET EXPOSURE	-	-	-	-	-	-

Net investment hedge

No hedges were implemented in 2018 or 2017.

10.4.5.2 Sensitivity analysis (excluding currency translation reserves)

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

A rise of 10% in the euro exchange rate against other currencies, based on the financial situation at 31 December 2018, would result in a fall in income and equity in the amounts indicated below. The impact on equity corresponds to cash flow hedges on estimated forecast purchases.

Impact (in €m)	Equity	Gains or losses
USD	(49)	(4)

A fall of 10% in the euro exchange rate against other currencies, based on the financial situation at 31 December

2018, would result in a rise in income and equity in the amounts indicated below. The impact on equity corresponds to cash flow hedges on estimated forecast purchases.

Impact (in €m)	Equity	Gains or losses
USD	59	17

10.4.6. Other risks (excluding credit activity)

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

Effects of hedge accounting on financial position and performance

Operations treated as net investment hedges did not lead to a revaluation in 2018. They are therefore not included in the following assessments.

Hedging instruments

The amounts for items designated as hedging instruments and for hedge ineffectiveness are as follows:

At 31 December 2018 (in €m)	Type of hedging instrument	Notional amount of hedging instruments	Carrying amount of the hedging instrument		Item in the statement of financial position in which the hedging instrument is included	Change in fair value of the financial instrument used	CFH Reserves
			Assets	Liabilities			
FAIR VALUE HEDGE							
Interest rate risk							
Bonds (in €)	Rate swaps	2,750	126			(20)	
Bonds in CHF	Cross Currency Swap	106	15			4	(2)
Bonds in USD	Cross Currency Swap	218		6	Derivatives	(1)	
CASH FLOW HEDGE							
Interest rate risk							
Variable rates of bank borrowings	Rate swaps	438		6	Derivatives	-	(6)
	Caps	284			Derivatives		
Macro-hedge	Rate swaps	2,200	-	4	Derivatives	1	(3)
Foreign exchange risk							
Currency hedges of future sales	Forward currency contracts	639	50	11	NA	4	41

Hedged items

At the accounts closing date, the amounts for items designated as hedging instruments and for hedge ineffectiveness are as follows:

At 31 December 2018 (in €m)	Carrying amount of the item hedged		Total FVH adjustments included in the carrying amount of the item hedged		Item in the statement of financial position in which the hedged item is included	Change in fair value of the financial instrument used	CFH Reserves
	Assets	Liabilities	Assets	Liabilities			
FAIR VALUE HEDGE							
Interest rate risk							
Fixed rate bonds denominated in €		2,283		99		19	
Fixed rate bonds denominated in CHF		113		6	Borrowings and other financial liabilities	(3)	-
Fixed rate bonds denominated in USD		212	6			1	
CASH FLOW HEDGE							
Interest rate risk							
Variable rates of bank borrowings		783	NA	NA	Borrowings and other financial liabilities		NA
Foreign exchange risk							
Currency hedges of future sales	NA	NA	NA	NA	NA		NA

Effectiveness and hedging result

The table below reconciles, according to risk category, equity items and the assessment of other comprehensive income from hedge accounting

At 31 December 2018 (in €m)	Ineffectiveness recognised in P&L	Heading that includes ineffectiveness of hedging
FAIR VALUE HEDGE		
Interest rate risk		Net cost of financial debt

At 31 December 2018 (in €m)	Change in fair value of hedging instruments in OCI	Ineffectiveness recognised in P&L	Heading that includes ineffectiveness of hedging	Amount transferred from CFH reserve to PL	Heading of PL affected by the reclassification
CASH FLOW HEDGE					
Interest rate risk	(9)	1	Net cost of financial debt		NA
Foreign exchange risk	41	4	Other recurring operating expenses	12	Cost of sales

10.4.7 Market values of financial instruments

Financial assets and liabilities are recognised and measured in accordance with IAS 39 before 1 January 2018, IAS 32, IFRS 7, IFRS 9 after 1 January 2018.

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

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

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

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

(en M€)	IAS 39 category	2018 (*)				2017 (**)			
		Market			Carrying amount	Market			Carrying amount
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Assets measured at fair value through profit or loss	Assets held for trading, of which:		3 476		3 476		2 708		2 708
	• other financial assets measured at fair value		56		56		89		89
	• cash and cash equivalents		3 420		3 420		2 619		2 619
Debt instruments measured at fair value through other comprehensive income	Available-for-sale financial assets, of which:		163		163		163		178
	• equity investments		163		163		163		178
Financial assets measured at amortised cost	Loans and receivables, of which:		3 290		3 290		6 025		6 025
	• other non-current financial assets (excluding equity investments)		213		213		248		248
	• customer loans		136		136		2 912		2 912
	• trade receivables		498		498		526		526
	• other current financial assets		2 444		2 444		2 339		2 339
Liabilities measured at amortised cost	Liabilities measured at amortised cost, of which:	3 850	17730		21 451	4 443	16 510		20 998
	• bonds and private placements	3 131	294		3 303	3 754			3 702
	• bank loans and borrowings, and other financial liabilities including bank overdrafts		3 857		3 857		1 222		1 357
	• finance lease liabilities		147		140		185		155
	• other non-current liabilities		458		458		341		341
	• debts financing the credit activity	719	142	-	861	689	1 636		2 316
	• trade payables		8 457		8 457		8 799		8 799
	• other current liabilities		4 375		4 375		4 327		4 327
Derivative instruments (assets and liabilities) measured at fair value through profit or loss (***)	Dérivative instruments, of which:		210		210		108		108
	• Derivative financial instruments (assets)		249		249		181		181
	• Derivative financial instruments (liabilities)		39		39		73		73

(*) Carrying amount pursuant to IFRS 9

(*) Carrying amount pursuant to IAS 39

(***) Before applying hedge accounting

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

Auchan Holding calculated the fair value of finance lease debts and bank loans by discounting contractual flows using market interest rates, which are observable data. Derivatives are valued using commonly accepted valuation techniques based on observable interest rate and currency market data.

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

Auchan Holding calculated the fair value of finance lease debts and bank loans by discounting contractual flows using market interest rates, which are observable data. Derivatives are valued using commonly accepted valuation techniques based on observable interest rate and currency market data.

Derivative positions not subject to offsetting

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

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

(in €m)	2018			2017		
	Financial instruments in the financial statements	Related financial instruments that are not offset	Net amount	Financial instruments in the financial statements	Related financial instruments that are not offset	Net amount
Financial assets						
Derivative instruments	52	(1)	51	125	(35)	90
TOTAL	52	(1)	51	125	(35)	90
Financial liabilities						
Derivative instruments	1	(1)	-	(39)	5	(34)
TOTAL	1	(1)	-	(39)	5	(34)

10.5 FINANCIAL ASSETS

Accounting principles

Financial assets-Applicable method as of 1 January 2018

A financial asset is measured at amortised cost if the following 2 conditions are met and if it is not designated at fair value through profit or loss:

- it is held with the framework of a financial model whose objective is to hold assets in order to collect the contractual cash flows; and
- its contractual terms give rise to cash flows, on specific dates, that correspond solely to repayments of principal and interest payments on the principal outstanding.

A debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met and if it is not designated at fair value through profit or loss:

- it is held with the framework of a financial model whose objective is to collect the contractual cash flows and the sale of financial assets; and
- its contractual terms give rise to cash flows, on specific dates, that correspond solely to repayments of principal and interest payments on the principal outstanding.

When initially recognising an equity security that is not held for trading, the Group may make the irrevocable election to present in other comprehensive income any subsequent changes in the fair value of the security. This choice applies for every investment.

All financial assets that are not classified at amortised cost or at fair value through other comprehensive income as previously described are measured at fair value through profit or loss. This applies most notably to derivatives (see note 32(A)). Upon initial recognition, the Group may irrevocably designate a financial asset that would otherwise qualify for measurement at amortised cost or at fair value through other comprehensive income through the income statement, if this designation eliminates or significantly reduces an accounting mismatch that would otherwise occur.

Assessment of the financial model

The Group assesses the objective of the financial model for holding a financial asset in a portfolio since it best illustrates the way in which the portfolio is managed and in which the information is transmitted to the asset manager. The information taken into account is the following:

- the methods and objectives defined for the portfolio and their implementation. These include whether the management's strategy focuses on obtaining contractual interest income, maintaining a specific interest rate profile, matching the period for which they are held with the liabilities that finance them or the expected cash flows, or the obtaining of cash flow by selling these assets;
- the way in which the performance of the portfolio is evaluated and communicated to the Group's management;

- the risks that affect the financial model (and the financial assets held within this financial model) and the way in which these risks are managed;
- the way in which executives are compensated (for example, whether the compensation is based on the fair value of the assets under management or on the contractual cash flows received); and
- the frequency, value and timing of sales of financial assets in prior periods, the reasons for these sales and expectations of future sales.

Transfers of financial assets to third parties within the context of transactions that do not meet the conditions for de-recognition are not considered as sales for these purposes, in accordance with the Group's accounting policy for the recognition of these assets

Financial assets held for trading or whose management and performance measurement are made on a fair value basis are measured at fair value through profit or loss.

They are assessed if the contractual cash flows correspond only to repayments of principal and interest payments on the outstanding principal

For the purpose of this assessment, the term "principal" refers to the fair value of the financial asset upon initial recognition. "Interest" refers to the counterparty for the time value of the money, the credit risk associated with the principal outstanding for a given period of time, and the other risks and charges that are attached to a basic loan (e.g. risk liquidity and administrative charges), as well as a margin.

When determining whether a contractual cash flow corresponds solely to repayments of principal and interest payments on the outstanding principal, the Group takes into consideration the contractual terms of the financial instrument. In particular, it must assess whether the financial asset includes a contractual term that may change the schedule or the amount of the contractual cash flows so that it no longer satisfies this condition. When making this assessment, the Group takes into account the following factors:

- contingencies that could affect the amount or schedule of cash flows;
- the conditions that may adjust the contractual coupon rate, including variable rate features;
- early repayment and extension clauses;
- the conditions limiting the Group's recourse to obtain cash flows from certain assets (for example, in the case of a financial asset secured only by a security interest).

An early payment clause may be consistent with the "SPPI" criterion if the amount of the prepayment is essentially the principal amount outstanding and the interest thereon. It may also include a reasonable additional amount to pay for early termination of the contract. In addition, for a financial asset acquired with a discount or a premium over its contractual par value, a clause allowing or requiring early repayment for an amount essentially representing the contractual par value and the accumulated (but unpaid) contractual interest, (which may include a reasonable supplement to compensate for the early

termination of the contract) does not contradict the "SPPI" criterion, if the fair value of the prepayment clause is not significant upon initial recognition.

Subsequent valuation of profits and losses

Financial assets at fair value through profit or loss

These assets are measured subsequently at fair value. Net gains and losses, including interest or dividends received, are recognised in profit or loss.

Financial assets at amortised cost

These assets are measured subsequently at amortised cost using the effective interest rate method. Amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Gains and losses resulting from de-recognition are recognised in profit or loss.

Debt instruments at fair value through other comprehensive income

These assets are measured subsequently at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Other net gains and losses are recorded in other comprehensive income. Upon de-recognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Debt instruments at fair value through other comprehensive income

These assets are measured subsequently at fair value. Dividends are recognised as revenue in the income statement, unless they clearly represent the recovery of a portion of the cost of the investment. Other gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial assets-Adopted methods and principles at 1 January 2018

Financial assets held for trading

Financial assets held for trading consist of:

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

The accounting date of these assets is the settlement date.

Available-for-sale financial assets

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

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

Subsequent increases in value are written back:

- as a counter-entry under other comprehensive income in the case of equity instruments (shares and similar);
- in the case of debt instruments (bonds and other), in the income statement as soon as an increase in estimated cash flows is recognised, for the amount of the impairment loss previously recognised.

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

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

The accounting date of these assets is the settlement date.

Loans and receivables

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

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

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

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

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

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

Classification of financial assets by category (net carrying amount)

(in €m)			2018*		2017**	
Asset balance sheet item	IAS 39 category	IFRS 9 category	Non-current	Current	Non-current	Current
Other non-current financial assets	Financial assets held for trading ⁽¹⁾	Fair value assets through profit or loss	56		89	
	Available-for-sale assets	Debt instrument at fair value through other comprehensive income	165		164	
	Loans and receivables issued by the company ⁽⁴⁾	Financial assets at amortised cost	215		250	
Cash and cash equivalents	Financial assets held for trading ⁽¹⁾	Fair value assets through profit or loss		1 193		833
Trade receivables	Trade receivables ⁽³⁾	Financial assets at amortised cost		498		526
Other current receivables	Loans and receivables issued by the company ⁽⁴⁾⁽⁵⁾⁽⁶⁾	Financial assets at amortised cost		2,444		2,339
OTHER FINANCIAL ASSETS (NET CARRYING AMOUNT)			436	4,135	504	3,698
Impairment of other financial assets			-13		-11	
Impairment of other current assets				-79		-60
<i>of which cumulative impairment (excluding trade receivables)</i>			-13	-79	-11	-60

* Carrying amount according to IFRS 9

** Carrying amount according to IAS 39

(1) Financial assets held for trading correspond to:

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

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

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

(4) Financial receivables comprise mainly security deposits.

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

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

10.6 FINANCIAL LIABILITIES

10.6.1 Borrowings and other financial liabilities

Accounting principles

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

- borrowings and other financial liabilities at floating rates are measured at amortised cost based on straight-line amortisation of issuance costs over the term of the borrowing, insofar as this has no material impact by comparison with the yield-to-maturity method;

- two methods are used for fixed rate borrowings:

- fixed rate borrowings qualified as hedged items as part of fair value hedging relationships are recognised at amortised cost adjusted for the change in fair value corresponding to the hedged risk. The fair value is determined on the basis of future cash flows discounted using the zero-coupon curves at the financial year-end, and integrating a spread equal to the spread when the financing was put in place,
- other fixed rate borrowings are recognised at amortised cost using the effective interest rate method, which incorporates an actuarial amortisation of issuance costs and premiums.

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10.6.1.1 Breakdown of borrowings and other financial liabilities

(in €m)	2018		2017	
	Non-current	Current	Non-current	Current
Bonds and private placements	2,964	399	3,149	553
Bank borrowings	1,073	338	406	212
Obligations under finance leases	131	8	143	11
Other financial liabilities	29	1,940	29	354
Margin call - Liability		44		41
Bank overdrafts		433		315
TOTAL	4,198	3,162	3,728	1,487

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

Main characteristics of borrowings and other financial liabilities

10.6.1.2 Bonds and private placements

This concerns bonds issued in Luxembourg under the Euro Medium Term Notes (EMTN) programme, a loan issued in Switzerland for 120 million Swiss francs, one private placement in Europe for an amount of 60 million euros, and two private placements in the United States in the amounts of 200 million and 50 million US dollars.

In 2018, Auchan Holding issued a €350 million bond and Ceetrus issued a EuroPP of €60 million.

(in €m) Issuing company	Nominal interest rate	Issue date	Maturity	31/12/2018		31/12/2017	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Auchan Holding SA	0.625%	07/02/2017	07/02/2022	450 ⁽¹⁾	454	600	601
Auchan Holding SA	6.000%	15/04/2009	15/04/2019	320 ⁽¹⁾	336	400 ⁽¹⁾	433
Auchan Holding SA	3.000%	28/06/2012	28/06/2019	44 ⁽³⁾	43	42 ⁽³⁾	41
Auchan Holding SA	3.500%	28/06/2012	28/06/2022	175 ⁽³⁾	169	167 ⁽³⁾	162
Auchan Holding SA	2.375%	12/12/2012	12/12/2022	650 ⁽¹⁾	675	650 ⁽¹⁾	675
Auchan Holding SA	2.250%	08/04/2013	06/04/2023	400 ⁽¹⁾	428	400 ⁽¹⁾	428
Auchan Holding SA	2.250%	24/06/2013	06/04/2023	200	215	200	215
Auchan Holding SA	1.750%	24/04/2014	23/04/2021	500 ⁽¹⁾	520	500 ⁽¹⁾	523
Auchan Holding SA	1.500%	03/06/2014	03/06/2024	107 ⁽²⁾	113	103 ⁽²⁾	109
Auchan Holding SA	EUR3M15FLOOR +0.1500	01/02/2018	03/02/2020	350	351		
Auchan Holding SA	3.625%	20/06/2011	19/10/2018			250 ⁽¹⁾	257
Auchan Holding SA	3.625%	20/02/2013	19/10/2018			250	258
Ceetrus SA	3.000%	11/12/2018	11/12/2025	60	60		

(1) Amounts after reclassification of part of the bond debt under debts financing the credit activity for a carrying amount of €630m (see note 11.2).

(2) Hedging value; loan issued initially for 120 million Swiss francs.

(3) Closing value; loans issued initially for 50 million and 200 million US dollars, respectively.

Bank borrowings

(in €m) Issuing company	Nominal interest rate	Issue date	Maturity	31/12/2018		31/12/2017	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Gallerie Commerciali Sardegna	EURIBOR 6m +2.5%	16/12/2016	16/12/2021	106	106	111	111
LCO1	EURIBOR+Margin	nov-18	nov-26	128	128		
Ceetrus SA	EURIBOR+Margin	juil-18	juil-23	498	498		
Glorirequinte Brafero, Multi 25, Forum Montijo	2.350%	déc-18	déc-25	135	135		

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

Other financial liabilities

This heading mainly comprises the commitments to repurchase shares from employees of Auchan Holding and its subsidiaries for €0.3 million (see note 8.1.4) and the liabilities linked to employee profit-sharing for €20 million.

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

(in €m) Issuing company	Maturity	31/12/2018		31/12/2017	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Auchan Holding SA	less than 1 month	330 ⁽¹⁾	330 ⁽¹⁾	167 ⁽¹⁾	167 ⁽¹⁾
Auchan Holding SA	1 to 3 months	509	509	184	184
Auchan Holding SA	3 to 6 months	309	309		
Auchan Holding SA	6 months and over	939	939		

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

10.6.2 Other financial liabilities

Accounting Principles

These current financial liabilities are valued at their nominal value to the extent that they constitute a reasonable estimate of their market value given their short-term nature.

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

In application of IFRS 10, transactions with non-controlling shareholders that do not change the nature of the direct or indirect control exercised by Auchan Holding should be

recognised directly in equity. Accordingly, the impact of the repurchase commitments issued after the first application date must also be recognised in equity.

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

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

(in €m)	2018		2017	
	Non-current	Current	Non-current	Current
Trade payables		8,457		8,799
Trade payables, goods		7,417		7,869
Trade payables, general expenses		1,040		930
Other current liabilities, including	458	4,375	341	4,325
Liabilities in respect of puts on non-controlling interests (1)	336		206	0
Amounts due on non-current assets	6	626	4	683
Tax and social security liabilities		1,651		1,560
Deferred income ⁽²⁾	54	251	68	479
Other liabilities	62	590	63	617
Prepaid cards ⁽³⁾		1,257		986
TOTAL	458	12,832	341	13,124

(1) Commitments to purchase shares made by Auchan Holding and the other consolidated companies to the non-controlling shareholders of certain subsidiaries that are fully consolidated or to the Valauchan, Valfrance and Oneyval mutual funds under rules that govern the operation of those funds (see note 8.1.2).

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

(3) Prepaid cards mainly comprise the "gift" cards issued in China. These prepayments are held under liabilities in the statement of financial position until they are used by customers in our stores. In China, these cards can be used in the banner entity stores without any time restriction. At 31 December 2018, the related liability stood at €1,257m (vs. €986m in 2017).

At 31 December 2017, for the first time for RTMart, based on a survey carried out by an actuarial firm, we were able to statistically estimate credit amounts that have a high probability of never being used. Income of €40m relating to this change in estimate had been recognised under "Other operating profit and expenses" (corresponding to credit amounts dating more than 5 years). In 2018, the same survey was carried out for Auchan China. Income of €5m relating to this change in estimate for Auchan China has been recognised in "Other operating profit and expenses".

10.7 FINANCING COMMITMENTS

Commitments received

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

At 31 December 2018

(in €m)	Auchan Holding and its subsidiaries	Excluding credit activity	Credit activity
Less than 1 year	563	515	48
Between 1 and 5 years	4,052	3,273	779
More than 5 years	-	-	-
TOTAL	4,615	3,788	827

Certain medium and long-term bank financing facilities (confirmed credit lines not used as at 31 December 2018) contain a "callability" clause in the event of non-compliance with the following ratio at the closing date: Consolidated net financial debt/consolidated EBITDA < 3.5. For its own financing, Ceetrus must comply with other ratios.

At 31 December 2018, these ratios were complied with.

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

As at 31 December 2017

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

Commitments given

<i>(in €m)</i>	Total 2018	Total 2017
Guarantees given	90	87
Other commitments given	51	60

Secured liabilities

<i>(in €m)</i>	Total 2018	Total 2017
Guaranteed debts	436	411
Debts guaranteed by security interests	382	50
Import documentary credits	116	98

NOTE 11 CREDIT ACTIVITY

The information found in notes 11 correspond to the information prior to the restatement of Oney Bank as held for sale (see note 2.6).

11.1 CUSTOMER CREDITS

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

Accounting Principles**Impairment of receivables**

The value of the item "Customer loans and receivables" is adjusted through an impairment as of the date of initial recognition of the receivables

This impairment loss, calculated on homogeneous groups of receivables discounted to present value, is estimated based on a certain number of inputs and assumptions (number of past dues, historical recovery rates, status of receivables in the recovery process, loss rates, performance of third party litigation firms, etc.) and prospective information. The impairment recognised reflects the best estimates of Management, on the closing date, of the future cash flows from these receivables.

The IFRS 9 standard replaces the IAS 39 incurred loss model with a single prospective impairment model based on

expected losses. This new model applies to loans, off-balance sheet commitments and debt instruments recognised at fair value in OCI.

In accordance with the standard, the Oney Group classifies assets in three stages: performing assets, underperforming assets and non-performing assets.

- a performing asset (stage 1) is one whose credit risk has not deteriorated significantly. The amount of impairment is based on 12-month expected credit losses;
- the transition from performing asset to underperforming asset (stage 2) reflects a significant deterioration in credit quality since its entry on the balance sheet. The Oney Group defines this deterioration as current or past overdue status of less than 90 days. Assets are returned to the performing category when the probability of default falls below a certain level of the original probability of default, resulting in a stricter observation period. Oney justifies the use of this criterion of risk deterioration by the very significant weight of unpaid receivables in management scores and the absence of a Basel rating for all entities in the group;

- the classification as non-performing asset (stage 3) reflects the default of the asset. Oney's definition of default includes at least one of the following three reasons:
 - existence of one or more unpaid receivables for at least three months,
 - existence of a contentious procedure,
 - situation presenting characteristics where, regardless of the existence of an unpaid receivable, the existence of a proven risk may be concluded (for instance, restructured loans with application of a haircut in France on which an additional provision is recognised).

The expected loss is measured in accordance with the following model:

PD/EAD (Probability of Default/Exposure at Default) by LGD (Loss Given Default). The expected loss on assets is based on a 12-month PD for performing assets and total lifetime PD for underperforming assets. Lifetime PD/EAD is determined using 12-month PD/EAD-based ageing matrices. The use by the customer of the available ceiling is also taken into account in ECL calculations. The provisioning mechanism, based on a PD and an LGD, converges towards the advanced Basel model but retains substantial specificities, such as the inclusion of amortisation in the EAD, the use of a contract rate as a discount rate, the calculation of a lifetime PD for underperforming assets, the absence of prudential margins, and the consideration of forward-looking data to assess the default. Forward-looking methodology for the Group's countries combines the various risk factors to be assessed and constructs scenarios to factor in forward-looking external (macroeconomic) and/or internal (corporate strategy) aspects.

In France, the methodology includes a component incorporating change in the probability of future default into the provision rate. This component is constructed based on the volatility and change observed in probabilities of default over the last 5 years. This method has been adopted in France in the absence of a compelling correlation with macroeconomic aspects.

In Spain and Portugal, a correlation is used between macroeconomic data (unemployment rate, Euribor rate, positive file for the bank in the relevant country, etc.) and expected credit losses.

Governance relating to IFRS 9 describes the general framework of the various controls and the monitoring of expected credit losses. The most important governance functions are data quality and availability, methodologies and management of modelling, and internal control processes. Governance ensures that the company has a clear view of risk, by establishing reports containing key performance indicators for estimating expected credit losses.

The reports are used to explain or adjust the calibration of the provisioning model depending on alert levels and the corrective measures described. The definitive estimate of the impact was recorded during the effective transition to the new standard on 1 January 2018. The impact calculation of the first application of IFRS 9 on the basis of the consolidated financial statements for the year ended 31 December 2017 shows an increase in provisions, recognised against consolidated equity. The main impacts of the first application are presented in Note 2.1.2.

11.1.1 Customer credit risk management at Oney Bank

General information

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

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

For off-balance sheet commitments, the Group's policy is to grant financial guarantees only to subsidiaries and certain partners.

Organisation of the Risk Division

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

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

In other countries, credit risk management is carried out by the bank's partners (Poland, Hungary, Russia). Indeed, the loan granting, the risk monitoring and the recovery are carried out on the basis of their processes and their information systems.

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

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

Loan granting and receivables process, individual limits

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

These systems incorporate:

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

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

Granting of guarantees

The Group's policy is to grant financial guarantees only to subsidiaries and certain partners.

Within the Group

The Oney Group's financial policy is designed to protect the financial margin against future changes in interest rates. It therefore covers all interest-rate risks of its fixed-rate loan outstandings.

11.1.2 Breakdown of customer loans

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

<i>(in €m)</i>		31/12/2018	01/01/2018	31/12/2017	Variation
IAS 39 performing loans				2,776	
IAS 39 impaired loans				493	
Gross loans		3,265	3,311	3,269	(4)
Stage 1 performing loans subject to an ECL at 12 months	+	2,650	2,640		
Stage 2 downgraded loans subject to an ECL at maturity	+	212	185		
Stage 3 impaired loans subject to an ECL at maturity	+	403	486		
Impairment	-	387	465	357	31
Loans at end of period:	=	2,878	2,846	2,912	(34)
Percentage of Stage 3 loans/total loans:		12.3%	14.70%		
COVERAGE RATE OF TOTAL LOANS:		11.90%	14%		
Percentage of impaired loans/total loans:				15.10%	
COVERAGE RATE OF IMPAIRED LOANS:				72.3%	

<i>(in €m)</i>		<= 3 months	3 months- 1 year	1 year- 5 years	> 5 years	31/12/2018
<i>Loans and receivables</i>						
Customer current account						
Total gross loans		934	725	1,395	211	3,265
Performing loans (stage 1) subject to an ECL at 12 months		872	578	1,069	130	2,650
Downgraded loans (stage 2) subject to an ECL at maturity		26	52	113	22	212
Impaired loans (stage 3) subject to an ECL at maturity		36	95	213	59	403

Restructured loans:

The outstanding amount of restructured or rescheduled loans, whether decided internally or after submission to an over-indebtedness body, came to €122.5 million as at 31 December 2018. Impairment of €83.7 million was recognised in respect of these loans as at 31 December 2018.

11.1.3 Breakdown of recognised impairment

(in €m)	Customer loans		
	Oney Bank	Other	Total
Balance as at 1 January 2017	436	1	437
Net impairment	(80)		(80)
Changes in consolidation scope			
Reclassification			
Exchange difference			
AT 31 DECEMBER 2017	356	1	357
Balance as at 1 January 2018	356	1	357
Net impairment	(77)		(77)
Changes in consolidation scope			
Transition to IFRS 9	109		109
Exchange difference	(1)		(1)
AT 31 DECEMBER 2018	387	1	388

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

The impact assessment of the first application of IFRS 9 was carried out on the basis of the consolidated financial statements at 31 December 2017. The increase in provisions is accounted for by a corresponding amount in consolidated equity.

The impact of the 1st application of €109 million takes into account the forward-looking application for €16.3 million and the reintegration of outstanding sums to the balance sheet for €41 million.

This reintegration of balance sheet loans is due to the recognition of interest over 90 days, previously recorded off-balance sheet for Spain, Portugal, Hungary and Russia.

11.2 DEBTS FINANCING THE CREDIT ACTIVITY

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

(in €m)	2018		2017	
	Non-current	Current	Non-current	Current
Bonds	562	193	466	264
Bank borrowings ⁽¹⁾	195	917	322	791
Other financial liabilities (including bank overdrafts) ⁽²⁾	240	217	140	333
TOTAL	997	1,327	928	1,388
TOTAL EXCLUDING ONEY BANK	462	399	928	1,388

(1) Non-current bank loans and other financial liabilities comprise one deposit with the Banque de France amounting to €379m put in place to meet LCR regulatory requirements (i.e. high quality liquid assets). (Bank borrowings + €574m - HQLA BDF deposit - €379m = Net financings + €195m)

(2) Other current liabilities relating to the credit activity mainly comprise certificates of negotiable medium-term notes (BMTN) for €167m and a bank overdraft of -€156m.

Accrued assets, except for bonds, appear in "Financial liabilities".

Characteristics of main bond issues

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

(in €m) Issuing company	Nominal interest rate	Issue date	Maturity	2018		2017	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Auchan Holding SA	6.000%	15/04/2009	15/04/2019	180 ⁽¹⁾	189	100 ⁽¹⁾	108
Auchan Holding SA	1.750%	24/04/2014	23/04/2021	100 ⁽¹⁾	104	100 ⁽¹⁾	105
Auchan Holding SA	0.625%	07/02/2017	07/02/2022	150 ⁽¹⁾	152		
Auchan Holding SA	2.375%	12/12/2012	12/12/2022	100 ⁽¹⁾	104	100 ⁽¹⁾	104
Auchan Holding SA	2.250%	08/04/2013	06/04/2023	100 ⁽¹⁾	107	100 ⁽¹⁾	107
Auchan Holding SA	3.625%	20/06/2011	19/10/2018			250 ⁽¹⁾	257
Oney Bank SA	E3M + 0.60%	21/10/2016	21/10/2020	50	50	50	50
Oney Bank SA	E3M + 0.60%	02/02/2018	21/10/2020	50	50		

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

Bank borrowings

(in €m) Issuing company	Nominal interest rate	Issue date	Maturity	2018		2017	
				Nominal value	Carrying amount	Nominal value	Carrying amount
Oney Bank SA	E6M + 0.60%	27/04/2015	29/04/2019	50	50	50	50
Oney Bank SA	E3M + 0.24%	18/10/2017	18/10/2019	50	50	50	50
Oney Bank SA	0.00%	26/09/2016	24/06/2020	355	355	355	355
Oney Bank SA	E3M + 0.70%	30/11/2017	30/11/2021	75	75	75	75
Oney Bank SA	E3M + 0.70%	31/07/2017	31/12/2021	50	50	50	50
Oney Bank SA	E3M + 0.75%	07/07/2014	09/07/2018			50	50
Oney Bank SA	E3M + 0.35%	12/12/2016	12/06/2018			50	50
Oney Bank SA	E3M + 0.42%	12/12/2016	12/12/2018			50	50
HQLA investment, France			Renewable	(379)	(379)	(331)	(331)

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

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

<i>(in €m)</i>	2018	2017
Interest on bank deposits	1	1
Interest on loans and receivables issued by the company	246	237
Change in fair value of derivatives (except fair value hedge)		
Income from financial instruments	247	238
Commitment fees	2	3
Interest on financial liabilities measured at amortised cost	11	9
Change in fair value of derivatives (except fair value hedge)	3	3
Impairment losses on loans and receivables issued by the company	(45)	(80)
Net change in the fair value of cash flow hedging instruments derecognised from equity	(3)	(4)
Expenses on financial instruments	(32)	(69)
NET PROFIT ON FINANCIAL RESULT	279	307

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

<i>(in €m)</i>	2018	2017
Total interest income	247	238
Total interest expense	13	12

Recognised in other comprehensive income (after deferred taxes)

<i>(in €m)</i>	2018	2017
Net change in fair value of available-for-sale financial assets		
Effective portion of changes in fair value of cash flow hedging instruments		
Fair value of cash flow hedging instruments transferred to profit or loss	3	4

<i>(in €m)</i>	2018	2017
Change in hedge reserve	-	-

Oney Bank must comply with a single covenant in the context of the refinancing facilities extended by the Club Deal (€500 million confirmed syndicated credit line) and certain confirmed lines. Under this covenant it must comply with the following ratio: Total credit outstandings > Net financial debt i.e. debt held with credit institutions plus debt in the form of securities minus the credit balances of bank accounts including cash accounts, central bank and postal accounts, investments and receivables from credit institutions, and the gross value of HQLA category assets held in accordance with Basel III liquidity requirements. On 31 December 2018, this ratio was complied with.

11.3.2 Credit risk

Credit risk management is described in detail in note 11.1 of this document, "Customer loans".

11.3.3 Exposure of the credit activity to liquidity risk

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

(in €m) Operations	Carrying amount	Contractual cash flow			
		Total	< 1 year	1-5 years	> 5 years
Bonds	755	771	198	573	
Bank borrowings	1,112	1,115	544	572	
Other financial liabilities (including bank overdrafts)	457	457	217	240	
Trade payables	83	79	79		
Other current liabilities	151	151	151		
Other non-current liabilities	10	10		10	
Current tax liabilities	13	13	13		
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	2,581	2,596	1,202	1,395	
Interest rate swaps used as hedges					
Caps					
Swaps not used as hedges					
TOTAL DERIVATIVE FINANCIAL LIABILITIES					

(in €m) Operations	Carrying amount	Contractual cash flow			
		Total	< 1 year	1-5 years	> 5 years
Bonds	730	754	272	380	102
Bank borrowings	1,113	1,124	870	254	
Other financial liabilities (including bank overdrafts)	473	474	333	140	1
Trade payables	85	82	82		
Other current liabilities	162	162	162		
Other non-current liabilities	4	4		4	
Current tax liabilities	12	12	12		
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	2,579	2,613	1,731	778	104
Interest rate swaps used as hedges					
Caps					
Swaps not used as hedges					
TOTAL DERIVATIVE FINANCIAL LIABILITIES					

11.3.4 Exposure of the credit activity to interest rate risk

Interest rate hedges

Accounting Principles

First application of IFRS 9 Phase 3 "Hedge Accounting":

IFRS 9 has introduced a substantially reformed model for hedge accounting, making it compatible with risk management. Oney will be able to use risk management information as a basis for hedge accounting

IFRS 9 allows for a lighter demonstration of efficiency by eliminating the current 80-125% rule and the possibility of a qualitative demonstration for simple hedges.

Cashflow micro-hedging operations at Oney are interest rate swaps (IRS) paying a fixed rate variable receivable (EURIBOR 3 months mostly) that allow the hedging of a single loan each time. This micro-hedge requires a document describing the nature of the hedged item. An efficiency test retrospectively and prospectively is also required. These interest rate swaps are recognised under IFRS 9 directly at fair value through equity. As with previous macro-hedging transactions, there is no longer a risk of downgrade in trading hedges that do not meet the 80%-125% test.

Fair value hedges

There were no transactions of this type at 31 December 2018 or 31 December 2017.

Cash flow hedges

The interest rate transactions that qualified as cash flow hedges are swap transactions in which Oney Bank was a fixed rate borrower and a floating rate lender. The purpose of these hedges is to fix the interest rate on part of the forecast floating rate debt, and thus secure future financial income (Y+1 to Y+5 maximum) by limiting possible volatility. The horizon of these hedges does not generally exceed 5 years.

The currency of these transactions is the euro.

The net fair value (excluding accrued interest not yet due) of these instruments recorded as a liability in the statement of financial position was €(1.2) million at 31 December 2018 (0 after

eliminating inter-company transactions) compared with €(1.6) million at 31 December 2017 (0 after eliminating inter-company transactions).

€(1.2) million (0 after eliminating inter-company transactions) was recognised in reserves at 31 December 2018 for interest rate transactions designated as cash-flow hedges, compared with €(1.6) million at 31 December 2017, before the impact of deferred tax.

Macro-hedging transactions recognised as trading items

Cross currency swaps are used to guarantee interest rates on foreign currency loans and hedge against foreign exchange risk. Changes are recognised in profit and loss.

(in €m) At 31 December 2018	Carrying amount	Contractual cash flow			
		Total	< 1 year	1-5 years	> 5 years
Interest rate and currency swaps + caps:					
• assets	-	-			
• liabilities		-			

(in €m) At 31 December 2017	Carrying amount	Contractual cash flow			
		Total	< 1 year	1-5 years	> 5 years
Interest rate and currency swaps + caps:					
• assets					
• liabilities					

Exposure to interest rate risk (after management)

(in €m)	2018	2017
Fixed rate financial assets	1,560	1,634
Fixed rate financial liabilities	420	954
Floating rate financial assets	1,183	1,117
Floating rate financial liabilities	1,043	479

Sensitivity analysis**Impact on the income statement and equity**• *Impact on the profit and loss account in 12 months:*

On the basis of the financial position at 31 December 2018, a 1% increase in interest rates for all currencies would generate a €1.22 million drop in the cost of debt.

On the basis of the financial position at 31 December 2018, a 1% fall in interest rates for all currencies would generate a €1.22 million increase in the cost of debt.

• *Immediate impact on equity:*

On the basis of the financial position at 31 December 2018, a 1% increase in interest rates for all currencies would generate a €3.55 million increase in equity.

On the basis of the financial position at 31 December 2018, a 1% fall in interest rates for all currencies would generate a €3.62 million lowering of equity.

Information about the fair value of derivatives

	31/12/2018			
	Assets	Liabilities	Assets	Liabilities
Hedging and trading derivatives				
NON-HEDGING DERIVATIVE INSTRUMENTS	2		1	2
Interest rate instruments:				
• definite interest rate instruments	2		1	2
• optional interest rate instruments				
FAIR VALUE HEDGES				
Interest rate instruments:				
• definite interest rate instruments				
• optional interest rate instruments				
CASH FLOW HEDGE RESERVE		1		2
Interest rate instruments:				
• definite interest rate instruments		1		2
• optional interest rate instruments				
TOTAL	2	1	1	4

Information about hedging instruments

Category	Type of instrument	Notional Amount	Change since 31/12/2017	Fair market value at 31/12/2018
Derivatives Classed as trading	Cross Currency Swap	33	3	2
Derivatives Classed as CHF (IRS)	Interest Rate Swap	450		(1)
TOTAL		483	4	1

Characteristics of main items of other financial liabilities

This heading includes mainly commercial paper, negotiable medium-term Notes (BMTN) and certificates of deposit, as follows:

(in €m) Issuing company	Maturity	31/12/2018		31/12/2017	
		Nominal value	Carrying amount	Nominal value	Carrying amount
Comfactor	less than 1 month	55	55	59	59
Auchan Holding SA	less than 1 month	150	150	135	135
Oney Bank SA	less than 1 month	(116)	(116)	(59)	(59)
Oney Bank SA	1 to 3 months			50	50
Oney Bank SA	3 to 6 months			90	90
Auchan Holding SA	3 to 6 months				
Auchan Holding SA	6 months and over				
Oney Bank SA	6 months and over	367	367	240	240

(1) Amounts after reclassification of part of the commercial paper under "Debts financing the credit activity" (see note 10.6.1.1).

11.4 OFF-BALANCE SHEET COMMITMENTS RELATING TO THE CREDIT ACTIVITY

Commitments received

Long and medium-term credit lines, granted and confirmed by the banks but unused and relating to the credit activity, are described in detail in note 10.7.

Commitments given

<i>(in €m)</i>	2018	2017
Customer financing commitments ⁽¹⁾	3,618	3,608

⁽¹⁾ This amount corresponds to commitments given by Oney Bank and its subsidiaries on cards with current activity during the past 2 years.

The commitment for inactivated cards for more than 2 years is of €3,084 million as at 31 December 2018 (compared with €3,076 million as at 31 December 2017).

Guarantee commitments for credit institutions amounted to €48 million as at 31 December 2018 (compared with €50 million as at 31 December 2017).

NOTE 12 INCOME TAX

12.1 TAX ASSETS AND LIABILITIES

Accounting Principles

Deferred taxes are recorded on all temporary differences between the tax basis of assets and liabilities and their carrying amounts, with the exception of goodwill not deductible for tax purposes and temporary differences relating to investments in joint ventures or affiliates to the extent that they will not be reversed in the foreseeable future.

Deferred taxes are calculated on the tax rate that applies on the statement of financial position date, using the liability method. The effect of any change in the tax rate is recognised in the income statement, apart from changes relating to items initially recognised directly in equity.

Income tax, both current and deferred, is recognised directly in equity when it relates to an item initially recognised in equity.

Deferred tax assets and liabilities are offset when offsetting is legally allowed and the same tax authority is involved. They are not discounted and are recorded in the statement of financial position under non-current assets and liabilities.

Tax losses and other temporary differences only give rise to deferred tax assets when they are likely to be used against future taxable profit within a reasonable period of time or when they can be offset against deferred tax liabilities.

French business taxes

In France, two taxes, the CVAE (Contribution sur la Valeur Ajoutée des Entreprises) and the CFE (Contribution Foncière des Entreprises) replaced the former French business tax (taxe professionnelle) with effect from 2010.

A review of the accounting treatment of this tax in France in the light of IFRS has resulted in adopting separated accounting methods for each of these two taxes:

- the CFE, which is based on property rental values, is recognised in operating expenses;
- according to Auchan Holding's analysis, the CVAE can be considered as an income tax as defined in IAS 12.2 ("taxes based on taxable profits"). As provided for under IAS 12, classification of the CVAE as income tax results in the recognition of a deferred tax liability arising from temporary differences. This deferred tax expense is presented under "Income tax expenses". Moreover, the full amount of current and deferred taxes relating to the CVAE is presented under this heading.

A deferred tax liability is recognised based on the net value of the depreciable non-current assets of the entities liable to CVAE, as provisions for depreciation are not deductible from the added value that serves as the base for the CVAE. Acquisitions of assets outside business combinations benefit, from 2010, from the exemption provided for in IAS 12 for first-time recognition of an asset or liability. In addition, a deferred tax asset is recognised on impairment of current assets.

Breakdown of current tax assets and liabilities

(in €m)	2018	2017
Gross amount	162	117
Impairment	(4)	(4)
CURRENT TAX ASSETS - NET VALUE	158	113
Current tax liabilities	119	140

Breakdown of recognised deferred tax assets and liabilities

(in €m)	2018			2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
On temporary differences	264	584	(320)	251	627	(375)
Non-deductible provisions	68	(113)	181	53	(79)	132
Intangible assets, PP&E and depreciation	108	339	(231)	103	439	(336)
Investment property and depreciation	37	198	(160)	25	158	(133)
Finance leases	10	12	(2)	(3)	13	(16)
Inventories	24	5	19	34	3	31
Employee benefits	1	(21)	22	2	(26)	28
Regulated provisions	1	117	(116)	1	124	(122)
Other	15	48	(33)	35	(6)	41
On tax losses carried forward	78	(53)	130	99		99
DEFERRED TAX ASSETS AND LIABILITIES	342	531	(189)	350	627	(276)

Deferred tax not recognised

Deferred tax assets amounting to €629 million (€615 million at 31 December 2017) relating to tax losses carried forward, tax credits and other temporary differences were not recognised as their recovery is considered unlikely within the meaning of IAS 12.

Unrecognised deferred tax assets break down as follows:

(in €m)	2018
Between 2019 and 2023	124
Between 2024 and 2028	13
After 2028	
Carried forward indefinitely or without maturity date	492
TOTAL UNRECOGNISED DEFERRED TAX ASSETS	629

Change in deferred tax assets and liabilities

(in €m)	01/01/2018	Recognised in income	Recognised in other comprehensive income	Reclassifications	Changes in consolidation scope	Exchange differences	31/12/2018
On temporary differences	(375)	151	1		(89)	(6)	(320)
Non-deductible provisions	132	35			17	(3)	181
Intangible assets, PP&E and depreciation	(336)	103			1	1	(231)
Investment property and depreciation	(133)	7		(3)	(30)		(160)
Finance leases	(16)	5			9		(2)
Inventories	31	(7)			(1)	(3)	20
Employee benefits	28	4	(10)				22
Regulated provisions	(122)	6			1		(116)
Other	41	(3)	11	4	(86)		(33)
On tax losses carried forward	99	35			(2)	(1)	130
DEFERRED TAX ASSETS AND LIABILITIES	(276)	185	1		(91)	(7)	(189)

12.2 INCOME TAX EXPENSE

Analysis of net tax expenses

(in €m)	2018	2017
Expenses/Income		
Current income tax payable	244	290
Tax adjustments relating to previous years		11
Current income tax payable	244	301
Current income tax payable on "Other operating profit and expenses"⁽¹⁾	(1)	(4)
Change in temporary differences	(8)	(23)
Impact of changes in tax rates ⁽²⁾	(3)	(27)
On tax losses carried forward	(35)	(10)
Total deferred tax	(46)	(60)
Total deferred tax on "Other operating profit and expenses"⁽¹⁾	(139)	3
INCOME TAX EXPENSE	57	240

(1) Tax relating to items classified in "Other operating profit and expenses" (see note 3.4).

(2) In 2017, impact of €34m corresponding to the change in the tax rate in France for 2022 from 34.43% to 25.83%.

Effective tax rate

The difference between the tax calculated using the theoretical rate in France and the tax expenses effectively recognised for the year can be analysed as follows:

<i>(in €m)</i>	2018	Tax Rate 2018	2017	Tax Rate 2017
Profit before tax	(938)		669	
<i>Theoretical tax rate (French standard rate)</i>		34.43%		44.43%
Theoretical tax expense	(323)		297	
Difference in tax rates for foreign companies	44	(4.7)%	(102)	(15.2)%
Tax rate difference on deferred tax balance at the start of the period ⁽¹⁾	(1)	0.1%	(33)	(5.0)%
Tax relief, tax credits and reduced rate taxation	(18)	2.0%	(13)	(1.9)%
Unrecognised tax losses for the period	99	(10.5)%	78	11.7%
Use of previously unrecognised tax losses carried forward	(33)	3.5%	(46)	(6.8)%
Recognition of prior period tax losses	9	(0.9)%	(17)	(2.5)%
Tax adjustments related to previous periods	11	(1.2)%	13	2.0%
CVAE tax	32	(3.4)%	31	4.7%
Tax impact of items recognised under "Other operating profit and expenses"	199	(21.2)%	(10)	(1.5)%
Permanent differences/Deferred tax not recognised	37	(4.0)%	41	6.1%
Actual tax expense	57		240	
EFFECTIVE TAX RATE		(6.1)%		35.9%

(1) Including the change in the tax rate imposed in France, scheduled for 2022 from 34.43% to 25.83%.

NOTE 13 DETAILS OF CERTAIN ITEMS OF THE CONSOLIDATED STATEMENT OF NET CASH FLOWS

(in €m)	2018	2017
Changes in working capital requirement:	(74)	94
• inventories	35	188
• trade receivables	25	(13)
• trade payables	(195)	(354)
• other assets and liabilities	61	273
Changes in items relating to the credit activity:	(28)	(59)
• customer loans - Credit activity	(38)	(92)
• debts financing the credit activity	10	33
Changes in loans and advances granted:	2	71
• increase in loans and advances granted	(25)	(34)
• decrease in loans and advances granted	27	105
Amounts received from shareholders on capital increases:		
• paid by shareholders of the parent company		
• paid on exercise of stock options		
• paid by non-controlling interests of consolidated companies		
Dividends paid during the period:	(313)	(537)
• dividends paid to shareholders of the parent company	(196)	(350)
• dividends paid to non-controlling interests of consolidated companies	(117)	(187)
Acquisitions and disposals of interests without change of control:⁽¹⁾	(27)	(41)
• acquisitions	(47)	(104)
• disposals	20	63
Net financial debt:	2,022	442
• loans issued	9,331	4,917
• repayments of loans (including finance leases)	(7,309)	(4,475)
Net cash and cash equivalents:	2,987	2,304
• marketable securities with a maturity of less than 3 months	1,193	833
• cash	2,226	1,786
• current bank credit facilities	(433)	(315)

(1) Acquisitions and disposals of interests without any gain or loss of control mainly include the purchase of securities from employees by Auchan Holding and its subsidiaries for €(49)m, offset by disposals for +€25m.

NOTE 14 LIST OF CONSOLIDATED COMPANIES

List of the main companies consolidated using the **full consolidation** method at 31 December 2018.

Country	Division/Activity	Company	% interest	
			2018	2017
France	Holding Company	Auchan Holding SA	100	100
	Retail	Direction des Achats Indirects	100	100
		Aripay	100	100
		Auchan Retail International	100	100
		Auchan Retail France	98	98
		Auchan Hypermarché and its subsidiaries	98	98
		Auchan E-commerce France	98	98
		Auchan Carburant	98	98
		Eurauchan	94	94
		Auchan Retail Agro	98	98
		Auchan International Technologie	100	100
		Organisation Internationale des Achats	100	100
		Auchan supermarché and its subsidiaries	98	98
		Chronodrive	98	98
		Ceetrus	Ceetrus	100
Ceetrus France and its subsidiaries	98		98	
Banking	Oney Bank and its subsidiaries	96	97	
Belgium		Auchan Coordination Services	100	100
		Immochan Coordination Services	100	100
Mainland China				
	Retail	A-Rt Retail Holding	71	71
		Sun Art Retail Group	36	36
	Banking	Oney Accord Consulting Company	65	65
Spain	Retail	Auchan Retail Spain	98	99
		Alcampo and its subsidiaries	98	99
		Valespaña	5	3
		Zenalco	100	100
		Sabeco and its subsidiaries	98	99
	Ceetrus	Immochan España and its subsidiaries	98	99
	Banking	Oney Servicios Financieros	96	97
Italy	Retail	Auchan Italie and its subsidiaries	99	99
		Val Italia	14	15
		SMA and its subsidiaries	99	99
	Ceetrus	Ceetrus Italy and its subsidiaries	100	99
	Banking	Oney	96	97
Malta	Banking	Oney Holding Limited and its subsidiaries	96	97
Luxembourg	Retail	Auchan Luxembourg	100	100
		Auchan International	100	100
		Patinvest	100	100
		Christal	100	100
	Ceetrus	Ceetrus Luxembourg and its subsidiaries	100	100
Hungary	Retail	Auchan Magyarország and its subsidiaries	100	100

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14 List of consolidated companies

Country	Division/Activity	Company	% interest	
			2018	2017
		Valhungary International	82	89
	Ceetrus	Ceetrus Hungary KFT and its subsidiary	100	100
	Banking	Oney Magyarország	58	58
Poland	Retail	Auchan Polska and its subsidiaries	100	100
		Valpoland	23	18
		Eléa Polska	100	100
	Ceetrus	Immochan Polska and its subsidiaries	100	100
	Banking	Oney Polska	96	97
Portugal	Retail	Auchan Portugal and its subsidiaries	99	99
		Valportugal	29	19
	Ceetrus	Ceetrus Portugal and its subsidiaries	99	99
	Banking	Oney Bank Portugal	96	97
Romania	Retail	Auchan Romania	100	100
	Ceetrus	Ceetrus Romania and its subsidiaries	100	100
	Banking	Oney Finances	96	97
Russia	Retail	Auchan Russie OIIAH and its subsidiaries	99	99
		Valauchan Russie	34	24
		Valrusse	41	34
		Atak and its subsidiaries	99	99
	Ceetrus	Ceetrus LLC	99	99
	Banking	Ba Finans	58	58
Senegal	Retail	Senas	100	100
Taiwan	Retail and Property Management	RT Mart International	65	65
Ukraine	Retail	FCAU and Immochan Ukraine	100	100
	Ceetrus	Ceetrus Ukraine	100	100
	Banking	Oney Ukraine	96	97
Vietnam	Retail	International Simply Mart	92	92
United States	Banking	Oney Tec Inc.	94	95

A list of the companies consolidated using the **equity method** as at 31 December 2018 is given in detail in note 7. Companies less than 50% held and fully consolidated correspond to the employee funds.

The French version of the Annual Report was filed by the "Autorité des Marchés Financiers" (AMF – French stock exchange commission) on March 15, 2012, in accordance with the article 212-13 of the General Regulation of the AMF. This document may not be used to support a financial operation unless it is accompanied by an operation note certified by the AMF. It was prepared by the issuer and is the responsibility of the person whose signature appears therein. The registration in accordance with the provisions of Article L. 621-8-1-I of the French Monetary and Financial Code, was made after that the AMF has verified that the document is complete and understandable and that the information it contains is consistent. It does not authenticate by AMF of the accounting and financial information. In case of discrepancy, the French version prevails.



**STATUTORY AUDITORS'
REPORT**
ON THE CONSOLIDATED
FINANCIAL STATEMENTS

(For the year ended 31 December 2018)

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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

(For the year ended 31 December 2018)

To the Shareholders,

AUCHAN HOLDING

40, avenue de Flandre
 BP 139
 59964 Croix Cedex

OPINION

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Auchan Holding SA for the year ended 31 December 2018.

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 for the year ended and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5 of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Observation

Without qualifying our opinion expressed above, we draw your attention to the following matters set out in note 2.1.2 to the consolidated financial statements regarding the first application of IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial instruments".

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of rebates and commercial cooperations

(Note 3.1 to the consolidated financial statements)

Description of risk

Rebates and commercial cooperations received by the Group from its suppliers are recognised as a deduction from the cost of sales and are derived from contractual agreements signed by group companies with their suppliers.

These agreements, which are specific to each supplier, include rebates based on the volume of goods purchased as well as for commercial cooperation actions invoiced to suppliers.

Rebates are obtained when the related performance conditions are met. These performance conditions generally require the Group to meet certain volume thresholds.

Rebates under commercial cooperation agreements are recognised during the period of implementation. They are recorded in accordance with the terms and conditions set out in the contractual agreements concluded with the Group's suppliers until their completion.

We deemed the measurement of rebates and commercial cooperations to be a key audit matter due to the large number of supplier contracts, the specific features of those contracts, the amounts concerned and the estimates on which this measurement is based

How our audit addressed this risk

Our audit work consisted in:

- understanding the controls relating to the conclusion of contracts and the measurement of rebates and commercial cooperations;
- assessing the consistency of accounting policies applied, as described in Note 3.1 to the consolidated financial statements, with International Financial Reporting Standards (IFRS);

- testing, based on samples, the data input in the information systems used to determine rebates and commercial cooperations. These tests include verification of the consistency of (i) the terms and conditions with the contractual agreements, (ii) the volumes and amounts of goods purchased with the Group's purchasing data and (iii) the calculation of rebates and commercial cooperations;
- verifying, on a sample basis, the recoverability of amounts receivable from suppliers, in particular through the ageing analysis of these receivables;
- comparing the rebates and commercial cooperations received by the Group during the reporting period with the receivables recognised at the end of the previous period in order to assess the reliability of management's estimates;
- verifying, based on samples, that rebates and commercial cooperations are correctly taken into account in the valuation of the stock of goods.

Impairment test of non-current assets

(Note 6.6 to the consolidated financial statements)

Description of risk

At December 31st, 2018, the carrying amount of Goodwill, Other intangible assets, Property, plant and equipment and Investment property ("Non-current Assets") of the Group totalled €20.2 billion, representing 56% of the total balance sheet. These Non-current Assets are mainly comprised of property, plant and equipment consisting of land, buildings and facilities of stores and shopping malls, and intangible assets such as goodwill and brands. The impairment expense recognised for the 2018 financial year amounts to €1.136 M and mainly concerns France, Italy and Russia.

For tangible and intangible assets, the recoverable amount is tested whenever there is an indication of impairment. This test is performed once a year on a mandatory basis for assets with indefinite useful lives. The recoverable amount of an asset is defined in Note 6.6 to the consolidated financial statements as the higher of its fair value less costs to sell and its value in use, determined by discounting estimated future cash flows.

For the purposes of these impairment tests, assets are grouped into Cash Generating Units (CGUs). The Group has defined the store as the CGU for the Retail business and the shopping mall as the CGU for the Real Estate business.

Goodwill and non-amortisable intangible assets are tested by country and by business. The CGU group created for the purposes of this test includes the property, plant and equipment, intangible assets and goodwill allocated to the country and the business as well as its working capital requirements.

We deemed the measurement of the recoverable amount of these Non-current Assets to be a key audit matter given their materiality in the consolidated financial statements and because the determination of their recoverable amount, often based on discounted future cash flow forecasts, requires the use of assumptions and estimates.

How our audit addressed this risk

Our audit work consisted in:

- analysing the methods applied to perform the impairment tests by assessing the identification of indications of impairment as well as the design of the calculation models used;
- assessing the pertinence of the approach used by management to determine the CGU groups at the level of which goodwill and other assets are tested by the Group;
- analysing the consistency of projected future cash flows and their change with the economic environments in which the Group operates;
- assessing the reasonableness of the discount rates applied to estimated future cash flows, by examining in particular whether the various inputs used to calculate the weighted average cost of capital for each CGU or group of CGUs were consistent with the rates used for comparable companies, based on market participants for similar activities;
- assessing the results of the sensitivity analysis on the discount rates and the perpetual growth rates prepared by management and their impacts on the period's impairment charge, and verifying the accuracy of the disclosures provided in this respect in Note 6.6.

Valuation of investment property

(Note 6.4 to the consolidated financial statements)

Description of risk

At December 31st, 2018, the carrying amount of investment property, which is recognised in accordance with the cost model in the Group's balance sheet, in compliance with IAS 40 Investment Property, totalled €5.3 billion. The fair value of investment property, as disclosed in Note 6.4, represented an amount of €10.3 billion.

In this respect, management has put in place a process for the appraisal of the property portfolio in order to estimate the fair value of these assets, by benchmarking against independent external assessments.

Measuring the fair value of a property asset is an exercise that involves making estimates, which in turn requires significant judgement from management in terms of determining the appropriate assumptions, including yield rate, discount rate, market rental values, cost estimates for work to be carried out and the estimated date of completion (especially for assets under development) and any lease incentives to be granted to tenants. Specific information such as the type and/or location of the property is also taken into account.

We deemed the valuation of investment property to be a key audit matter due to the materiality of these assets, of which the fair value is disclosed in the notes to the consolidated financial statements, the high degree of judgement involved in determining the main assumptions to be used and the potentially high sensitivity of the fair value of the investment properties to the assumptions used.

How our audit addressed this risk

Our audit work consisted in:

- obtaining the property appraisal reports and critically assessing, including through interviews, the valuation methods used, the market parameters applied (yield rate, discount rate, market rental values) and the asset specific assumptions used (in particular, the cost estimates for work to be carried out and the estimated date of completion for assets under development),
- verifying, in the valuation reports, the qualifications and certifications of the Group's independent external appraisers;
- testing, on a sample basis, the information provided to independent experts such as rent schedules, estimates of works, and recently renegotiated leases,
- examining the appraisal of the overall property portfolio and the appraisal values that have undergone the most material or unexpected fluctuations;
- assessing the appropriateness of the disclosures provided in the notes to the consolidated financial statements and in particular information on fair value.

SPECIFIC VERIFICATION

As required by the laws and regulations on Group reporting and in accordance with professional standards applicable in France, we have also verified the information presented in the Management Board's report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We certify that the consolidated declaration of non-financial performance stipulated in article L. 225-102-1 of the French Commercial Code is present in the Management report, it being stated, in accordance with the provisions of Article L. 823-10 of this code, that we have not checked the information contained in this statement for truthfulness and consistency with the consolidated financial statements, and it must be subject to a report by an independent third-party organisation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Appointment of the Statutory Auditors**

We were appointed Statutory Auditors of Auchan Holding by the General Meeting held on 21 May, 2013 for PricewaterhouseCoopers Audit and on 30 August, 1961 for KPMG Audit.

At 31 December, 2018, PricewaterhouseCoopers Audit was in the sixth year and KPMG Audit was in the fifty-eighth year of total uninterrupted engagement, respectively, and KPMG Audit was in the sixteenth year since the securities of the company were admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**Objective and audit approach**

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and which therefore constitute key audit matters that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 8 March 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Christian Perrier

Bertrand Baloche

KPMG Audit

Département de KPMG S.A.

Hervé Chopin

NON-FINANCIAL PERFORMANCE STATEMENT

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NON-FINANCIAL PERFORMANCE STATEMENT



Reading about financial performance provides a full report of last year's results. But these days a company cannot be considered purely as a big financial asset, but rather needs to be thought as a paradigm whose issues are of course financial, but also industrial, people-oriented and environmental, and where boundaries are more permeable than in the past. Auchan Holding's financial results, traditionally presented through a single dedicated document, are for the first time supplemented with the non-financial information contained in this chapter. This complementary approach reflects the intention of Auchan Holding's companies to take into consideration the potential to create long-term value. This potential is supported by a meaningful analysis of the management of intangible assets, risks and opportunities raised by the CSR policies that have been identified with and on behalf of our different stakeholders.



6.1 PRESENTATION OF THE BUSINESS MODEL

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KEY FIGURES FOR AUCHAN HOLDING

Auchan Holding

Revenue (before tax): €50,986m

Purchases net of discounts, commercial cooperation services and ancillary and logistics costs: €38,882m

Wages and salaries after social security costs and external labour including employee incentives, profit-sharing and benefits: €6,441m

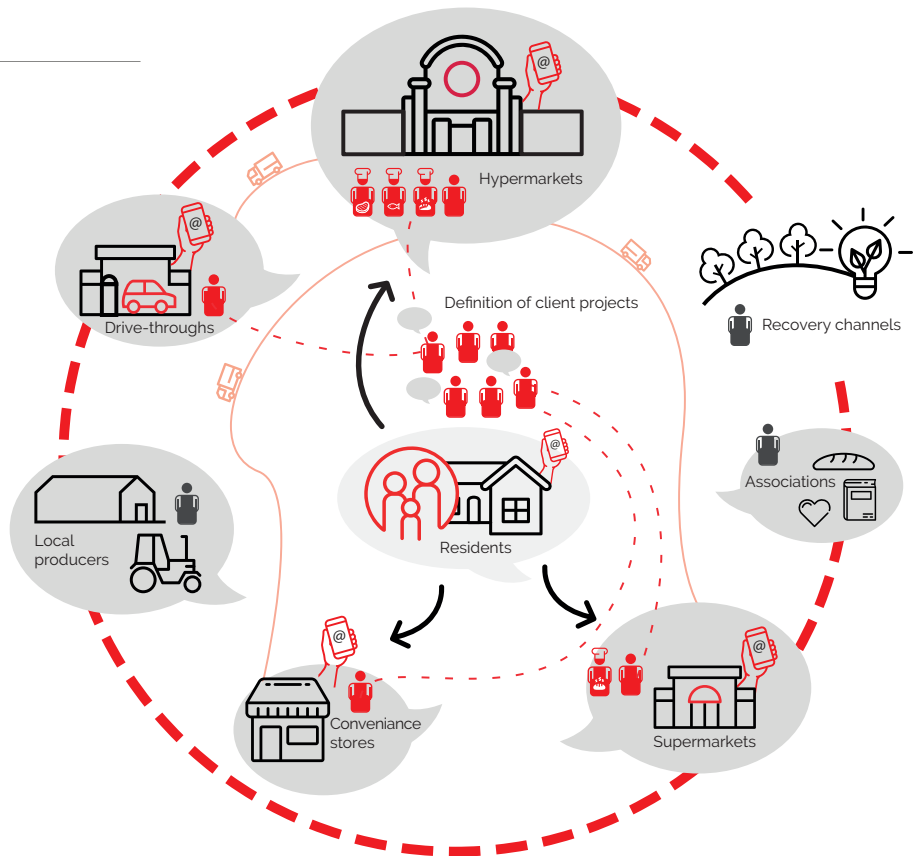
EBITDA: €1,999m

Current investments: €1,767m

Business model

Auchan | RETAIL

As a campaigner for good, healthy and local products, Auchan Retail endeavours to provide a new customer experience by putting the human element at the centre of its actions.



ECONOMIC SECTION

Total revenue **€50.3** million
 EBITDA **€1.5** billion
 investments **€1.2** billion
 Number of countries present **15**



ENVIRONMENTAL SECTION

Evolution in energy consumption in stores per sq. m. carbon intensity of stores per*: **-5.9%**
 Evolution in carbon intensity ins tores per sq. m.: **-7.1%**
 Waste recovery rate in hypermarkets: **65.8%**



HR SECTION

Number of employees: **354,851**
 Share of women in managerial positions: **48.6%**
 Number of handicapped employees: **11,620**



SOCIAL SECTION

Number of social audits: **1,103**
 Number of projects supported by the foundations: **216**

Since 1961 and the opening of its first store in Roubaix, with the vision of offering customers an "all under the same roof" option, Auchan Retail has maintained its primary mission: "to improve the purchasing power and the quality of life of the greatest number of customers every day, thanks to responsible, professional, passionate and considered employees".

This goal has been restated under the 2025 Vision "Auchan will change your life".

Consumer habits change. Auchan Retail strives to adapt, innovate and understand the wide variety of customer needs, while simplifying their shopping.

In all the countries in which it is present, Auchan Retail is strengthening its local roots through a multiformat and phygital approach. To serve this ambition, Auchan Retail is working to transform the areas in every country in which it is present into living areas.

In other words: geographical areas in which the daily lives of residents is organised (housing, work, shopping, education, health, leisure, etc.).

They bring together the various contact points: physical stores (hypermarkets, proximity, ultra-proximity, drive) and interconnected digital sites.

These contact points are complementary in order to understand the various customer expectations and respond to them coherently.

By placing the customer at the centre of their attention, employees of different retail formats interact, work together and offer a better experience dedicated to winning customer loyalty.

In this changing context, distribution businesses are also making major changes.

Auchan Retail is developing its employees' personal and professional growth by enhancing their skills, know-how and versatility.

Aware of its local responsibility, Auchan Retail contributes to the development of local ecosystems through supply chains, partnerships with producers and regional SMEs.

Auchan Retail provides both direct and indirect jobs through its commercial partners: franchisees, suppliers of goods and services, producers and other craftsmen and women.

Auchan Retail strives to systematically seek the best balance between a global offer and a local offer with regard to customers' needs, tastes and consumption patterns, in a manner that is specific to each country in which it is present.

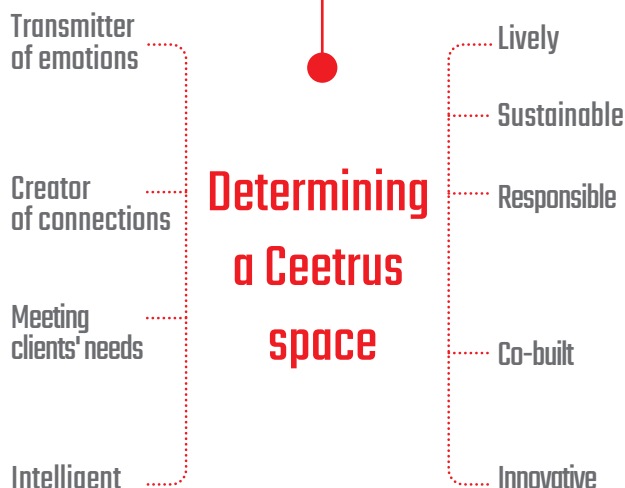
To best achieve this balance, Auchan Retail is guided by a purchasing policy, either alone or through alliances, and the desire to follow it responsibly.

This is illustrated in particular by the following:

- the development of its own brands, which combine high quality and fair prices, and thus enhance consumers' purchasing power;
- the best agricultural goods supply chains to meet consumers' requirements for healthy food, limit the environmental impact of production methods and consolidate local employment.

Finally, through its employees' solidarity and the support of its foundations, Auchan Retail develops and takes part in local initiatives that focus on developing the health, well-being and healthy eating of disadvantaged young people.

Ceetrus, a diverse company



Business model



Mixed real estate developer

As a commercial real estate company close to its historical partner Auchan, Ceetrus takes care of its properties and develops the attractiveness of its sites by mixing shops, housing, offices, leisure and urban infrastructure.

Incorporating everything that makes the city beyond commerce in its new projects, Ceetrus offers global urban solutions that are co-built with the actors of the area and respond to the needs of residents.

It strengthens its local roots in the heart of communities, by listening and animating neighbourhoods.

Having identified the needs of the area through a process of listening and dialogue with all stakeholders, we co-create and develop tailored global urban solutions that combine commercial areas, residences, offices and urban infrastructure.

As an urban planner of mixed real estate, Ceetrus works to build living spaces connected to the city and ensuring modern urban functions.

**Build
Develop
Restructure**
#Development
#Promotion
#Urbanism



**Operate
Manage
Bring value and functionality**
#Commerce
#Property
#Operation

Going beyond traditional site management (rental charge management, technical wealth management, marketing, lease management), **Ceetrus breathes** life into retail, leisure, cultural and public areas. It invites visitors to enjoy an enriching and different experience, thanks to innovative tailored offers and services.

Ceetrus develops relationships between the different actors in the region and, together with the local communities, injects energy into the areas through dynamic local **projects** and community-related initiatives.

**Arbitrate
Sell**
#Asset



We invest in value-adding projects that promote our 2030 Vision.

As a responsible wealth management company, Ceetrus values and reinforces its real estate assets in order to sustain its quality and enhance its performance.



ECONOMIC SECTION

295 shopping centres under management
2.2 million sq. m. under management
1 Bn visitors per year
10,700 leases



ENVIRONMENTAL SECTION

20.2% drop in electricity consumption per sq m between 2014 and 2018
36% of properties BREEAM certified or in the process of certification
75% of projects are BREEAM new buildings certified since 2012



HR SECTION

1,124 employees
52.8% women managers



SOCIAL SECTION

Around **3,700** permanent or temporary **jobs** created in our shopping centres

5,637 days running community events such as work and environmental fairs, garment collection, etc.

FROM CSR REPORT TO THE NON-FINANCIAL PERFORMANCE STATEMENT

Historically, the CSR policies of Auchan Group, now Auchan Holding, were focused on a limited number of workplace issues that were judged to be most relevant in the light of the company's activities and impacts. In the context of the CSR reporting obligations in Article 225 of the Grenelle 2 Act, Auchan Holding has decided to publish a more detailed report, gradually introducing additional indicators.

The recent transposition to the French law book of the European Directive on the reporting of non-financial information has led to the structure of this report being reviewed, refocusing it on the most important/impactful non-financial issues and risks.

In response to this change, while providing its internal and external stakeholders with adequate information, Auchan Retail's CSR Department has decided to consolidate and build on the various existing work and studies set out on pages 113-114. This summary helps identify "major" and "minor" CSR issues. When a CSR issue reoccurs in at least 2 or more of these 4 studies, we may consider it to be a major theme. The themes identified as major will be the subject of an in-depth focus section. By contrast, themes that only occur once in the work assessed will be treated as "minor" in this document and will be addressed in a more traditional manner. Existing indicators will be presented for these minor themes alongside the significant events during the reporting period. Examples taken from the practices in different countries where the company operates will help illustrate CSR policies.

To simplify reading of the document, CSR themes have been identified for the Auchan Retail scope whose business represents 98,6% of the holding company's revenue. The risks that are specific to Ceetrus are in the process of being identified. Their materiality in comparison with Auchan Retail's risks will be made clear in the 2019 non-financial statement. Oney also prepares its own non-financial statement. For further information, see the company website www.oney.com.

Presentation of the different work carried out

Assessment of Auchan Retail's risks

Auchan Retail's Risk Unit conducted an international risk mapping exercise in 2017. Although it is not focused on non-financial risks, a number of themes identified during this mapping exercise are directly or indirectly related to CSR issues.

Duty of Vigilance Study

As part of its response to the so-called "duty of vigilance" law, Auchan Retail prepared a corporate risk matrix with the help of a firm of expert consultants. The principal residual risks identified during the study have been considered in this summary.

Stakeholder Risk Matrix

This in-house study was carried out between May and July 2018. Each country where Auchan Retail operates was responsible for defining a list of the most significant issues for their stakeholders and ranking them according to 3 criteria: significance, recurring claims from stakeholders, and the degree to which the issue is harnessed by the company.

Responsible Consumption Matrix

The study was carried out between November 2016 and January 2017. A list of 23 issues had been prepared in advance by the Corporate CSR team. These issues were limited to a products scope. The goal of the study was to:

- identify the prominent responsible consumption issues at the national and international levels;
- rank these issues in order to identify agreed strategies and initiatives to implement as a matter of priority.

Analysis of a questionnaire from a non-financial rating agency

The questionnaires from non-financial rating agencies are designed to be customised for each company's business sector. The consideration of the issues identified by these questionnaires therefore avoids any potential omissions.

Feedback from a consulting firm

The advice of a consulting firm was sought in order to identify any potential omissions in the tables presented below, helping Auchan Retail to identify areas where in-depth work was required.

CSR RISK MAPPING

For reasons of readability and to highlight the CSR themes considered to be a priority, CSR risks are summarised in the form of tables that correspond to the 4 main chapters of the non-financial statement. Themes that are highlighted in a special focus section appear in bold type.

Employee Chapter

Theme	Mapping of corporate risks	Responsible consumption matrix	Stakeholder risk matrix	Duty of vigilance risk matrix	Feedback from consulting firm	Non-financial rating agency	Title of relevant sub-chapter
Health, safety and quality of working life	X		X	X			Preventing health-related risks and ensuring workplace safety
Career management	X						Contributing to the personal advancement of each employee
Employee engagement	X						Encouraging innovation and employee engagement
Diversity/ disability			X			X	Promoting the integration of people with disabilities and encouraging gender-based equality of opportunity
Human rights and ILO convention					X	X	Promoting human rights and combating all forms of discrimination

Environment Chapter

Theme	Mapping of corporate risks	Responsible consumption matrix	Stakeholder risk matrix	Duty of vigilance risk matrix	Feedback from consulting firm	Non-financial rating agency	Title of relevant sub-chapter
Climate change	X		X	X			Focusing the company on climate issues
Food waste		X	X				Combating food waste
Circular economy		X	X				Reducing the use of natural and fossil-fuel resources to support a more circular economy
Plastics			X				Sorting and recovering product waste
Waste management						X	Sorting and recovering product waste
Energy			X				Optimising and reducing energy consumption
Environmental management system						X	Developing environmental site management
Pollution					X		Reducing the risk of site operation-related pollution as far as possible

Partners Chapter

Theme	Mapping of corporate risks	Responsible consumption matrix	Stakeholder risk matrix	Duty of vigilance risk matrix	Feedback from consulting firm	Non-financial rating agency	Title of relevant sub-chapter
Business ethics (corruption)	X		X				Tackling corruption
Human rights and ILO convention					X	X	Upholding the general principles and standards of the ILO
Abuse of power during negotiations				X			Making ethics a shared corporate concern
Eco-development of regions		X					Forming sustainable partnerships with SMEs and small producers
Local production		X					Prioritising local sourcing
Fair trade						X	Promoting fairer trade

Customers Chapter

Theme	Mapping of corporate risks	Responsible consumption matrix	Stakeholder risk matrix	Duty of vigilance risk matrix	Feedback from consulting firm	Non-financial rating agency	Title of relevant sub-chapter
Pesticides and organic products		X		X			Increasing the naturalness of fresh produce
Product safety and quality	X	X	X	X			Offering healthy and safe products
Animal welfare			X	X		X	Understanding animal welfare issues
Product traceability		X					Informing customers using blockchain
Data protection						X	Protecting the personal data of customers and employees

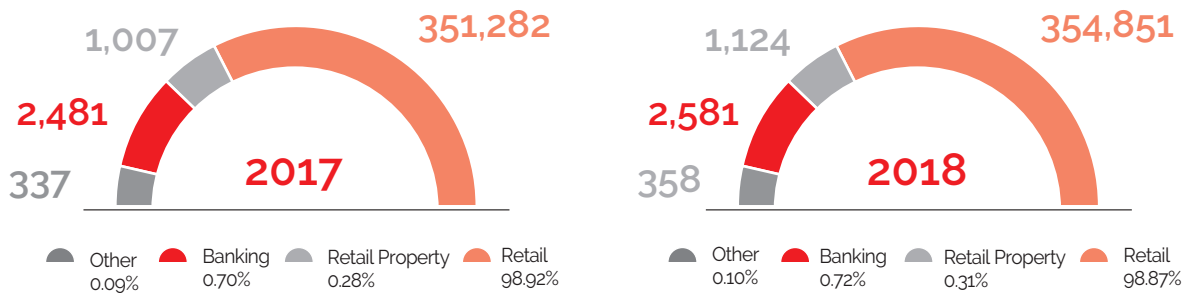
6.2 EMPLOYEE CHAPTER

As major employers, Auchan Retail, Ceetrus and Oney take the responsibility they have towards their 358,914 employees very seriously. Mindful of the importance of safety in the workplace and quality of working life, and eager to forge a trusted relationship with each and every individual, all Auchan Holding entities draw on the diversity of their employee bases to move forward and cultivate a sense of responsibility and sharing.

BEING A RESPONSIBLE EMPLOYER

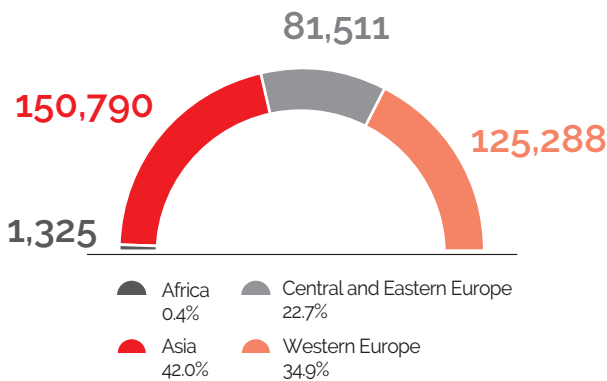
Presentation of the company and workforce

> TREND IN EMPLOYEE NUMBERS BY BUSINESS



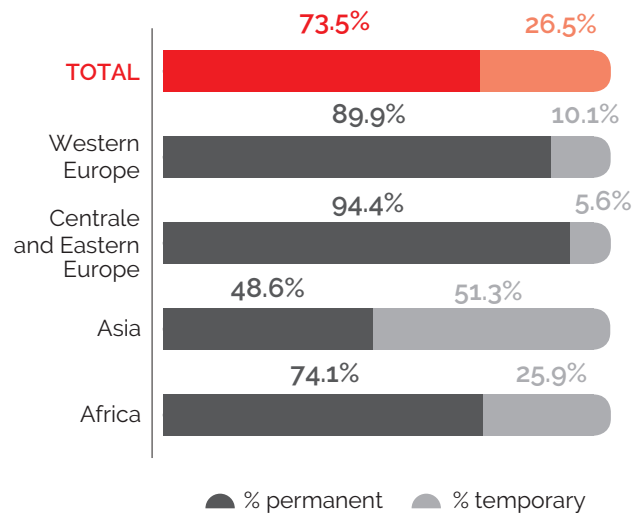
At 30 September 2018, businesses within the Auchan Holding scope had 358,914 employees in their 15 operating countries, representing an increase of 1.1% in employee numbers compared with 2017.

> BREAKDOWN OF THE WORKFORCE BY GEOGRAPHICAL REGION AT 30/09/2018



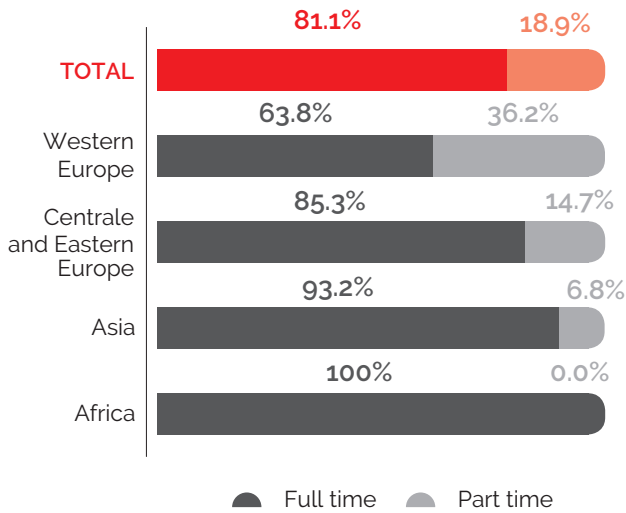
Employee numbers have remained stable, except in Africa, where the workforce increased by 172.6% with the opening of 16 stores during the period.

> BREAKDOWN OF PERMANENT/FIXED-TERM EMPLOYEES BY GEOGRAPHIC REGION AT 30/09/2018



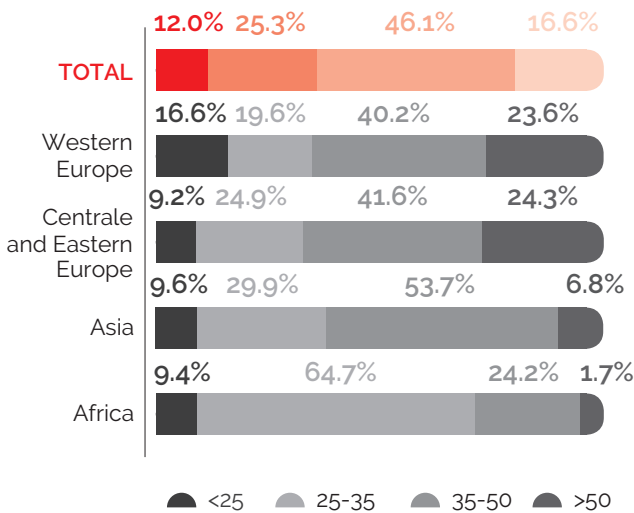
In 2018, the proportion of employees under permanent contracts increased by 3% to 73.5% of the workforce. Despite a 20% reduction in the proportion of fixed-term contract employees in Vietnam, this form of contract continues to be favoured by employers and still applies to more than half of the workforce.

> BREAKDOWN OF FULL-TIME/PART-TIME WORKFORCE AT 30/09/2018



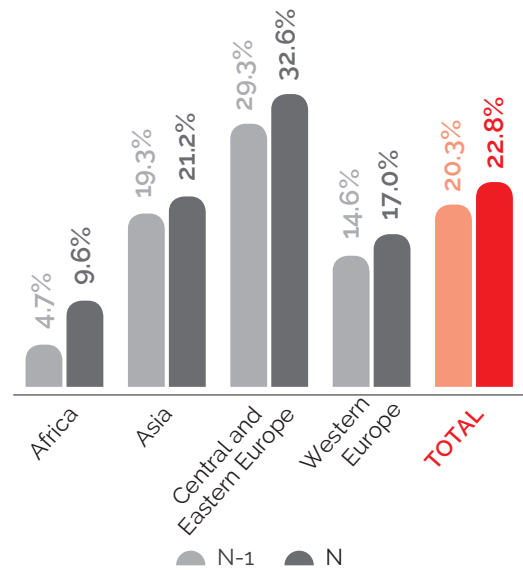
The proportion of full-time employees is stable compared with 2017 (-0.1 point) i.e. 81.1% of employees.

> BREAKDOWN OF THE WORKFORCE BY AGE BRACKET AND GEOGRAPHICAL REGION AT 30/09/2018



Overall, for Auchan Holding, the percentage of the workforce aged 25 and under fell by 1.7% whereas the percentage aged 50 and over increased by 9.1%.

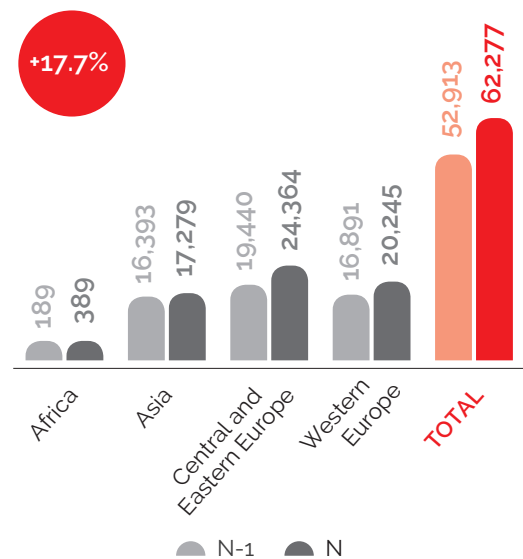
> TURNOVER RATE IN THE PERMANENT WORKFORCE BY GEOGRAPHIC REGION BETWEEN 01/10/2017 AND 30/09/2018



The turnover rate globally rose by comparison with 2017 (by 12.5%). In Romania, however, turnover fell by 14.0% and now stands at 30.9%.

Ceetrus had a turnover rate of 12.9% i.e. 37.0% more than in 2017. Oney saw a reduction in its turnover rate of 0% from 20.8% to 0%.

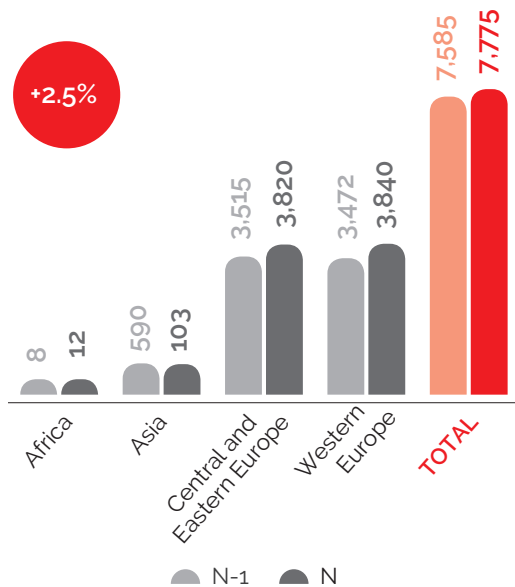
> TREND IN THE NUMBER OF PERMANENT HIRES (INCLUDING THE CONVERSION OF FIXED-TERM INTO PERMANENT) BY GEOGRAPHIC REGION, FROM 01/10/2017 TO 30/09/2018



The number of total hires under permanent contracts rose from 52,913 to 62,277 during the period under consideration. Since 2017, hiring has picked up again, as evidenced by a 17.7% increase in total hires in comparison with the previous year.

This increase is partly explained by the high level of turnover experienced by East European countries such as Poland (up 13.8%) and Ukraine (up 28.9%) and the conversion of Chinese fixed-term contract employees who had been employed for three years into full-time employees.

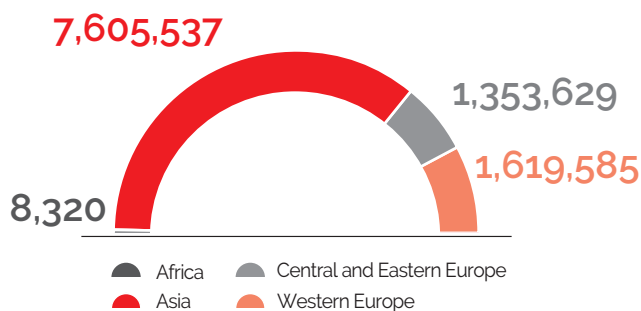
> NUMBER OF DISMISSALS OF PERMANENT EMPLOYEES BY GEOGRAPHIC REGION, FROM 01/10/2017 TO 30/09/2018



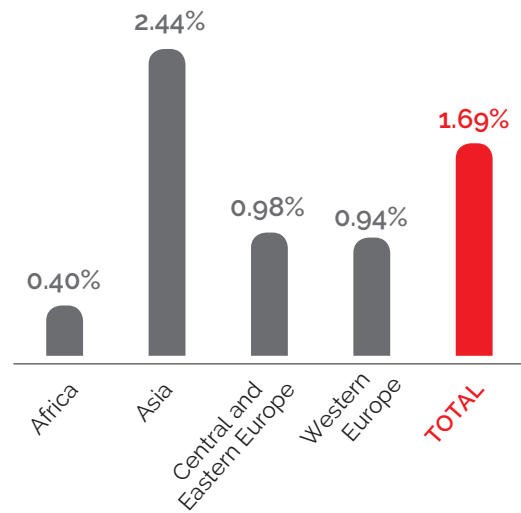
After an increase of 41% of dismissals in 2017, the increase in the number of dismissals was more measured in 2018. In the Asia region, a very significant reduction (-82.5%) should be noted. Several store closures the previous year, particularly in China, had increased the number of dismissals. Overall, for Auchan Holding, dismissal was the reason for 13.2% of the departures of employees on permanent contracts. Resignations represented 67.45% of departures, departures for other reasons (death, dismissals during trial periods) 15.7% and retirements 3.6%.

Contributing to the personal development of each employee

> BREAKDOWN OF THE TOTAL NUMBER OF TRAINING HOURS BY GEOGRAPHICAL REGION AT 30/09/2018



The lack of a comparison with the previous year is explained by a change in the data reporting period.



Training courses that meet the needs of the different core businesses have been developed and dispensed primarily in the areas of: health and safety in the workplace; personal development; improved customer relations and product knowledge; the operation of the employee shareholder system; the induction of new employees; and adapting to digital tools. A number of modules are also being developed to train employees in the various CSR issues, covering both social and environmental aspects.

Mindful of the symmetrical relationship between Auchan Retail and its customers and Auchan Retail and its employees, the "Auchan Touch" project was created in 2018. Its ambition is to convey a passion for the retail business, channel the company's values and establish a specific relationship with the Auchan brand. The Auchan Touch approach is intended to be attentive, authentic and enthusiastic. Through this relationship-based approach, customers should feel welcomed and treated the same everywhere at all times. The Touch employee is "cheerful, energetic, available and has confidence in the customer". To achieve this, a common training programme has been developed. It comprises 2 attendance-based training courses: the "Touch Lab" designed for all employees in order to disseminate Auchan Touch and "Touch Management", to support managers and directors in implementing the project. At the end of 2018, Auchan Touch was being rolled out in 5 countries with a target of 60% of employees being trained by the end of 2019.

Building on the success of its first 2 years, the Auchan Retail's Executive Graduate Programme saw its third intake in 2018. This certified 3-year course is divided into several stages of workplace immersion:

- discovery course: 6 months to learn about the businesses of Auchan Holding (Auchan Retail, Oney and Ceetrus) and their range of departments and divisions;
- people first and customer first: 1 year of in-store experience with 6 months as a department manager then 6 months as a sector manager;
- hierarchical management: 1 year of managerial experience in a business unit, with support from a personal coach;
- international assignment and project management: a 6-month course in a foreign country with the help of an intercultural coach.

Alongside this hands-on experience, the graduates attend an annual academic session run by the Centrale Supélec school of engineering and the ESSEC business school.

By the end of 2018, the Auchan Executive Graduate Program had had 3 intake years with:

- 62 participants (53% women, 68% young graduates and 32% young employees) selected from among more than 10,500 applications;
- 26 international assignments between September 2016 and March 2018 in 10 host countries;
- 14 international assignments planned between March 2019 and September 2019 in 9 host countries.

Welcoming new talent

Auchan Retail, Ceetrus and Oney are developing their relationships with schools and universities in the countries where they operate. Employees visit partner establishments to present their company's core businesses and key features. These events offer many students and young graduates the chance to acquire work experience in stores, to work under work-study contracts or to secure their first job after completing their studies.

In 2018, 5,782 trainees and 4,060 work-study applicants were given the opportunity to acquire professional experience, which was highly beneficial to their training.

On 13 September 2018, Auchan Retail China opened the "Phigital Academy". The purpose of this "store-school" based in Shanghai is to combine theory and practice alongside the country's best employees and as closely as possible to customers and products. The training programmes are in the process of being developed and are based on new learning methods that are consistent with current trends in society.

Ceetrus China has launched a 30-month management programme open to students from a wide international background. Programmes providing a wide range of experiences are on offer so that they develop cross-functional skills. They are supported by mentors and personal coaches, plus e-learning modules to develop the soft skills that meet their requirements.

In Vietnam, Auchan Retail organises store visits in order to present retail occupations to students. Partnerships are signed with local business schools in order to host interns, some of whom will be offered a job. The company also collaborates with the Youth Inclusion Network (YIN), a network of companies working to achieve social integration through support for vocational guidance and the personal development of young populations in vulnerable situations.

In September 2018, Auchan Retail Spain, through its internal social networks, began a community intended to facilitate the internal mobility of supermarket and hypermarket employees.

In addition, in collaboration with the Aragon Institute of Employment, the company is now offering a scholarship to young people under 25 years of age, who are following a 6-month vocational or university programme, to fill in-store supervisory positions.

In addition to supervisory positions, there are many core businesses in which Auchan Retail has a significant need for qualified workers. In most regions in which Auchan Retail has a foothold, internal training bodies or specialised training centres with which the brands have formed partnerships provide training in fishmongers, delicatessen staff, butchers and greengrocers.

Support from tutors, apprenticeship instructors and experienced trainee tutors, following a very precise calendar and approach, facilitates integration and ensures better training for new employees. Auchan Retail Hungary employees, for example, benefit from a sponsorship programme during their first 3 months in the company. The goal of these sponsors is to pass on the expertise they have acquired in their role to the new hires and to monitor them personally.

Auchan Retail has launched the Erasmus programme in order to allow young employees, who want to express their talents in an international setting, to learn from others, discover new skills and have a unique personal and professional adventure during a 6-month period abroad. Behind this experience is the company's desire to open its posts to people willing to move around, regardless of status or experience. To launch this initial version of the programme, 267 applications were examined and 11 were successful.

PROVIDING HEALTH AND SAFETY AT WORK FOR EVERYONE

Improving the quality of working life

Between May and October 2018, Auchan Retail, Oney and Ceetrus conducted their second survey into commitment and satisfaction at an international level (excluding Retail France and Hungary which wanted to postpone their survey until 2019 due to unfavourable local circumstances). The objective of this survey is to understand the level of employee commitment as well as their perception about the major issues feeding into this commitment such as the quality of management, work content or the work/life balance. Following the first survey carried out in 2016, this was an opportunity for each entity to discover what changes had occurred. In addition to the level of commitment, this survey allowed the level of workplace satisfaction to be tested along with the quality and effectiveness of action plans introduced at the level of each site.

In November 2018, Auchan Retail France carried out the large scale deployment of "Lumicaisses" at 40 stores. This innovation replaces the traditional "beep" sound when customers go through checkouts with a light signal, therefore removing one of the most onerous aspects of checkout work. In this way, checkout assistants have a more comfortable work environment, while employees and customers enjoy a more pleasant experience. At the same time, this system makes it easier to recruit people with impaired hearing. Installing the "Lumicaisses" is very easy and commissioning them takes a matter of minutes. All that is required is to install a light sensor and an interchangeable pod. Following a pilot phase at the beginning of 2019, the plan is to deploy Lumicaisse checkouts in all Auchan Retail France stores in the coming months.

Combating vulnerability

The companies within the Auchan Holding scope have long been aware of the need to ensure the welfare and good health of their employees. This is why healthcare and supplemental social security coverage have been introduced in nearly every country where such benefits are not already in place.

With several governments repeatedly withdrawing coverage for certain healthcare costs, a number of entities have taken steps to offer high-quality benefits (healthcare/death & disability) at competitive rates, thereby protecting employees' spending power and their health.

At certain Auchan Retail hypermarkets that have sufficient space, cafeterias serve affordable, balanced meals to staff.

Additional subsidies are granted by the management of some sites and by works councils. These are primarily offered to employees who are unable to return home at meal times (due to transportation constraints).

Some countries offer their employees regular supplies of food products that are sources of vitamins. In Portugal, since July 2018, each Auchan Retail employee has been offered a daily dish of soup. In Romania and Hungary a daily portion of fresh fruit is also on offer. This initiative has been taken up at a local level by some volunteer sites in other countries.

The Pão de Açúcar-Auchan foundation was formed in 1993 by 115 senior staff of the Pão de Açúcar group with a view to promoting a spirit of solidarity and cooperation among employees. This is the first time such initiative to be taken in the Portuguese retailing industry. The foundation provides support in 3 main areas:

- outreach, through which the foundation helps employees who are experiencing family or health problems (divorce, illness, unemployment, etc.);
- tuition subsidies to help finance the education of the children of employees: university scholarships, back-to-school allowances, merit awards, etc;
- holiday camps.

The foundation also opened 2 company crèches in 2010 and 2012. More than 300 children of employees currently attend these crèches.

2018 was marked by an increase in the number of requests for support and contributions.

The Foundation's social action department followed up 156 cases in 2018. In the January to November period, €160,000 were allocated to supporting family or health-related projects. €90,000 were also devoted to supporting education (crèches, nurseries and extracurricular activities). €70,000 to university scholarships and €76,000 was for assistance to 876 eligible applicants at the post summer return to school.

201 children and teenagers of employees went on holiday thanks to the annual "Holiday Fields" programme.

> SPECIAL SECTION

Preventing health-related risks and ensuring workplace safety

The prevention and protection of employees in the workplace in health and safety terms must be supervised. Each employer must therefore take the measures necessary to ensure the safety, and protect the physical and mental health, of their employees.

Articles L. 4121-1 to L4121-5 of the French Labour Code stipulates that these provisions should include:

- actions to prevent workplace risks;
- actions to provide information and training;
- putting in place a structure and suitable resources.

In all of the areas where they operate, Auchan Holding's companies fulfil these provisions and report on them to their social partners or related committees. During the reporting period, no major agreements in this area were negotiated with social partners and existing agreements were signed during previous reporting periods. It should be noted, however, that an agreement on working hours was negotiated with the introduction of telecommuting within the Auchan Retail International scope in October 2018. Flexible working hours were introduced in June 2018 for Auchan Retail Ukraine support services.

Workplace health and safety risks are of a physical, ergonomic and psychosocial nature. In addition to the physical and moral integrity of every employee, the mismanagement of these risks can have notable impacts on the number and rate of workplace accidents, the absenteeism rate or, in a way that is more difficult to quantify, on productivity.

In particular, Auchan Retail is introducing risk prevention systems designed to combat workplace accidents and occupational illnesses.

Some of the main causes include:

- lifting and ⁽¹⁾ manual handling accidents.⁽²⁾
 - Main methods of prevention: training in lifting techniques and the purchase of spring-loaded or load suspension equipment;
- impact-related accidents such as collisions or crushing accidents. Such accidents mostly involve cuts due to incorrect use of box cutters (when opening boxes) or knives in food preparation areas.
 - Main methods of prevention: increased use of suitable protective gloves and re-working of storage/inventory organisation.
- loss of balance or falls, primarily due to slippery surfaces (water, grease around workstation and broken bottles).
 - Main methods of prevention: systematic quick-dry floor cleaning procedure and fitting non-slip surfaces in food preparation areas.

(1) Any action that involves transporting or supporting a load, necessitating a physical effort on the part of one or more persons.

(2) Any movement that involves lifting heavy objects, either manually or with lifting aids.

MSDs⁽¹⁾ also remain by far the most prevalent occupational illnesses due to repetitive movements performed incorrectly at some work stations (mainly goods-handling or badly positioned cash register work).

To limit these risks, training is provided to raise awareness among all the employees exposed to such risks and to teach them the correct movements and postures when carrying out their duties. Specific technical training is also provided. With this in mind, the Auchan Retail Spain supermarkets have set up a special committee. The role of this committee, which is comprised of experts from human resources, the Work Safety Division and union representatives assigned to accident prevention, is to investigate all workplace accidents and to propose measures to reduce their incidence.

Some companies are more exposed than others to safety risks and have therefore gone further in their approach to the issue. Chronodrive has formed a group of "safety representatives" comprising store managers and regional coordinators that meets once a month to analyse statistics and decide on action to be taken, and the best way of presenting their conclusions to all site managers. With respect to prevention, almost one-third of the Chronodrive training budget is allocated to safety training.

The Auchan Retail Russia hypermarkets have introduced a series of initiatives to promote healthy living among their staff, in particular by organising runs, programmes to heighten awareness of the importance of a balanced diet and changes in the menus on offer at the staff cafeteria, with a greater focus on fresh fruit and vegetables. Sports demonstrations are also held during break times to encourage employees to engage in regular physical activity.

As every year for the last 6 years, 72 of Auchan Retail Poland's hypermarkets took part in an initiative to support the national bone marrow donation days. As a result, almost 4,000 employees registered as donors in 2 days. As a result, since the launch of this activity, 130 lives have been saved thanks to the 65,000 registered donors.

Like other countries, Auchan Retail China offers its employees help from health-care professionals in order to carry out health check-ups. In Hungary, blood tests are carried out every year, although by law they are required only every 3 years.

Other additional initiatives such as measuring cardiac stress, eyes examination, lung capacity tests and dietary or healthy living advice are also offered. For example, in Ukraine, an appeal for blood donations is also made to employees every year.

Launched in late 2013, HumaniA, a hot-line support service, provides support for Auchan Retail France's hypermarket employees. Open 12 hours a day, 6 days out of 7, the purpose of this phone service is to help employees looking to find appropriate solutions to the difficulties they face. Accordingly, it provides both psychological support (in the event of a problem at work or in daily life) and social support (clarification, information, guidance and social support) to resolve family, financial or housing problems, amongst others. In the first 9 months of 2018, 400 social workers and psychologists belonging to the HumaniA unit, which covers the whole country, received and processed 1,174 telephone calls, resulting in help for 604 employees.

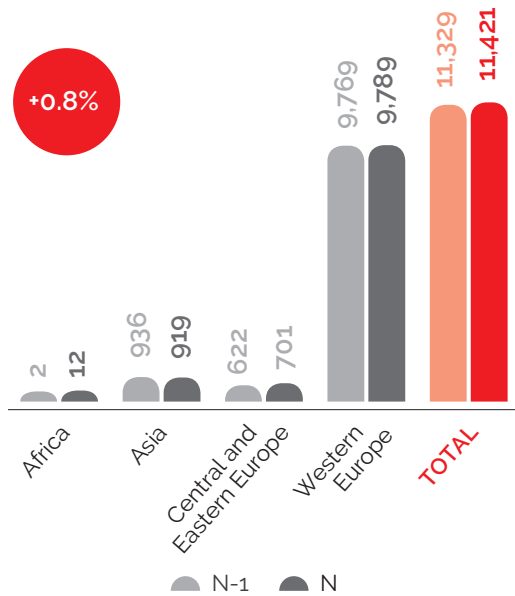
In Spain, the safety and prevention investment scheme forms part of the annual expenses plan of each store. Moreover, Auchan Retail Spain, in addition to the existing procedures of the workplace psychosocial risk unit, signed an agreement with social partners on the prevention and processing of situations of harassment.

The objective of the "Safety Labelling" system in the western region of Auchan Retail France, at the Saint Pierre des Corps logistics site, is to improve employee working conditions and reduce the risk of accidents while facilitating day-to-day work. To meet this objective, the company has chosen to move from wooden pallets to plastic pallets and thereby reduce potential workplace accidents and the development of musculoskeletal disorders caused by repetitive movements (injuries caused by splinters and nails, carrying heavy loads and poor handling). In partnership with the company Smart-Flow, 7 criteria and commitments were established in order to devise this alternative. Plastic pallets, which are half the weight of their wooden counterparts⁽²⁾, are now used by employees in logistics and in-store. Another positive aspect is that rotation cycles are much longer for plastic pallets (35 on average) than for their wooden equivalents (8 on average). In total, 25,000 plastic Smart-Flow pallets are planned to carry out Auchan brand rotation cycles in the Grand Ouest region.

(1) Musculoskeletal disorders.

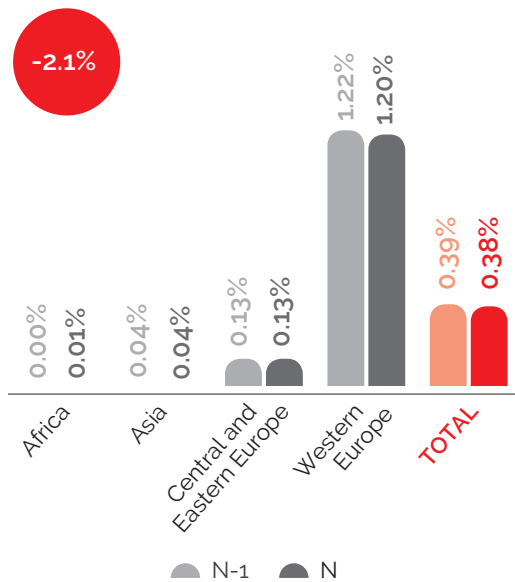
(2) The weight of a wooden pallet varies from 22.5 kg to 27 kg when wet; by using plastic, the weight of a pallet comes down to 10 kg.

> TREND IN THE NUMBER OF WORKPLACE ACCIDENTS BY GEOGRAPHIC REGION FROM 01/10/2017 TO 30/09/2018 ⁽¹⁾



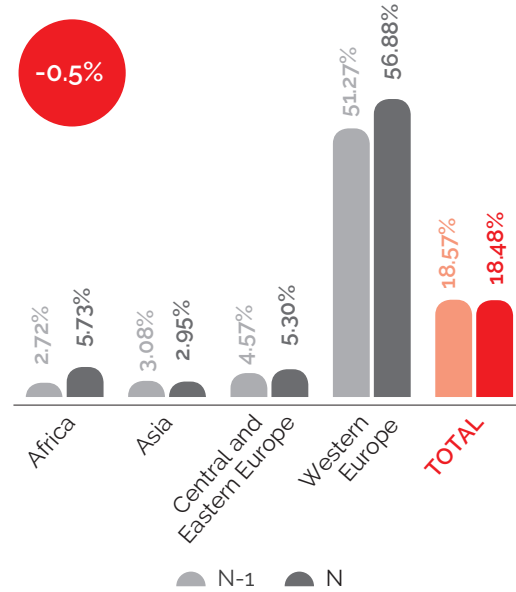
As was the case in 2017, the number of accidents in the workplace varied considerably from one geographic region to another, and was largely unchanged across the Group.

> TREND IN THE SEVERITY RATE OF WORKPLACE ACCIDENTS BY GEOGRAPHIC REGION FROM 01/10/2017 TO 30/09/2018 ⁽¹⁾



The severity rate takes into account the number of lost days due to a workplace accident, including the day on which the accident occurred. The accident severity rate has fallen overall from 0.39 to 0.38.

> TREND IN WORKPLACE ACCIDENT FREQUENCY BY GEOGRAPHIC REGION FROM 01/10/2017 TO 30/09/2018 ⁽¹⁾

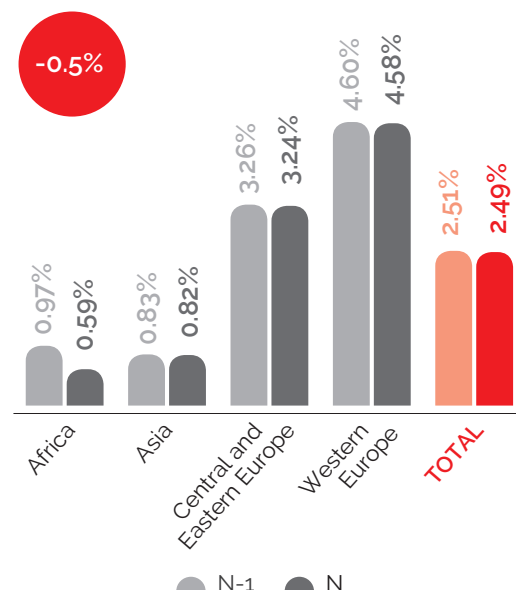


For the purposes of the frequency rate, accidents leading to medical leave of one or more calendar days are recorded as accidents (the day of the accident is not taken into account).

In Romania, the accident frequency rate increased by 1.25 points to 2.58. This was mainly because of the creation of the supermarket format with the opening of 8 stores and employees who were accordingly less experienced.

Despite this increase, it should be noted that the accident severity rate in Romania fell by 0.18 points to 0.05, mainly in the hypermarkets because of work tool maintenance initiatives and the purchase of additional safety equipment for employees.

> TREND IN THE RATE OF ILLNESS-RELATED ABSENTEEISM BY GEOGRAPHIC REGION, FROM 01/10/2017 TO 30/09/2018



⁽¹⁾ Due to an error in the information provided on the number of workplace accidents and the number of work days lost, the 2017 data has been corrected. For further information, see the Methodology section.

The rate of absenteeism corresponds to all hours not worked by employees due (solely) to illness. In Hungary, the absenteeism rate fell by 11% year-on-year. This was thanks to the introduction of preventative actions in the health area (cardiac stress measurement, eye examinations, lung capacity tests, dietary or healthy living advice, and annual blood testing).

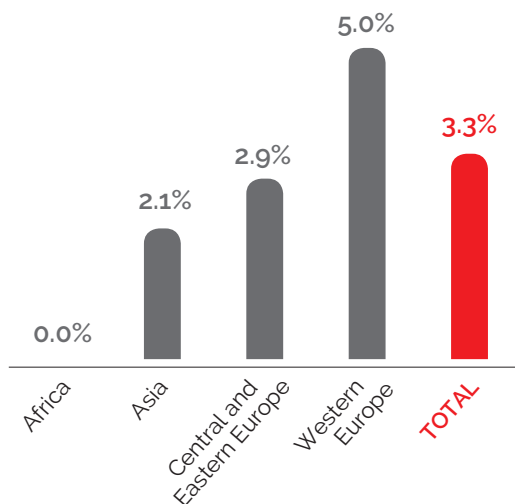
MAKING DIVERSITY AN ASSET FOR THE COMPANY

The daily needs of millions of customers on 3 continents are many and varied. Auchan Retail accordingly relies on its employees whose diversity, a mirror of the local population, is a necessary asset for correctly understanding these same needs. In addition, to fulfil both the expectations of their stakeholders as well as their legal obligations, Auchan Holding's 3 companies are committed to promoting diversity and gender equality. Several hundreds of different roles, the majority of which are accessible without experience or educational requirements, are offered every day on the employment market. To dispel received ideas, training and awareness raising programmes are also delivered to as many people as possible.

> SPECIAL SECTION

Promoting the workplace integration of people with disabilities

> RATE OF EMPLOYEES WITH DISABILITIES BY GEOGRAPHIC REGION AS AT 30/09/2018



A total of 11,676 employees had a recognised disability as of September 2018. They represented 3.3% of the total workforce.

This indicator is a measure of the number of employees with a disability at 30/09/2018 relative to the total workforce across all of the businesses within the Auchan Holding scope at 30/09/2018. The lack of a comparison with the previous year is explained by a change in the data reporting period.

To facilitate the integration of new disabled employees, commitments have been made to adapt work stations (access ramps, information notices in Braille, specially-adapted seats, etc.) or working hours, to train managers to accommodate these employees, and to heighten awareness among all employees with a view to encouraging them to accept differences in others, not forgetting posture-related issues in certain specific situations.

Like Auchan Retail Spain and Ceetrus France, some businesses work with employee representatives and put institutional agreements in place to establish a structure for their integration policies. Under other local agreements, vacancies are offered to job seekers with a disability. This is notably the case with the Portuguese hypermarkets which, with a view to successfully integrating people with disabilities, have formed a partnership with the Employment Centre (an organisation overseen by the national social security body).

In the vast majority of the countries in which it operates, Auchan Retail calls on the services of specialised outsourcing companies in the adapted and protected sector for services such as: the maintenance and cleaning of green spaces, trolley repair or the sale of items designed by people with a disability or involved in a back-to-work or special employment scheme.

In some stores, in order to heighten customer awareness of employees with disabilities, the presence of cash register attendants who are deaf or hard of hearing is indicated by specific signage at the registers. In some countries, such as Hungary or Poland, all employees are offered training in sign language. Since 2000, Auchan Retail Spain has been working in collaboration with the ONCE Foundation, to recruit people with disabilities either to positions of responsibility such as department managers or market managers, or also to positions that do not require particular qualifications.

At Auchan Retail Ukraine, there has been a firm commitment to integrating people with disabilities into the workplace, since the launch of the subsidiary in that country. The statutory quota of disabled employees stands at 4% in Ukraine, but this quota already exceeds 6% at Auchan Retail Ukraine. At the presentation of the "2018 Partnership for Sustainability Awards", organised by the United Nations Global Compact in Ukraine, Auchan Retail Ukraine received an award for its collaboration with the Down Syndrome Association. Initiated by a first grant from the Auchan Youth Foundation in 2012, a very good example of this partnership is a workplace integration project for young people with Down syndrome which began in 2017. In addition to the specific hires in 3 Kiev hypermarkets, no fewer than 500 employees have been directly involved in the project through awareness raising and training sessions.

In addition, deaf or hearing impaired employees are supported in their induction programmes by specialist trainers. This programme has recently been supplemented through the in-store integration of specialist software to translate various ongoing daily exchanges, both with customers and with other employees, into sign language.

The initiative has recently been recognised in the "reducing inequalities" category at the national competition for the best CSR projects in Ukraine, which took place on 18 December 2018.

In France, Auchan Retail's social partners have signed a company agreement to support the employment of people with disabilities. The agreement covers keeping people in employment, awareness raising, recruitment and achieving the statutory level for each establishment. Auchan Retail's French hypermarkets employ 3,998 disabled people, i.e. 7.51% of their workforce. They have been implementing 2 "work-study and disability" projects with AGEFIPH⁽¹⁾ since 2015:

- a first 13-month training programme for people attending an ESAT/EA⁽²⁾ with a psychological or mental disability. 13 participants were awarded a professional proficiency certificate as "level V⁽³⁾ sales employees";
- a second programme, for all job seekers included provides them with training and gives access to skilled professions: fishmonger, butcher, baker, etc.

> **SPECIAL SECTION**

Encouraging equal opportunity

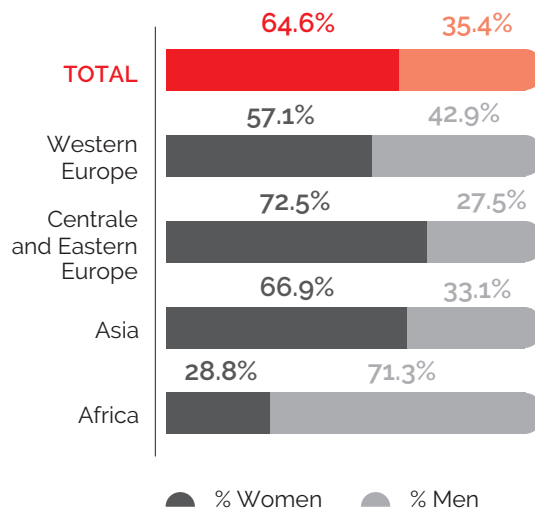
The company boasts a diverse range of businesses and seeks to open up a large number of its career paths to women and men from all backgrounds and with all types of qualifications. Hiring policies prohibit any form discrimination, for example, in relation to gender, age, disability, religion, or sexual orientation.

The company views diversity as a key performance lever. It is the diverse nature of its employees and their different perspectives that enable it to adapt and respond quickly.

The diversity of the teams reflects that of the core businesses, customers, countries and societies in which the entities within Auchan Holding's scope operate.

Some entities develop and devote large policy sections to the fight against all forms of discrimination. All these principles and rules are defined in codes of ethics, internal regulations, training courses and agreements.

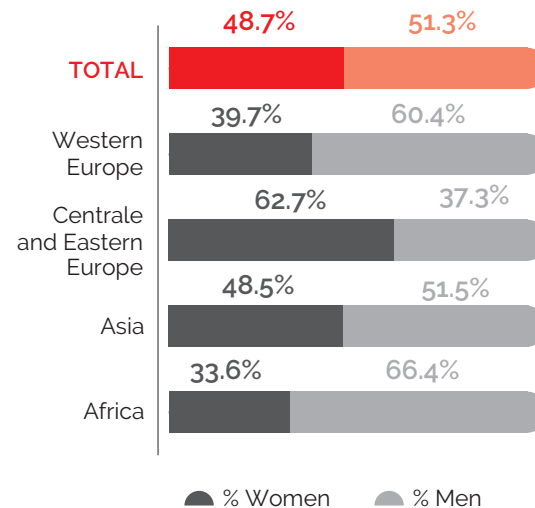
> **BREAKDOWN OF THE WORKFORCE BETWEEN WOMEN/MEN BY GEOGRAPHIC REGION, AS AT 30/09/2018**



The breakdown between women and men remains unchanged in relation to 2017 (64.5% women and 35.5% men).

Central and Eastern Europe stood out in particular, with women making up 72.5% of the workforce.

> **BREAKDOWN BETWEEN WOMEN AND MEN IN THE MANAGERIAL⁽⁴⁾ POPULATION BY GEOGRAPHIC REGION, AT 30/09/2018**



(1) Association de Gestion du Fonds pour l'Insertion des Personnes Handicapées (organisation responsible for collecting and managing the fund for the development of professional integration for people with disabilities).
 (2) Établissement et Service d'Aide par le Travail (centre providing care through Employment)/Entreprise Adaptée (similar to a sheltered workshop).
 (3) Level V professional proficiency provides evidence of a level of training equivalent to that of a technical school certificate or vocational training certificate.
 (4) Manager status is assigned to all employees who have been entrusted with organisational, management or administrative responsibility for a given scope (department, market, sector, store, support service, etc.), working autonomously, with or without managerial authority over others.

Over the period, the proportion of women holding a management position remained stable (1.43% more managers are women on a year-on-year basis). In Luxembourg, the proportion of women managers has increased to 34.64% compared with 31.09% in 2017.

France, Hungary, Spain and Portugal have formalised this commitment under equality agreements or plans with the social partners. The main measures taken concern: hiring equality, work-life balance, promotion, training and communication, while avoiding any direct or indirect discrimination on the grounds of gender.

In 2018, Auchan Retail Spain was recognised by the "El Empresario" media platform as one of the 6 role-model Spanish companies in the area of workplace equality. Indeed, 36% of management positions are held by women and the company has a specific programme aimed at promoting access by women to managerial posts. Since the programme was launched, 59 women have taken part in a training programme and 28 of them have now received a promotion.

In 2017, Auchan Retail France signed a third company agreement with employee representatives to promote professional equality for women and men. This agreement introduced new provisions relating to working hours for pregnant women and for employees whose spouses are pregnant. As a result, pregnant women are entitled to stop night shifts after the fourth month of pregnancy and, after the fifth month, to begin or end their working day half an hour earlier without any loss of pay, as well as managing their working hours in order to attend compulsory prenatal examinations. Under this agreement, the company has committed to taking action that provides a measurable outcome in relation to: access to training, career development, wages, the balance between personal life and work and non-discriminatory hiring practices.

There is notably no wage discrimination between women and men in the vast majority of the countries in which Auchan Retail operates.

In Portugal, Auchan Retail provides all managers with gender equality training. In the event an issue is identified, a mechanism is in place to enable each and every employee to anonymously lodge a complaint or submit suggestions. All year long, there is a strong focus on training women to ensure more equity in leadership positions and to make positions that had traditionally been held by men open to women. Lastly, employees at the Alfragrude and Amadora hypermarkets can entrust their children to crèches and nurseries located within the hypermarkets, 362 days a year, from 7am to midnight.

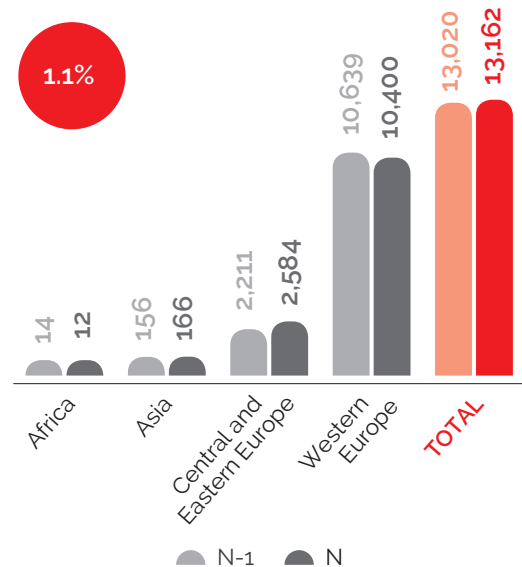
In addition to gender non-discrimination, specific measures have been introduced in the majority of Auchan Holding entities in order to support seniors at the end of their career and ensure that their expertise is passed on. These include a mentoring system, second part of career interview or even the organisation of working time and specific additional medical check-ups (mammograms and detection of diabetes, in particular).

SHARING AND ADVANCING FUNDAMENTAL RIGHTS

> SPECIAL SECTION

Promoting human rights and combating all forms of discrimination

> TREND IN THE NUMBER OF MEETINGS WITH PERSONNEL REPRESENTATIVE BODIES, FROM 01/10/2017 TO 30/09/2018



The number of meetings with personnel representative bodies remained stable compared with 2017. Note that in Ukraine, 592 meetings were held with personnel representative bodies compared with 262 in 2017, an rise of 126%. This increase is explained by the growth of Auchan Retail in Ukraine, particularly with the acquisition of Karvan.

Adopted in 1998, the ILO Declaration on Fundamental Principles and Rights at Work commits Member States, regardless of whether or not they have ratified the relevant Conventions, to respect and promote a number of principles and rights that are grouped into four categories. These 4 categories are:

- the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of forced or compulsory labour;
- the abolition of child labour;
- the elimination of discrimination in respect of employment and occupation.

Auchan Holding's companies have developed their policies and initiatives on respecting this Declaration, the OECD's guidelines and the Universal Declaration of Human Rights of 1948, both in relation to their own activities and to those of their suppliers and service providers (see partners section).

With regards to their own activities, the principal risks of failing to comply with the ILO's Declaration are in the areas of freedom of association and of discrimination. With regards to risks related to child labour and forced or compulsory labour, simple HR procedures (checking identification documents during hiring, recruitment processes, etc.) help to harness this risk very effectively.

To encourage social dialogue and protect the right to collective bargaining, Auchan Retail is setting up structures that comply with national regulations.

In Central & Eastern Europe, employees are chosen locally by trade unions or employee-elected personnel representatives to promote strong messages and formulate specific demands to site management. At the national level, members are elected and sit on the representative bodies of their entities. This is the forum in which topics of major interest to employees concerning the social and economic environment are discussed. Collective bargaining agreements are also negotiated.

In France, there are several bodies, both at the local and national level, that illustrate this dialogue. By way of example, the Central Works Council brings together elected representatives to discuss major cross-cutting issues. It has led to committees being formed to discuss matters such as training, the economy or major projects. Other committees are the result of company agreements: GDI, GPEC⁽¹⁾, generation agreement, disability, etc. At a local level, joint meetings are also held. These include Works Councils in each establishment where there are more than 50 employees and employee delegates once there are more than 20 employees, as well as committees established at a local level when such bodies are provided for in a company agreement.

Proactive political actions have been taken in countries where there is no strict employment legislation and where labour dialogue is not as prevalent as in Western Europe.

In China, Taiwan, Ukraine and Russia, special committees addressing life in the workplace meet between once a month or once every quarter in every hypermarket, depending on the frequency decided for the country. These committees bring together representatives of senior management, managers and employees at the site. All employees are given an opportunity to submit questions, comments or proposals, which are examined prior to committee meetings and included on the agenda. During meetings, corrective measures are identified and objectives set. This is also an opportunity to share information about the company.

In order to extend and strengthen labour dialogue and the information available in each business through its own forums, Auchan Retail decided, after consulting with employee representatives, to establish 2 cross-departmental works councils for its national and international operations:

- **the Group works council** was formed in 2005 and comprises entities that are representative of the French activities of the businesses within the scope of Auchan Holding. The 22 representatives meet twice a year within this particular forum. The subjects addressed include the current economic, commercial and employment situation in the presence of experts. In 2019, this body will be revamped by integrating the new entities resulting from Auchan Retail's reorganisation.

- **the European Works Council** was formed in 1996 and represents the 8 European region countries where the company operates. Its 35 representatives meet in person once a year. In 2018, representatives met in Lisbon in order to find out about corporate culture in Portugal and the shared ambition of discussing topics of a transnational nature in the future.

In order to improve and develop social dialogue on subjects in which social partners are closely involved, a joint CSR Committee was established as a foreword to the plenary session discussions. The objectives announced include reporting more quickly on established CSR policies and initiatives and their results, helping all participants to become familiar with the most important topics identified, discussing/challenging this prioritisation and jointly developing approaches to deliver progress.

The agenda for the 23rd meeting of the European Works Council included: the convergence of business brand names into a single brand; organising the regions into living areas; digitisation and the impact of new technologies; the new Human Resources Director's vision for the company's people-focused approach; and the role accorded to social dialogue.

The effectiveness of a dialogue on such a level is borne out by the interest and enthusiasm expressed by the representatives who sit on the works councils. These people are kept informed of all strategic directions, beyond the scope of their own assignments. This gives them greater insight into their own duties. With this in mind, and with a view to facilitating an exchange of views and opening up a dialogue, the works council representatives are free to pose questions during preparation meetings based on information provided to them beforehand, translated into their own language.

In order to allow the representatives to play their roles fully, the decision was taken to provide social partners with additional resources. These included training on the Council's responsibilities, the provision of an expert for any economic matters, and a half-day pre-meeting attended in person to allow the social partners to hold discussions between themselves (and without language barriers) ahead of the Council meeting.

Encouraging innovation and employee engagement

The company's success is inconceivable without the talents, individual initiative and innovative capacity of every employee. Auchan Retail, Ceetrus and Oney have traditionally given every individual, whether they are a manager or an employee, the chance to suggest new ideas, try them out and receive support in implementing them whether on a small or large scale. In 2011, this led to the launch by Auchan Retail France of a global participatory innovation programme, "Creative Attitude".

2018 saw the Creative Attitude approach renewed. At the request of the countries where Auchan Retail operates, a new international idea creation portal has been opened, accessible through the internal network. An initial collaborative workshop in January defined its features before it entered service in the spring.

(1) Personal development framework and forward employment and skills management plan respectively.

A second international working meeting was held in Kiev from 10-12 October 2018 in order to add a module named "Copy Attitude". The module helps to highlight local innovations and best practices that generate the creation of value and that can be reproduced elsewhere while identifying and rewarding the employees behind them. At the beginning of 2019, all of Auchan Retail's country entities undertook to provide 10-20 "success stories" (innovations/best practice already successfully introduced locally). Their functionalities will accordingly be operational and visible to everyone in the spring of 2019.

For its part, Auchan Retail Portugal has organised its third "Creative Expedition". This event allowed 26 young talents to leave their daily lives behind in order to visit other companies and discover other methods. The participants ultimately shared their findings, based on a "brand ambassador theme", with Auchan Retail Portugal's management.

In June 2018, the CSR teams at Auchan Retail France organised an initiatives challenge for the circular economy. The following received awards:

- the St Omer store for its "battery collection from schools" project, a local challenge rewarding the schools that were the most committed with the help of multimedia tools (1,200 pupils in all);
- the Beauvais store for the "hen that lays the golden egg", with the installation of a chicken coop at the store where hens were fed with fruit and vegetables or bread that would otherwise be thrown away. The eggs were then sold in-store in order to raise customers awareness of the need to combat food waste.

Motivated by a healthy competition spirit, Auchan Retail Spain will organise a similar event for its own business.

As a means for companies to recognise their employees, if it is attractive, compensation is also a major way of engaging people. Each entity is responsible for applying its remuneration policy within its own economic, legislative and regulatory context, and within the framework of a shared commitment and shared values. Overall remuneration aims to be attractive, with a fixed portion in line with market practices, an individual variable portion dependent on the employee's performance, and a collective component. The remuneration systems also include various benefits adapted to the local context, which address, in particular, healthcare and death/disability benefits for employees and their families.

Policies centred on sharing, cultivating a sense of team spirit, belonging and pride in one's work, have been in place since 1977 and are used as a lever used to improve performance. They connect employees more closely to business activities through rewards in addition to compensation that are based on the results achieved at site, national and/or global level. Employee shareholding is one of these mechanisms, which is deployed in 9 countries, and tailored to the local structure of Auchan Holding's companies. At 30 September 2018, there were 261,743 employee shareholders, or 92.6% of eligible employees.

6.3 ENVIRONMENT CHAPTER

The various activities that the Auchan Holding businesses engage in have an inevitable impact on the environment, given that millions of customers visit stores and shopping malls every day. Each entity therefore strives to limit its environmental footprint in an effort to better safeguard the world's natural resources and common goods.

DEVELOPING THE GOVERNANCE OF CSR POLICIES AND LOCAL ENVIRONMENTAL PROTECTION

Governance of CSR policies

Since the end of 2008, sustainable development policies have been written, implemented and monitored by the international CSR Committee. This committee is chaired by Patrick Coignard, CEO of Auchan Retail Spain, and is made up of CSR Managers from each of the countries in which Auchan Retail operates as well as experts in different fields (quality, technical departments, compliance, etc.). The members hold a conference call every month as part of a joint effort to make headway with key company objectives and to share best practices. The network is coordinated on a daily basis by the Corporate CSR team.

In 2017, all countries formed their own national CSR Committees in order to structure the policies of the company and roll out the main areas of work undertaken by the international committee. Depending on their resources and their maturity level, the Auchan Retail businesses adopt different types of structure to promote CSR on a daily basis.

To empower as many of our employees as possible worldwide as to CSR, each country Executive Committee has defined 3 flagship commitments to be achieved by 2020 at the absolute latest. Each country acts as a guarantor in relation to the management and monitoring of its commitments and must report on this to its CSR Committee.

In addition, the Corporate Product Division has made a commitment that by 2025 it will have:

- reduced its packaging by 50%;
- ensured that all of its timber products are PEFC or FSC certified.

Improving site environmental management

Auchan Retail's entities have plenty of scope to employ the management systems and certification methods they feel are most appropriate. In 2018, 19 hypermarket and 5 Ceetrus shopping malls were ISO 14001 certified. This certification is based on the principle of continuous improvement in environmental performance by controlling the impact associated with company activity. In addition, Auchan Retail France's hypermarkets are ISO 50001 certified, in recognition of the energy performance improvement processes introduced.

Ceetrus has been committed since 2011 to systematically incorporating the BREEAM NEW BUILDING environmental certification in its major development projects, and to increasing the proportion of its estate certified BREEAM IN-USE.

The BREEAM New Building certification aims, through a classification system, to reduce the environmental impacts of construction sites and, in particular, their impacts on water and biodiversity, the waste produced and construction materials used. The future environmental impact of the building is also considered in order to promote environmentally friendly modes of transport and reduce water consumption, in particular through rainwater recovery systems. To date, development projects with a surface area of almost 320,000 m², which opened this year or are under construction, are in the BREEAM NEW BUILDING certification process or already certified.

For shopping centres already in operation, Ceetrus is extending the use of the BREEAM IN-USE certification, with more than 40% of its portfolio by value presently certified or in the process of certification.

In addition to this certification approach, Ceetrus has drawn up and applies its own environmental quality charter to all of the European countries, both for existing sites and new development projects. This charter defines the architectural and landscape requirements and recommendations and integrates the same criteria as the BREEAM certifications referred to above.

Reducing the risk of site operation-related pollution as far as possible

For the stores, the principal risks of environmental pollution are related to the leakage of refrigerants causing air pollution, and the operation of service stations in terms of soil and water pollution.

Service station operations are monitored particularly closely and regular investments are made to prevent any risk of pollution. The sale of fuel, which is largely covered by local regulations because of the potential environmental and safety hazards, is delegated in many countries to specialist distribution companies whenever the local expertise of Auchan Retail's employees is unable to provide a minimum equivalent guarantee of protection.

The only significant use of HCFC⁽¹⁾ refrigerants that are harmful for the ozone layer is in Asia where R22 still represents 51% of refrigerant refills. However, ongoing changes in refrigerants has enabled an overall 7.9% reduction in R22 refills in 2018. Anticipating future regulations in relation to HFC refrigerants, in 2018⁽²⁾ Auchan Retail's Technical Department launched a huge cooling system decarbonising project in all the countries where it operates.

The project aims to deploy smart leakage detection sensors on cooling plants, enabling any leaks to be identified quickly and their impact to be reduced. For European Union countries affected by the F-gas directive, the introduction of smart detection sensors comes in addition to switch-over operations to refrigerants with lower global warming potential (GWP). For the most recent cooling plants that have not yet been written down financially, the most harmful refrigerants will be replaced by R448A, which has a GWP that is one third that of R404A. R448A also has the advantage of improving the energy

(1) Hydrochlorofluorocarbons

(2) Hydrofluorocarbons

efficiency of refrigeration systems and leads to a reduction of around 10% in the energy used by the plants.

This programme to renew refrigerants in cooling systems has led to an appreciable reduction in R404 refills (-8.9%). On the other hand, refills using R448 and R449, introduced to replace R404, have increased sharply (up by 92% and 89% respectively).

R744, which is another replacement option and has a GWP of only 1, continues to be rolled out at sites where it is financially profitable and technically suitable. Although there has been no appreciable change in R744 refills (-0.9%), this is explained by the absence of a legal obligation to monitor this refrigerant which does not present risks for human health or the environment.

The introduction of smart detection sensors and refrigerant exchange operations accounts for a 4.8% reduction in the volume of refrigerant refills in 2018.

Protecting biodiversity on and around commercial sites

In order to reduce the impact on the environment and biodiversity, Ceetrus integrates buildings within their environment as far as possible, through choosing suitable land and limiting urban sprawl. The land is built on sparingly to limit soil sealing and to take the risk of flooding into account. Where sites are involved in a BREEAM certification process (see above), the involvement of an ecologist allows optimum solutions to be studied in order to reduce as far as possible impacts on local biodiversity.

Particular attention is paid to car park layouts when a new site or renovation is being designed. In Luxembourg, Auchan Retail has stopped using pesticides and all green spaces are weeded by hand. In Hungary, the Fot and Obuda stores replanted some of the green spaces around the car parks, incorporating stretches of grass and species of local plants.

In France, Ceetrus has entered into a philanthropic partnership with the League for Bird Protection and consequently takes part in a biodiversity discussion club with its partners. Ceetrus is also introducing biodiversity reserves at its undeveloped land and its offices.

In the direct surroundings of its commercial sites, Auchan Retail and Ceetrus are working to promote urban farming. For these 2 companies, urban farming has the advantage of producing foodstuffs, protecting a site's biodiversity, while the whole project contributes to the circular economy by using organic waste from the stores. It is also a way to derive a benefit from unused urban space by using it for healthy eating demonstrations, gardening classes, etc.

A number of urban farming projects have already been developed, in particular the "Green Ring" at the Volgograd shopping mall in Russia. This project has enabled an unused developed zone to be turned into a sales area with established vegetation, resulting in the creation of a garden for employees, an orchard and vegetable plot. The harvested fruit and vegetables are shared during team meals. For the customers, a pathway lined with fruit trees and a rose garden have been created at the entrance to the mall. "Sous les Fraises", the leading urban farming company in France, has partnered Ceetrus and Auchan Retail France to develop its first rooftop garden in the Lyon area. Mixing urban farming and out of the

ordinary experiences that are open to the public and to hypermarket and shopping centre employees, this space is intended to become a place of work, relaxation, learning and discussion, welcoming the residents of the town of Caluire and its surroundings. Located on the car park roofs, this 3,500 m² of space includes a vertical permaculture system covering more than 1,700 m², allowing 120 varieties of fruits, vegetables and herbs to be cultivated.

In addition, environment clean-up events are organised in several countries where Auchan Retail operates in order to protect biodiversity outside of commercial sites. For the seventh consecutive year, Auchan Retail Ukraine took part in the "Let's Do It" event organised by the "Clean up Ukraine" NGO. On 15 September 28, 250 employees accordingly collected waste in 12 different green spaces, representing around 1,000 hours of work. Since 2011, Auchan Retail Spain has been partnering the WWF in a forestry restoration project in the Tembleque area (close to Toledo). Between August 2017 and September 2018, 800 new trees were planted by around 100 employees. Since 2014, in order to protect forests and their biodiversity, Auchan Retail Portugal has been involved in the ECO movement. This initiative brings together several companies, institutions and public bodies with the objective of preventing and combating forest fires.

In 2018, Auchan Retail Romania wanted to make consumers aware of and responsible for protecting and preserving nature by co-producing the documentary "Wild Nature in Romania", working jointly with the NGO European Nature Trust. Aimed at the general public, the film presents changes in Romanian wild plant and animal species during the different seasons along the Danube and in the forests of the Carpathian Mountains, which are some of the last virgin forests still to be found in Europe. Having reached an audience of more than 80,000 people in Romania, the film's success has stretched beyond the borders of Romania with its screening as part of the international Environmental Film Festival in Washington and rights have been purchased in several countries worldwide. It's takings will be redistributed to the Carpathians Conservation Foundation.

PROMOTE A MORE CIRCULAR ECONOMY AND IMPROVE WASTE MANAGEMENT

> SPECIAL SECTION

Reducing the use of natural and fossil resources for a more circular economy

Large companies are experiencing increasing tensions over resource depletion, which can result in supply and demand volatility.

The Global Footprint Network estimates that the world's population uses 1.5 times the planet's renewable resources every year. One of the major collective and individual challenges of the 21st century is to avoid waste and reduce the amount of energy needed to produce the goods and the waste they generate. In contrast to the prevalent linear economy, the circular economy aims to ensure that non-toxic products as long as possible, and that at the end of their lifespan, these products, as well as the materials that compose them, are reintroduced into the early stages of the production cycle of new goods.

As a distributor, the main resources Auchan Retail can directly provide a second life to are the packaging materials used in transporting goods. These are mainly cardboard and flexible plastics. Stores participate in the recycling of these materials

by sorting and recovering a maximum of the waste they produce. However, stores' sorting capacity varies significantly depending on the size of their sites and the local recovery industry (for more details, see below).

Tonnage of recovered waste

	Western Europe	Central & Eastern Europe	Asia	Total 2018	
Retail	Hyper	219,580	103,929	153,200	476,711
	Super	39,784	10,518	N/A	50,303
	Drive-throughs	2,634	N/A	N/A	2,634
Ceetrus	6,333	620	N/A	6,953	

Between 2017 and 2018, the weight of waste recovered in stores and shopping centres increased by 0.1%, that is 568 tonnes.

Ceetrus recorded a significant increase of waste recovery (+26% in Central and Eastern Europe and +3% in Western Europe). However this increase must be looked at in context as probably explained by a better separation of the waste in shopping centres and in hypermarkets.

Waste recovery in Asia is increasing rapidly, with an 8% increase. In contrast, waste recovery has decreased slightly, by 1%, in Western Europe and by nearly 4% in Central and Eastern Europe. This is mainly due to the trade difficulties prevailing in some countries, including Russia. To reduce the waste of fresh products at stores, orders have been reduced and, accordingly, so have the orders of cardboard and plastics that can be recovered. It should also be noted that the price of the main recoverable materials (cardboard and flexible plastics) fell significantly in Europe in 2018, which reduces the economic incentive for stores to optimise waste sorting.

Supermarkets recorded a 12% drop in the tonnage of recovered waste in 2017-2018. The difficult access to waste recovery logistics, especially in Central and Eastern Europe (-28%) should be taken into account.

In some countries, stores have implemented special means of recovering operating waste. For example, French hypermarkets offer reusable bags (85% recycled bags), made from recycled flexible packaging used for goods deliveries in stores. As part of its "Plastic Challenge", Auchan Retail France plans to recycle 100% of its operating plastics by 2025, in particular by strengthening the recycling of PEBD plastic films⁽¹⁾ and gradually sorting coloured plastic from colourless plastic, in cooperation with suppliers.

In addition to the resources that may be obtained from store operating waste, Auchan Retail promotes the circular economy among its customers. Auchan Retail does so by collecting a part of its customers' waste at the stores and re-inserting them again into the circular economy cycle or forwarding them for recovery (see below).

Tested and implemented for over 10 years, the recycling operations collect clothing, schoolbags or even eyeglasses, usually for the benefit of non-profit organisations and/or in exchange for coupons clients can use in stores. Auchan Retail stores in Poland have carried out awareness campaigns on the circular economy, in partnership with Henkel and an environmental non-profit organisations. These campaigns raised awareness among Polish hypermarkets' customers about the preservation of natural resources and how they can contribute to the circular economy. The sharing of the campaign on the internet and on social networks has provided access to 5 million viewers.

During weekends in November, workshops called "The Repairables" were organised at Auchan Retail France hypermarkets, with the support of the nearest Auchan Services repair centre activities. Their goal was to raise awareness of the importance of recycling and repair, and to provide advice on how to keep devices for longer.

Since 2015, Auchan Retail France has also developed a partnership with Roxane, the company that markets the bottled water "Cristaline". Empty plastic bottle collection kiosks have been installed at Auchan Retail France hypermarket car parks. Consumers are encouraged to return their empty bottles in exchange for a symbolic reduction coupon, thus placing them at the heart of the recycling scheme. Once recollected, the bottles are shredded on-site, so that truck collection and greenhouse gas emissions are reduced. The plastic pieces are then transformed into recycled PET pellets (R-PET) for the production of new water bottles. In 2018, new sites were equipped with these machines. 70 collection points are already installed, which has allowed the collection of 23 million bottles (or 600 tons) in 2018. By 2020, Auchan Retail France aims to have recycled 100 million bottles since the project was launched.

Sorting and Recollecting Operational Waste

Sites (hypermarkets, supermarkets, shopping malls and logistics centres) generate various types of waste. The main types of waste produced by stores are:

- secondary packaging (product packaging cardboard, packaging plastics and polystyrene);

(1) Low-density polyethylene.

- organic waste from out-of-date food or leftovers from food preparation;
- to a lesser extent, scrap metal and wood (crates).

Waste recovery is expanding each year, as the stores and logistics sites find appropriate systems. The main form of waste recovery by far is recycling, which accounts for between 60% and 100% of recovered tonnage.

Next is methanation, composting and the recovery of waste in the form of electricity and/or heat, which the vast majority of Auchan Retail stores only use as a secondary method.

Depending on the country, sorting and recovery rates and the reliability of reported information can vary significantly. This can be due to a variety of country-specific problems:

- regulations and the existence or lack of official recovery circuits;
- the profitability of sorting certain types of waste such as biowaste, for which it is proving difficult to establish a system;
- the fact that there are no methanation procedures in place in many countries;

For supermarkets and convenience stores:

- waste management is often provided by local municipalities which, with few exceptions, does not provide information on the destination of the waste collected by them;
- a lack of space for sorting and for installing composters;
- to optimise the recovery of plastic and cardboard in small stores in some countries, waste is sent to logistics centres on the trucks that deliver goods to those stores, in order to be collected there. The cardboard and plastic is then recovered by specialised providers. This virtuous practice, however, makes it impossible to keep a store-by-store record of waste data.

In 2018, waste recovery was also impacted by a 40-point fall in the price of paper and cardboard compared to 2017. Moreover, flexible plastics do not represent a source of income any more, except under very strict quality and transport conditions. Despite this difficult economic context, Auchan Retail strives to promote sorting on each site. In most countries, for example, revenues from the resale of cardboard and plastic are included in store revenues, which, through the distribution bonuses, incentivises employees to participate in waste recovery.

Waste recovery rate

	2017	2018	% change
Hypermarkets, Western Europe	85.8	85.7	(0.1)%
Hypermarkets in Central and Eastern European	46.8	49.1	5.1%
Hypermarkets, Asia	58.6	60.5	3.2%
Ceetrus	30.5	35.7	17.2%

The hypermarket waste recovery rate reached 65.8%; an increase of 1.7 points. This increase was mainly due to Central and Eastern Europe and Asia. The waste recovery rate in Western Europe remained stable overall (-0.1 point).

In China, the waste recovery rate increased for both Auchan Retail and RT-Mart. The waste recovery rate in Taiwanese hypermarkets also increased significantly, by 9.7 points.

In Central and Eastern Europe, the decline of waste volume in Russia, where the waste recovery rate is low, contributed to the overall rate increase in the area.

For Ceetrus, the waste recovery rate rose by 5.2 points to 35.7%. This increase, concentrated in Western Europe, must however be put into perspective given the limited number of sites where a separation of waste from the shopping centres and the store is effective.

Since 2013, Auchan Retail Spain has run a "0-waste" program, in collaboration with a specialised partner "Saica Natur". In this way, materials that were intended for disposal have been reintroduced in the circular economy. The cardboard is recovered to produce recycled paper, polyethylene is converted into plastic granules, inert waste is recovered as energy fuel and organic waste is turned into compost or

bioenergy. At first, this plan was deployed in 12 centres in Madrid. In August 2018, 2 hypermarkets in Catalonia and Valencia achieved the goal of no longer using landfills. 7 other Spanish hypermarkets are currently pursuing the same objective.

In 2019, every Auchan Retail Taiwan employee, will follow a training module on waste recovery in order to raise awareness of the economic and environmental impacts and the role that each person can play in optimizing the sorting chain.

In Luxembourg, Auchan Retail has developed a system to recycle crates. Started as a cost centre, it now represents an annual profit of around €4,000. Auchan Retail France is studying the possibility of developing a system to recycle the crates used in its Parisian stores, as fuel for a biomass boiler. The pilot boiler on the Sarcelles store demonstrated the economic viability of the project.

Auchan Retail Romania has partnered with a unique company specialising in the recovery of cardboard, polyethylene and paper waste, which provides stores with human and technical resources in order to recover 80% of the recyclable waste. All other waste remains treated through contracts with local or regional partners.

The central services of the different countries are also trying to give a second life to their waste, most often through the recycling of paper. Auchan Retail China is committed to donating 90% of its replaced IT equipment to NGOs or social economy organisations for repair and reuse.

To improve waste recovery when this is not managed by the store, Ceetrus conducts activities on waste recycling through local non-profit organisations. Training sessions are also organised for service providers (maintenance, security, etc.) and the various retailers at the mall.

Accompanying Customers in Sorting Their Waste

Batteries, light bulbs, plastic bags, household appliances and recyclable packaging should not be disposed of with household waste. To avoid the risk of pollution, Auchan Retail and Ceetrus have installed waste sorting solutions at the entrance of their stores to encourage waste sorting by customers. They can bring products requiring special treatment, including bulbs, batteries and ink cartridges.

In Spain, 60 eco-parks have been installed in Auchan Retail supermarkets, like the 28 others already existing in hypermarkets. Customers can return small household appliances as well as light bulbs or other light tubes. In partnership with Ecotic and Ambilamb, a new web page was created on the Auchan Retail Spain website to guide customers to the main collection points, whether it be the ones available in stores or the other 1,800 managed collection points administered by the municipalities. In France, more than 365 tons of batteries were recovered during an exceptional recovery operation launched by stores.

In some of the countries where it is present, Auchan Retail also collects more specific waste such as cooking oil, particularly in Western Europe, or even major household appliances (refrigerators, washing machines) in France and Taiwan. In Portugal, Auchan Retail collects coffee capsules, in collaboration with the Nespresso, as well as corks. The result of these local collections are regularly communicated to customers in order to encourage them to continue their eco-citizen actions.

Ceetrus's European shopping centres all have multi-compartment bins to promote selective waste sorting by their visitors. In Italy, Auchan Retail is working with Humana People to People to collect second-hand clothing from customers for recycling. In 2018, 367 tons of clothing were collected thanks to the 62 machines installed in hypermarkets and supermarkets.

Reducing the environmental impact of plastic bags

To reduce the risk that plastic bags available at stores are disposed of in nature, Auchan Retail is working to stop distributing them for free at the cash register. Only 2 countries have not completely stopped this practice:

- Ukraine, where free plastic bags are available only to customers who so request;
- Vietnam, where stores are nevertheless working on eco-friendly alternatives.

Auchan Retail are now offering cost-effective solutions that are more respectful of the environment in every country where they are present. In China, woven polypropylene bags made of limestone powder are sold at stores. These bags decompose in 6 months under the effect of the sun. In Italy, hypermarkets offer bags made from corn starch. In Poland and Hungary, hypermarkets distribute bags from recycled PET bottles. The Spanish hypermarkets sell bags manufactured from potato starch, which are biodegradable and compostable. Since 2018, Auchan Retail Romania has introduced 2 types of corn based biodegradable bags of less than 5 microns.

In France, at the same time as offering recycled bags, Auchan Retail collects all kind of used plastic bags from its customers, in order to integrate them into the chain co-developed with plastics SME TTPLAST.

Auchan Retail stores in Taiwan have completely stopped selling reusable plastic bags and offer only tote bags to their customers.

In 2019, a working group composed of experts in different fields will study eco-responsible alternatives to thin plastic bags used for fruit and vegetables and fresh produce, and will also consider the technical possibility of offering customers the option of using their own bags.

FIGHTING AGAINST ALL FORMS OF WASTE

> SPECIAL SECTION

Fighting Against Food Waste

One-third of the world's food is thrown away, i.e. 1.3 billion tonnes. According to the French Ministry of Agriculture, food waste is "any food intended for human consumption which is lost, thrown, degraded at a stage of the food chain". The causes of food waste in households vary and are in particular related to the loss of the symbolic value of food and its share in households' expenses in comparison to other expenses and activities, to the changes in society and family organization, to changes in eating habits and to changes in lifestyle. However, in addition to this individual responsibility, food waste can be found at all stages of the food chain and concerns all actors of the food chain: production, processing, distribution, catering, shipping.

Food waste reduction is faced with a three-fold challenge:

- environmental: food waste is a cause for high greenhouse gas emissions because of the energy required to produce, process, preserve, pack and transport food. It also causes considerable waste of natural resources, including water;
- economic: food waste is inevitably also a waste of money, and the costs are significant;
- ethical and social: throwing food away is all the more unacceptable in the context of a global food crisis, but also in the current social context of each country.

Auchan Retail acknowledges its responsibility and several axes of work are being developed in all countries where it is present.

Measuring waste

The first step in reducing waste is to be able to measure it and hence identify appropriate areas in which improvements can be made. In Portugal, for instance, a special indicator has been put in place as part of the "Zero Waste" plan. It enables measurement of losses due to food waste, water and energy consumption, refrigerants, etc. per store. The known amount of breakage and the amount of food donations are thus taken into account in this indicator. The related financial losses can be calculated as a result of these 2 measures and specific optimisation ideas can be suggested to each hypermarket.

In France, Auchan Retail participates, via the Commerce and Industry Federation, in the working group on "indicators, measures and evaluation" of food waste. It is part of the new National Pact for the fight against food waste. This new pledge pursues the objective set in 2013: to halve food waste by 2025. The first pact having provided an inventory of the losses associated with food wastage, the working group now aims to define measurement tools, to evaluate the measures taken and their impact.

Cutting down on waste

A number of measures are then applied to reduce the quantities of discarded products. Stores in a number of countries also apply promotional offers to items with short use-by dates. This is notably the case in Hungary, where particular attention is paid to fresh fruit and vegetables, which account for a large proportion of discarded products. Thus, when these products are approaching their expiry date, they are sold at a 30 to 70% discount on the initial price.

To avoid throwing away products, ordering the right amounts is a key issue. The Auchan Retail Romania teams have begun constructing a new logistics warehouse in Bucharest. The 70,000 m² warehouse will be completed in 2019 and will facilitate the transfer of goods from supplier to store. Orders will be centralised to ensure that stores receive just the right amount.

In 2018, Auchan Retail France partnered with the French start-up "Too Good To Go". Engaged in the fight against food waste, Too Good To Go partner stores offer consumers short, low-cost baskets of products. Every day, each store posts the number of baskets available for sale on the Too Good To Go app. Consumers reserve these baskets online before picking them up at an indicated time. Since the beginning of the year, 92% of the baskets posted online have been sold, making over 23,000 baskets "saved" from waste. More than 50 Auchan Retail points of sale are currently part of the community.

Donating food

To the extent allowed by the laws of the country, the vast majority of Auchan Retail stores in Spain, France, Hungary, Italy, Poland, Portugal, Romania, Luxembourg and Taiwan distribute their food donations through local non-profit organisations and

food banks. To cover the needs of non-profit structures, specific operations are organised in order to associate the customers with solidary collections. In 2019, Auchan Retail Spain was awarded the "Épi d'Or" award for its growing involvement with the Spanish Federation of Food Banks, praising its logistical mobilisation.

Given the lack of reliable and organized chains, other countries provide food donations to organisations that house animals such as zoos, farms, etc. This is the case in Ukraine; in 2018, more than 600 tons of food donations were distributed by the country's 11 hypermarkets.

Heightening awareness among consumers and staff

In 2017, Auchan Retail France took part in the creation and conception of a MOOC on the topic of food waste, in conjunction with the Agro-Paritech higher education and research institute, the Agro-Paritech foundation, the association "De Mon Assiette à Ma Planète" (from my plate to my planet) and the winner of a competition run by the French ministry of agriculture on the theme of food. The aim of the MOOC was to raise public awareness about the various factors involved in food waste and to propose ways to remedy the situation.

Nearly 7,000 participants participated without charge. The educational content was very much enjoyed by the participants, and widely shared on social networks. The second edition will start on the occasion of the next 2019 International Agricultural Show.

In Portugal, an action plan to combat food waste has been developed. It includes the following 4 steps:

1. measuring waste accurately;
2. making employees aware of discounts;
3. developing training programs (2,300 employees trained in 2018) on donations and creating protocols between Auchan Retail and its partners, and identifying the items that may be donated and under what conditions;
4. communicating and raising awareness among customers by sharing best practices.

Transforming or recovering food waste

When perishable products can not be donated, processed or otherwise consumed, Auchan Retail Spain and Auchan Retail France stores use them for composting or to produce biogas.

The 11 hypermarkets in Madrid that tested the Zero Waste project improved their waste sorting system, especially for food, isolating and recovering 100% of their organic waste.

In China, 3 hypermarkets have installed an organic material methaniser. Every day, 500 kilos of food waste from shops are put in each digester. This waste produces fertiliser and material used to create biogas, which produces the equivalent of 5% of the store's energy consumption. This innovative mechanism has a twofold advantage in that it reduces the cost of processing organic waste and leads to energy savings by producing green energy on site.

Promoting Solidarity and Donations

By partnering with local or national non-profit organisations, Auchan Retail organises food donations for people in need throughout the year in every country where it operates. In Spain, for example, the campaign "breakfast and snacks from the heart" was renewed for the 6th year in a row. In collaboration with the Spanish Red Cross, Auchan Retail, Ceetrus and Oney Spain collected 330 tons of food thanks to the work of more than 1,500 employees and donations from the 3 organisations, for a total of €115,000. In total, more than 1,500,000 breakfasts and snacks were distributed to young people in need.

Russian, Portuguese, Ukrainian and Romanian stores mobilise each year at the beginning of every school year. Auchan Retail Romania has partnered with the Red Cross to collect school supplies, benefiting 1,800 disadvantaged children.

As a partner of non-profit Le Relais, Auchan Retail France has been organising garment collection campaigns since 2008 in addition to the collection boxes already set up in stores. For example, in January 2018, hypermarkets launched a jeans collection campaign that allowed the non-profit to provide a second life to more than 10,000 items collected by distributing them to solidarity thrift shops and other non-profits or by transforming them into rags and insulation material.

In Spain, the operation "No children without toys" was also renewed in 2018, allowing more than 51,500 toys to be handed out to children growing up in disadvantaged homes. Every Christmas, the hypermarkets in Russia and Ukraine set up a "wish tree," where orphans from partner orphanages can leave

their wish list. Their wishes are then hung on the Christmas trees in each store and customers are invited to pick a gift to offer a child or make a donation to cover the cost of a gift. In 2018, more than 40,000 gifts were offered to more than 9,000 children.

REDUCING THE MAIN SOURCES OF GREENHOUSE GAS EMISSIONS

Optimizing and reducing energy consumption

Energy consumption represents a major environmental and financial challenge for Auchan Retail. It represents several hundreds of millions of euros each year and significant indirect emissions of greenhouse gases. The 3 primary energy consumption categories for stores are: food refrigeration, lighting and heating/air conditioning. Launched in 2015, the objective of Auchan Retail's energy efficiency program is to reduce the energy intensity of its stores by 20% in four years. Despite a delay due to the slower than initially expected launch, and delayed investments in several countries, this energy saving programme has now achieved a 12% reduction in energy consumption in stores. Designed to remedy some of the cumulative delay, the 2017 investment budget enabled energy consumption reductions to be speeded up. The LED relamping of all stores scheduled for the third quarter of 2018 has been completed in most countries, although some stores have postponed it due to planned remodellings.

Electricity consumption,

<i>In KWh per m²</i>		Western Europe	Central & Eastern Europe	Asia	Total
Retail	Hypermarkets	402.7	436.7	348.0	384.1
	Supermarkets	578.5	660.0	N/A	596.1
	Drive-throughs	272.3	N/A	N/A	272.3
Ceetrus		185.7	155.7	313.9	207.5

Change in electricity consumption

<i>In KWh per m², %</i>		Western Europe	Central & Eastern Europe	Asia	Total
Retail	Hypermarkets	- 3.5%	- 9.9%	- 5.0%	- 6.3%
	Supermarkets	- 3.9%	- 6.9%	N/A	- 4.4%
	Drive-throughs	- 0.1%	N/A	N/A	- 0.1%
Ceetrus		- 4.1%	- 7.3%	- 1.2%	- 4.4%

The decline in energy intensity in stores continued and expanded in 2018. Electricity consumption, which is by far the largest source of energy consumption in stores, is declining even as the commercial surface area has risen. Electricity consumption per m² is down by 5.8%.

For Ceetrus, the decline is 4.4% and for Auchan Retail, 5.8%.

In China, consumption per m² of Rt-Mart continues to approach that of Auchan Retail China, thanks to a 5.0% drop compared to just 1.4% for Auchan Retail China.

Several countries that were lagging behind in energy saving in relation to the fixed targets lowered their energy consumption by more than 7% or even 10%. This is particularly the case in Taiwan and all the countries of Eastern and Central Europe, with the exception of Ukraine, with consumption per m² declining slightly (-0.9%).

		Energy consumption			
<i>In KWh per m²</i>		Western Europe	Central & Eastern Europe	Asia	Total
Retail	Hypermarkets	480.1	530.5	356.2	431.2
	Supermarkets	652.5	709.1	N/A	664.7
	Drive-throughs	296.9	N/A	N/A	296.9
Ceetrus		255.6	264.6	313.9	272.0

		Change in energy consumption			
<i>In KWh per m², %</i>		Western Europe	Central & Eastern Europe	Asia	Total
Retail	Hypermarkets	- 2.9%	- 8.9%	- 5.6%	- 6.5%
	Supermarkets	- 3.3%	- 6.2%	N/A	- 3.9%
	Drive-throughs	- 5.6%	N/A	N/A	- 5.6%
Ceetrus		- 2.7%	- 21.2%	- 1.2%	- 7.5%

Energy consumption, which comprises electricity and gas consumption, is also declining. Energy consumption per m² decreased by 7.5% for Ceetrus and by 5.9% for Auchan Retail. Energy intensity has in particular decreased in stores in Central and Eastern Europe, however the decline is less marked in Western Europe. (-2.9%) Portugal stands out in the region however, with a 5.2% decrease.

To continue to reduce the environmental impact and the cost of energy, Auchan Retail wants to study the economic viability of the installation of renewable energy-based systems for producing its own energy as well as the economic viability of PPA systems⁽¹⁾ and negotiated contracts between renewable electricity producers and companies.

Reducing Transportation Impacts

Supply logistics is an important part of the retail sector's carbon footprint. Auchan Retail companies have therefore set up monitoring indicators, such as the number of kilometres traveled or the load factor to monitor the impact of the transport of their goods. However, as yet, no such indicator has been introduced at an international level. This requires overcoming the difficulty of coordinating logistics in the different countries as well as the recourse by some of them to

subcontractors who do not have, or do not have the means to trace, all the statistical information required.

Spain, France, Italy, Portugal and Romania measure, however, the CO₂ emissions generated by the transport of goods to their stores. In France, Auchan Retail aims to reduce the number of kilometres traveled by 3% per year.

In 2019, Auchan Retail Spain wants to initiate a "Lean and Green" project to measure the carbon footprint of its logistics flows and storage platforms. This interprofessional initiative, which originated in the Netherlands, aims to reduce emissions by at least 20% over a period of 5 years.

While quantified objectives are not always set, all countries are endeavouring nonetheless to optimise goods transport and shorten travelling distances and, hence, the impact on the environment.

To reduce the number of kilometres traveled, priority is given to optimising truck loading. For example, today's bi or tri-temperature trucks represent the majority of the truck fleet. The trucks have 2 separate compartments to transport products requiring different temperatures. Double-decker trucks, which enable optimal loading of pallets on 2 levels, are used as much as possible.

(1) Power purchase agreement.

Trucks' return trips are also streamlined. They can be used to return empty palettes to suppliers.

Finally, "multipick" is implemented in France, Romania, Ukraine, Italy and Russia. This service offers the collection and transport of products from small suppliers in the same area in a single lorry, in order to optimise the rotation of trucks and avoid suppliers from having to set up their own logistics fleet. A system of rotating delivery rounds is in place to enable trucks to deliver to several nearby stores. In Russia, this mutualisation has allowed an increase in the number of average packages per truck, from 1,274 parcels in 2016 to 1,405 in 2018.

In order to reduce the environmental impact of goods transport, transporters in most of the countries in which Auchan Retail operates are encouraged to adopt driving behaviours that are more eco-friendly or to modernise their fleets, notably by increasing the use of Euro 5 or even Euro 6 certified vehicles.⁽¹⁾ These more stringent requirements are often stated when calls for tender are renewed.

To reduce the impact of road transport in France and Spain, Auchan Retail relies on trucks running on natural gas and biogas. Auchan Retail Spain supermarkets are involved in the project "Sustainable Urban Distribution⁽²⁾", in Zaragoza and Madrid, which requires distributors to render their business less intrusive and less polluting for citizens. The supermarkets have invested in four trucks that run on liquefied natural gas. Auchan Retail France has the goal of using 230 trucks running on CNG or biogas (which have a 80% lower emission than conventional trucks), by the end of the year 2020.

Whenever possible, alternatives to road transport are used. The transport mix developed in Russia, France and Romania involves initial road transport to a rail or river terminal. Under this system, the longest section of the journey is conducted via these latter transport methods, before the trailers are transferred by road to the delivery terminal.

The Auchan Retail businesses are also working to promote sensible transport options for their customers. For example, plans to install EV charging stations are being implemented in several countries. In France, Auchan Retail partnered with Nissan on December 2013: 107 EV charging stations have been installed to date at hypermarket car parks, which is the largest retail network in France. In 2018, 115,832 recharges were made at those stores.

> SPECIAL SECTION

Mobilising the company around the environment

Despite repeated warnings from the scientific community about the dangers of climate change, greenhouse gas (GHG) emissions have not decreased and continue to increase, in particular because of the absence of a truly binding international framework. Given the limited action of public institutions, companies have a key role to play in limiting global warming below the 2°C mark. At the international level, the 2 main GHG emission accounts are energy (electricity, oil and gas) and agriculture (deforestation, livestock and chemical inputs).

Because of the nature of their activity, the 3 Auchan Holding companies emit little GHGs directly. However, indirect GHG emissions, particularly related to products and services sold, although difficult to quantify, are much more significant. Auchan Holding therefore strives to reduce both direct and indirect emissions.

The risks posed by climate change are systemic and must therefore be considered in all activities of the company, including and particularly the products that are sold.

The main direct risks applicable to Auchan Retail are:

- the risk on company assets;
- access to credit;
- additional investment requirements;
- an increase in charges and taxes.

The due date of the risks varies greatly. If the additional investment obligations already affect the company, especially in its cold production systems, the physical risk on company assets is a more long-term risk.

To reduce its direct emissions, Auchan Retail and Ceetrus strive to reduce the energy intensity in their premises and the leakage of refrigerants, while adopting cooling solutions that are less harmful to the environment. Product sourcing is also reviewed, particularly to reduce the risk of deforestation, and thus reduce the greenhouse gas emitted when they are manufactured (see, customer chapter).

At COP21 in 2015, Auchan Retail pledged to reduce its energy consumption by 20% in 5 years. This commitment has been complemented by the work carried out for several years to reduce GHG emissions related to refrigerants (see, developing the environmental management on sites). These actions aim to reduce carbon intensity of shops.

Energy consumption GHG emissions per m²

In kg. CO ₂ eq.	Western Europe	Central & Eastern Europe	Asia	Total
Retail				
Hypermarkets	96.3	251.5	263.3	215.5
Supermarkets	150.8	330.7	N/A	189.4
Drive-throughs	23.4	N/A	N/A	23.4
Ceetrus	59.8	122.5	239.8	119.5

(1) European emissions standards, known as Euro standards, are European Union regulations that set maximum thresholds for the emission of pollutants by road vehicles. This is an increasingly stringent set of standards that is applicable to new vehicles. The objective is to reduce the pollution in the atmosphere that is attributable to road-based methods of transport.

(2) Urban sustainable distribution.

Changes in greenhouse gas emissions resulting from energy consumption is substantially similar to the changes in energy consumption. Electricity consumption per m² decreased by 5.8% while GHG emissions resulting from energy consumption per m² decreased by 5.2%. We can nevertheless observe that the carbon intensity of the energy mix in each country has a very strong impact on the level of emissions in that country. Although France has 51% more energy consumption per square metre than China, the stores' carbon intensity is 79% lower.

Note that Ceetrus France purchases 100% renewable electricity, through the purchase of carbon certificates. For transparency reasons, the data are published according to the "location-based" approach rather than the "market-based" approach. Ceetrus France's electricity consumption emissions represent 2,685.4 tonnes of CO₂ in 2018.

GHG emissions per m² resulting from refrigerant leaks

<i>In kg CO₂ eq.</i>	Western Europe	Central & Eastern Europe	Asia	Total
Hypermarkets	64.5	133.8	65.2	81.3
Retail Supermarkets	172.6	483.1	N/A	244.8
Drive-throughs	8.5	N/A	N/A	8.5

In 2008, green house gas emissions resulting from refrigerant leaks were down by 11.13%. This reduction is explained by a number of elements. Firstly, the entry into force of the first measures of the European F-Gas Directive led to the launch of a refrigerant change program (in particular R404). The controls carried out during the change of fluids made it possible to spot and fix existing leaks and prevent new ones.

The price of R404, which remains the refrigerant most used in Auchan Retail stores, has risen more than fourfold in one year in European countries. Faced with rising costs, the stores paid

particular attention to the refills and to quickly spotting leaks, in particular thanks to the detection systems gradually put in place.

The use of R404 continues however to increase significantly in China. Due to the progressive wear of cold systems. The stores that opened during the previous exercises thus have seen their first leaks after a few years of operation. It is also likely that the use of R404 will continue to increase in the coming years in Asia, although GHG emissions per square metre in Chinese stores increased moderately (+0.4%).

Changes in stores' carbon intensity

<i>Evolution of GHG emissions per m², in %</i>	Western Europe	Central & Eastern Europe	Asia	Total
Hypermarkets	-22.7%	-6.5%	-3.8%	-7.5%
Retail Supermarkets	-8.1%	-1.9%	N/A	-3.3%
Drive-throughs	-1.1%	N/A	N/A	-1.1%

The stores' carbon intensity improved significantly in 2018, reducing GHG emissions per square metre by 23.5 kg CO₂ equivalent, i.e. a 7.1% decrease. Overall, this decrease is due equally to the decrease in energy intensity and the decrease in refrigerant leaks. However, this overall finding is quite different depending on the geographical area. In Asia and in Central and Eastern Europe, the decrease in store carbon intensity is mainly due to energy saving, while in Western Europe it is mainly due to lower refrigerant fluid leaks-related emissions.

In EU countries where Auchan Retail is present, the drop in store carbon intensity is mainly due to the reduction of refrigerant leaks. This is explained both by a national energy mix that is often less reliant on coal, and because of the implementation of the F-Gas regulation.

Year after year, the countries where Auchan Retail is present are making progress in monitoring their greenhouse gas emissions and in implementing projects to reduce them.

Auchan Retail Spain outperformed the stores in other countries by setting up a carbon reporting program in 2015 for emissions part of its scope 3. In 2018, Auchan Retail France published its GHG emissions for every activity (supermarkets, drive, hypermarkets etc.) on the ADEME website. A portion of Auchan Retail France's indirect emissions were also calculated.

At the international level, Auchan Retail has been responding to the Carbon Disclosure Project since 2016. At the end of 2018, Auchan Retail's indirect emissions project (scope 3) was launched in collaboration with a specialised firm. This exercise aims to estimate the main indirect emissions sources in the company, in particular to take into account the impact resulting from the goods and services offered for sale.

In the same vein, Ceetrus France is also working on calculating its CO₂ emissions and aims to write a 2°C strategy by the end of 2019.

6.4 PARTNERS CHAPTER

By fostering balanced, lasting commercial relationships with their partners, Auchan Retail, Immochan and Oney make a point of involving them in achieving progress.

Their active participation in initiatives carried out by professional associations and forums, with representatives of civil society, give them many opportunities to reflect on how existing relationships can be improved upon and to identify new partners.

DEVELOPING BUSINESS ETHICS

Making Ethics a Shared Business Topic

Ethical issues are at the very heart of CSR policies since they go beyond compliance with the legal obligations imposed on the company. According to the definition of the European Business Ethics Network, "ethics is not a set of fixed principles, but an open mind leading to continuous reflection in search of the common and individual good". A company can only be responsible if the people who work there are acting responsibly themselves. It is therefore the actions of each person, the appropriation and the daily implementation of the values of a company that will ensure that it will respect its commitments and the business ethics regulations in force.

In view of this premise, companies must define the framework for expressing the positions claimed and ensure that no behaviour can deviate from it by means of control instruments and rules that carry objective and appropriate sanctions.

A deterioration of brand equity in the short or longer term is the main risk and is proportional to any major failure to uphold the company's moral obligations vis-à-vis its customers and its employees.

Auchan's concern for ethical issues led to the creation of the first Ethics Committee in France in 1994. All countries now have their own Ethics Committee, except Senegal given its recent commercial development. The Corporate Ethics Committee will be implemented in the first half of 2019. This will help to address local concerns raised by employees and other stakeholders. They are generally composed of senior executives, CSR experts, family shareholders and external representatives recognised for their skills.

The role of these committees is to:

- define the company's major ethical axes, in line with Auchan's values;
- issue opinions and recommendations on ethical issues;
- offer training on specific topics;
- advise on ethical procedures to follow.

In order to establish and ensure the proper implementation of the company's ethical principles, several tools are available to the committees: the Auchan Holding ethics charter, the daily ethics guide and the Auchan Retail Code of Business Conduct. These 3 tools were updated in 2017 under the Sapin 2 law.

The ethics charter is common to all stores in all countries and to all 3 companies. It sets out the ethical principles that guide Auchan Holding's relation with its employees, customers, partners, shareholders and its environment. It states its zero tolerance of all acts of corruption.

The daily ethics guide is the implementation of the Ethics Chart in Auchan Retail. It is intended for all employees and illustrates, in the form of cartoons, all the behaviours to proscribe. The guide contains anti-corruption provisions into separate chapters.

The Code of Business Conduct is the implementation of the ethical charter for all Auchan Retail's partners. It is integrated in the general conditions of sale of the countries.

Moreover, an ethics coordinator is animating the subjects in all the countries.

Fighting corruption and tax evasion

Anti-Tax Evasion Policy

Auchan Holding wants to be a responsible company and citizen in tax matters; the company ensures compliance with its reporting obligations and pays taxes in all countries where it is present, in compliance with local and international laws:

- Auchan Holding has a transfer pricing documentation that accurately reflects its intra-group flows;
- in all cases, Auchan Holding refrains from setting up artificial or hidden arrangements and schemes that may lead to fraud or tax evasion;
- Auchan Holding has a real economic activity and/or a real decision-making centre in every country where it is present;
- finally, Auchan Holding has set up procedures in each of its host countries to verify and ensure that its suppliers are not involved in VAT fraud schemes.

Anti-corruption policy and compliance with "Sapin 2" Law

In December 2016, the law on "transparency, fight against corruption and the modernisation of the economy", known as the "Sapin 2 Law" was enacted. Applicable to French companies and their subsidiaries abroad, the law has led Auchan Holding companies to establish and develop an anti-corruption plan to consolidate the actions already in place and prevent corruption. The plan comprises the following major measures:

- **The obligation for companies to establish a code of conduct**

This requirement was implemented through the rewriting of the ethical charter of Auchan Holding, common to the 3 companies, but with different modes of dissemination. Auchan Retail decided to transcribe the ethics charter in a daily ethics guide for employees, and in a code of business ethics, signed by each economic partner.

Already made available to most Oney employees, the communication of the ethics charter will soon be extended to the recently acquired subsidiary Oney Trust. Ceetrus employees will be required to digitally sign the ethics charter, which will be made sent to them at the end of January 2019.

In case of breach of the code of conduct, disciplinary sanctions are set out. They are being integrated into the internal regulations of the different entities (pillar 7 of the law).

- **The implementation of an ethics alert system enabling employees to report acts of corruption**

In 2018, Auchan Retail and Ceetrus worked with third-party providers to set up an early warning system. Developed with WhistleB, Auchan Retail's system is already operational in all countries where the company is present, but France, notably. The obligation to hold discussions with the social partners before setting up an ethical alert system and the current social context account for such delay. The system developed by Ceetrus and EQS will be operational in the first quarter of 2019. To meet its obligations, Oney preferred to use its internal alert system, already operational when the Sapin law came into effect.

- **Drafting corruption risks map**

To meet this obligation, the work of risk mapping and drafting action plans was initiated in each country where Auchan Retail is present so it can be better consolidated internationally by the end of 2019. Already carried out in all those countries, Oney's risk maps should soon include the implementation of controls. Following Ceetrus' new organisation in mid-2018, the work carried out that year on the 8 major types of corruption is being co-validated by the sponsors of the 4 business lines (*development/promotion, asset management, operations management and innovation*).

- **The establishment of evaluation procedures for customers, suppliers and intermediaries**

Oney and Auchan Retail opted to use the international data aggregator "Bureau Van Dijk". In addition, Auchan Retail has

set up an organisation sorted by country or by community of countries: the economic security function, which includes analysts trained in the production of due diligence.

Ceetrus is prospecting for an economic intelligence company to meet its obligations; the final choice of the organisation will be made in the first quarter of 2019.

- **The execution of accounting controls of the registers and accounts**

All Auchan Retail in all countries where it is present have completed a questionnaire on the existing controls and/or to be put in place with regard to the expected controls. Countries are now moving forward on their action plans.

The choice was made for Ceetrus to rely on the controls of the CAC, the findings of the internal audit's missions and the existing IT tools settings.

Oney has conducted internal audit engagements to meet this control requirement:

- **Training of managers and staff most at risk of corruption and insider influence**

Auchan Retail and Ceetrus will co-develop a MOOC for all employees to raise awareness of corruption issues through a pedagogical variation of the "daily guide to ethics". The training will be deployed in a consistent way for both companies in 2019. Specific training for the most exposed managers and employees has been developed by an Auchan Retail working group and will be made available progressively in all countries.

For Oney, general training on corruption issues has been provided; other more specific training are being set up:

- **Monitoring and internal evaluation of implemented measures**

Monitoring and evaluation of the implementation of the Sapin 2 law measures are effective in all 3 companies. This follow-up is ensured by a multidisciplinary Steering Committee and the internal audit team. An update of this control will be proposed each semester.

Consideration of the interests of stakeholders

Since every country is different with different types of stakeholders, it is not considered appropriate to impose a set corporate methodology for dialogue. Even so, all entities across the company welcome feedback from their customers, employees, associations, etc.

In Portugal, Auchan Retail has already drawn up a mapping of its stakeholders according to the AA 1000 criteria⁽¹⁾. Several hundred representatives of its stakeholders (employees, customers, suppliers, unions, government agencies, technical communities, local communities, the media, etc.) were given the opportunity to make their views known on the company's main CSR initiatives allowing the company to assess the importance they attach to different themes (economic, environmental and social), integrated into the GRI⁽²⁾.

(1) A standard relating to the degree to which companies take their stakeholders' views into consideration.

(2) Global Reporting Initiative.

In Spain, Auchan Retail is focusing on a policy of dialogue that takes into account the classification of stakeholders according to their link with the company. With this in mind, the company participated in the "MODE" model test, created by a start-up, to measure intangible assets and the relationship with stakeholders via innovative digital tools. This model gages the relevance of the strategic themes included in sustainability plans. It provides an automated model and provides information on the level of consensus or agreement that exists in regard to each of the company's actions. The model also measures the cost/effectiveness ratio of existing or future solutions, as well as prospective analyses. Thus Auchan Retail Spain can test the relevance of its CSR policy axes with regard to the expectations of its customers and other stakeholders.

In addition to global measures, Auchan Retail France offers a territorial approach to all of its sites by providing them with a toolbox enabling them:

- to make an inventory of the store's practices according to Auchan's four strategic pillars of CSR: quality of life at work, healthy food, responsible offer, environment and solidarity;
- to better understand the local environment and its key players;
- to choose the themes that need to be anticipated and the actions that need to be implemented;
- to act (sharing of good practices, action plan model, project support from the CSR Department) and to communicate.

In addition, at the international level, a study was conducted between May and July 2018 in order to establish a list of the most common issues raised by the stakeholders in all of Auchan Retail's country subsidiaries. Each country was in charge of identifying its own issues according to 3 criteria: importance given, maturity of the stakeholder on the issues raised, and control of these same issues by the company.

In 2018, CEETRUS continued to co-build its project with its stakeholders. For example, a round table gathering 17 stakeholders was organised in France to challenge the 4 priorities and 20 challenges of the company's CSR policy. In Romania, the Drumul site project was co-constructed with 50 round-table inhabitants (associations, creative neighbours involved in the community or passive with the potential to become active and influential). In addition to this sample aged 26 and over, 25 teenagers aged 12 to 17 were also surveyed.

PROMOTING VALUE CREATION THROUGH ACCOUNTABILITY

> SPECIAL SECTION

Respecting the General Principles and Standards of the ILO

Preamble: supply and purchase

Auchan Retail's procurement teams are divided into direct purchasing (items sold on store shelves) and indirect purchasing. In terms of indirect purchasing, a special corporate department and country-based indirect purchasing departments share the purchasing of non-tradable goods. The main items of expenditure listed include: site rental, transportation, site maintenance and energy.

Sourcing and product supply are handled by the Corporate Product Department, which is in charge of most of the non-food items stocked. The Country-Based Product Departments handle the supply of almost all food items.

Barring some rare exceptions and foods prepared on-site, Auchan Retail relies on subcontractors for its own-brand processed or raw foods.

Developing responsible purchasing policies through the internationalisation of supply

For 20 years, Auchan Retail has enhanced continually its purchasing policies. A special unit and a CSR Committee set up in late 2016 ensure that every relevant employee in the different countries and each member of Auchan Retail's international procurement team (CPD – Corporate Product Department) is familiar with the company's responsible sourcing policies.

Responsible Purchase Training

In 2013, Auchan Retail put in place a responsible purchasing training for a large audience: purchasers, product managers, negotiators, quality control engineers in all countries, and members of the DPC, especially sourcing offices⁽¹⁾. Updated in 2018, its purpose is to help participants identify the main rules applicable in their profession, to implement the procedure and steps of referencing and dereferencing suppliers (social, economic and quality criteria, audits including those aimed at identifying cases of undeclared subcontracting), and to adopt the appropriate postures on topics that fall under CSR.

At the end of 2018, 448 employees were trained at the DPC and in the countries where Auchan Retail operates. Since the launch of the training, 90% of the targeted employees have participated, both in purchasing and in sourcing offices.

(1) The CPD has three sourcing offices, two in China and one in Bangladesh.

Labour and quality-related auditing

In addition, the responsible purchasing approach incorporates quality requirements and social criteria from supplier referencing. Suppliers are therefore audited before they can be listed.

- Number of social audits carried out in 2018: **1,103** including **343** at importer sites;
- Number of internal quality audits carried out in 2018: **464** including **195** at importer sites.

Auchan Retail also monitors production at supplier sites. The people who work in the sourcing offices draw on the findings of each audit to shape improvement strategies with the supplier and their production site(s). Corrective action plans are checked in a follow-up audit.

However, there is a zero tolerance threshold regarding certain issues:

- when employment contracts have not been issued;
- discrimination;
- child labour;
- forced labour;
- disciplinary practice(s) (physical punishment, harassment, etc.)
- non-compliance with minimum wage levels or non-payment of wages for 2 consecutive months;
- evidence of infrastructure failure(s);
- security problems (if 2 of the following 3 problems arise): fewer than 2 fire exits per floor/less than 1 smoke detector, 1 fire alarm and 2 fire extinguishers per floor/unsafe electrical fittings – this is relevant to: production buildings and any living/sleeping quarters;
- use of sandblasting⁽¹⁾
- home-working;⁽²⁾
- 2 consecutive refusals to submit to an audit;
- document forgery;
- corruption cases.

Factories cannot be listed if one or more of these elements is identified. Those that are already listed are de-listed. In 2018, 5 sites were de-listed due to serious cases of non-compliance.

Environmental auditing

In 2018, 20 environmental audits were carried out. These audits were performed in accordance with the ICS environmental audit framework. Their purpose is to execute a precise control, ensuring compliance with certain environmental standards by Auchan Retail suppliers, following their referencing.

These audits make it possible to check in particular the conformity of the factories with regard to:

- environmental management system;
- energy consumption;
- water consumption;

- used water treatment and effluent;
- emissions release into the air;
- waste management;
- pollution prevention and hazardous and potentially hazardous substances;
- emergency response management.

In 2018, these audits were performed on factories of strategic textile suppliers in India, Bangladesh and Pakistan. They have highlighted failures in terms of the management of chemical products and water treatment. They have highlighted failures in the management of chemical products and water treatment.

In 2019, similar audits will be launched on the integrated factories of suppliers located in China; the means of support for them will be strengthened and environmental training will be provided in the factory.

Increased traceability on manufacturing sites

Traceability improvement on manufacturing sites is a major objective of Auchan Retail's purchasing policy. The company ensures that it has the best knowledge possible of its suppliers manufacturing sites in order to guarantee manufacturing conditions.

NUMBER OF ACTIVE SUPPLIERS AND ACTIVE SITES

Number of active suppliers managed by the sourcing offices	587
Number of active sites managed by the sourcing offices	1,265

NUMBER OF ACTIVE SITES MANAGED BY THE NON-FOOD SOURCING OFFICES

Textiles	412
Household equipment (electrical/electronic goods)	165
General merchandise	685

With the help of a special web portal, each supplier is required to report its production sites and whether it is using a subcontractor, for every order fulfilled. Random checks are carried out to verify the truthfulness of these reports.

A supplier is immediately de-listed if they are found to have used a subcontractor and not reported it.

In 2018, 1,134 random production checks were carried out. The purpose of these checks is to verify that the products concerned are manufactured on the factory declared by each supplier.

(1) Technique used to give jeans a worn look.

(2) Off the production site.

Plan to combat opaque outsourcing: review to date

In order to reinforce the control approach Auchan has adopted for nearly 20 years, the DPC undertook a voluntary commitment in 2013 to combat the opaque outsourcing of the textile industry, in 8 areas:

- strengthening the formal definition of commitments;
- improving audit effectiveness;
- strengthening sanctions;
- intensifying and generalising training;
- opening up the system by developing an Internet portal;
- developing a partnership strategy with strategic suppliers;
- auditing follow-up;
- regularly communicating on the progress with this policy.

In the past 5 years, this plan has, in particular, allowed us to:

- extend the plan to all non-food segments (Textile – Hardlines – EGP);
- link every order to a manufacturing site;
- identify all (tier 1) supplier factories;
- perform quality and labour-related audits at all tier 1 factories;
- gradually introduce random traceability checks;
- begin environmental audits (2018).

Controls reinforcement was bolstered this year by the new organisation of sourcing offices (China and Bangladesh) with the establishment of a compliance team composed of:

- a head of compliance in France;
- 3 compliance managers (France, Bangladesh and China).

These checks, carried out in 2018, signalled a case of undeclared subcontracting for toy products in China. This case led the company to immediately sever its commercial relationship with that supplier and dereference the supplier.

To respond to Axis 4 of the plan, a training course on the Random Traceability Control (RTC) process was provided to the providers carrying out the audits on behalf of Auchan Retail in July 2018 at the offices of China.

Sourcing office employees also benefited from responsible purchasing and ethics training in 2017 and 2018: To date, 100% of the workforce has been trained in India and Bangladesh and 95% in China.

The development of the policy of partnership with strategic suppliers is today effective, with a document for 2018 titled "RTC guideline opening and exit meeting", which explains to them in a pedagogical way the objective of the RTC. In addition, as every year for the past 3 years, a plenary meeting with all suppliers was organised in the sourcing offices to present Auchan Retail's supplier strategy and its CSR policy, including the plan to fight against opaque outsourcing.

Adhering to progress initiatives

Aware of the importance of collective work to sustainably change the social, societal and environmental practices of production methods, Auchan Retail participates in several international programs.

Global compact

With the support of its French, Spanish and Polish subsidiaries to the United Nations Global Compact since 2004, Auchan Retail has been committed internationally since 2011. The Global Compact brings together companies, organisations, UN agencies, the social partners and civil society around 10 universally recognised principles for building more stable and inclusive societies. As a framework of voluntary commitment, an international benchmark, a platform for action and exchange, Global Compact is the largest global initiative in the field of social responsibility with more than 13,000 participants in 170 countries. In 2018, Auchan Retail joined the GC Advanced club which corresponds to the highest level of reporting of the initiative and consists of a space for dialogue, reflection and collective learning to move forward together in the implementation of 21 criteria.

The Consumer Goods Forum

Auchan Retail participates in the Consumer Goods Forum. This forum brings together companies that are committed to a more sustainable approach to trading and has been formed in a bid to stimulate the creation of new responsible initiatives.

Initiative for Compliance and Sustainability

In 1998, under the aegis of the FCD⁽¹⁾, Auchan and 2 other retail chains created the ICS: the Social Clause Initiative. This programme has been designed to sustainably improve working and safety conditions within suppliers' companies, by forging close ties with suppliers and helping them to make progress in this area on their own initiative.

In 2018 the ICS changed its name to "Initiative for Compliance and Sustainability". The number of ICS members increased from 37 in 2017 to 43 in 2018.

This exchange platform enables member retailers to work on the basis of a methodology and a common repository of social audits, accessible to all its members. Retailers share best practices and the results of checks to avoid redundant audits at the same site.

Various projects completed in 2017 were implemented in 2018, including:

- the implementation of the action plans' online monitoring system with the factories on the various sourcing ICS member countries;
- the initiation of environmental audits and the support of factories through specific training on the development and expectations of these audits;
- the creation of a social audit grid specific to small factories (under 50 employees).

(1) French trade and retail federation (Fédération du Commerce et de la Distribution).

In addition, the following strategic partnerships were forged in 2018:

- the United Nations Environment Program as part of the Responsible Production Working Group;
- the International Trade centre – ITC UN Agency – to support 15 factories in Morocco under the Climate Change Program;
- the German Partnership for Sustainable Textiles – adopting similar audit grids.

	2018	2017	2016
Auchan's suppliers factories audited by other leader brands	285	74	42
Audits mandated and conducted by Auchan	95	127	151

The Accord

The tragedy of Rana Plaza has shown that social conditions in manufacturing are not the only concern that must undergo extensive controls and improvement plans. In this sense, in May 2013, Groupe Auchan decided to join the Fire & Building Safety ACCORD to co-finance building safety audits, shared with the other 200 member companies. On 29 June 2017, Auchan Retail signed the second version of the ACCORD, which came into force in May 2018 for a period of 3 years.

This was accompanied by the ILO to continue the process it initiated. In this way:

- factory safety and compliance audits has continued;
- the spectrum of audited factories audited;
- the notions of health and freedom of association have been strengthened.

This new phase of the Accord was developed in a logic of continuity, and at the same time constituting a transition period prior to the passing on the follow-up to a national authority.

Regarding Auchan Retail, its participation translates concretely into the close monitoring of 24 factories for which the company is Leadbrand⁽¹⁾ and that it supports in their action plan's follow-up.

To date, 88% of the initial instances of non-compliance revealed through audits have been resolved. The remainder is due to delays in validation by the competent bodies (necessary step to start the works), decisions to relocate factories in new buildings, as well as the time required for completion of all remediations. (especially in factories that have just joined the Accord).

CULTIVATING A LOCAL VISION OF CORPORATE RESPONSIBILITY

Prioritising local sourcing

The hypermarkets and supermarkets in all Auchan Retail countries are developing the supply of local products, grown and/or manufactured near the stores, via direct partnerships with small producers. They respond to strong demand from local residents who want to be able to buy products from their own region, both to support local jobs and to protect the environment through purchases that leave a smaller carbon footprint.

This is a win-win contractual relationship in that it ensures Auchan Retail's partners a satisfactory level of visibility, commitment and profitability, and allows both parties to reduce intermediary costs and margins.

Dedicated in-store events are often held to promote local products. Auchan Retail Italy, for example, organises the "regions festival" during which local products are showcased on the shelves as well as in marketing publications. In Spain, Auchan Retail hypermarkets organise a 2-week campaign dedicated to local products. A specific layout at the store entrance is designed for the event and culinary events encourage their use in original recipes. Similarly, Auchan Retail Romania organises small markets dedicated to local wine, cheese, fruit and vegetables.

Auchan Retail also does much to raise customer awareness of the importance of buying locally-sourced goods. In Taiwan, for instance, a series of promotional videos have been filmed and broadcast on social networks or television. 1 to 2 reports are filmed each month to present the work of farmers actually on their farms. Tasting sessions for these products are an in-store feature.

To encourage short circuit distribution listing, Auchan Retail France has set up a suitable procedure. 2,000 suppliers are listed by local branches based within referencing stores. A regional purchasing team supports this unique buying policy, highlighted by specific sign-posting in-store.

In China, Auchan Retail has developed positive discrimination criteria related to the listing of local producers able to offer quality products.

Since 2015, Auchan Retail Portugal has been developing a specific contractual procedure for its local producers. Listing as well as validation and quality processes are simplified to best deal with the specific reality of small structures. Additionally, the communication system for stores has been improved to better showcase this local offering.

(1) A firm that is leading the audit work on the other companies' behalf.

Several entities have set up specific channels to encourage this type of partnership. Auchan Retail Russia in particular organised a number of "Supplier Days" to bring together suppliers in regions where stores wished to set up in the future in order to launch initial discussions and anticipate future partnerships. In 2018, 4 days were organised in Vologdan, Belagorod, Krasnodar and Izhevs. 145 suppliers took part, some of whom ended up signing contracts.

Forming sustainable partnerships with SMEs and small producers

Although the definition of an SME can differ from one Auchan Retail country to the next, the entities in each country take steps to foster lasting business relationships with these all-important stakeholders. SMEs and microbusinesses are valuable partners that offer a wide variety of products and boost local employment.

To show just how committed it is to promoting good, healthy, local products, Auchan Retail has undertaken to open new responsible sourcing channels each year. There are already over 100 in France, all listed on the site www.auchang-agit.fr with promotional films sponsored by starred master chef Thierry Marx. Other Auchan Retail countries have been inspired by this momentum, including Spain, where the company wanted to develop its own local product offering via the listing of labelled products guaranteeing "Auchan Controlled Production" methods. In particular, products include a range of bananas grown in the Canary Islands according to a traditional method without pesticides.

In Ukraine, the "farm product" project was launched in 3 Kiev stores. 25 contracts were signed with farmers and 375 farm products featured in a dedicated area of the stores.

With the "Yo crio, yo produzco, yo fabric" ⁽¹⁾ label, Auchan Retail Spain identifies its suppliers where raw materials are produced at exactly the same location as the end-product.

Auchan Retail Hungary is developing the same approach with its "from farm to plate" programme, where high quality pork produce is provided by 70 farmers whose products are traceable via QR codes placed on the packaging.

Exports are also an important alternative market for the SMEs that supply Auchan Retail. Sales platforms for products produced by national SMEs have been set up in many countries.

In Italy, a "local purchase" BU is exclusively dedicated to relationships with local SMEs. The export office works for 27 countries and lists over 1,500 products and 160 suppliers.

Promoting fairer trade

In its purchasing processes, Auchan Retail aims to build fairer commercial relationships.

In Luxembourg, Auchan Retail participates every year in a national campaign led by the NGO Fairtrade Lëtzebuerg entitled "LÉTZ' Step to Fair Trade". In 2018, the association's aim was to increase the market share for fair trade bananas for all stores around the country. An island display dedicated to "Fairtrade" bananas was featured for a 2 week period and flyers dedicated to fair trade were made available to customers to explain the meaning.

Faced with a relatively low demand for certified fair trade products in its countries of operation, Auchan Retail and some of its responsible industry-listed suppliers are committing to long-term contractual processes. These approaches are most often part of tripartite agreements between producers, transformers and Auchan Retail. To take the approach a step further, in 2018 Auchan Retail France launched 2 "fair trade" milk references for French milk, origin France, guaranteeing farmers a stable purchase price whatever the price of milk. In-store events also regularly showcase fair trade products, such as those of the French label "C qui le patron".

(1) I farm, I produce, I manufacture.

6.5 CUSTOMERS CHAPTER

The businesses within Auchan Retail's scope seek to rise above the traditional consumer model by committing to their corporate responsibility without losing sight of their original business model.

To do so, they offer a wide range of affordable products and services that are respectful of the environment and society, and contribute to good nutrition and healthy living.

COMMITTING TO CUSTOMER HEALTH

Promoting healthy living and eating

The development of sustainable consumption is being driven by mounting health concerns: citizens/customers are becoming increasingly aware of the impact of food on their own health and that of their children. Auchan Retail is capitalising on its role as "middleman" between suppliers/producers and consumers and is fully committed to raising awareness of the importance of eating a healthy diet and choosing healthy foods.

As part of its corporate vision, Auchan Retail wants to campaign for good, healthy, local products. Its ambition is to position the Auchan brand as an ally for customers' well-being and healthy living.

In 2018, a progressive learning platform on the basics of "Eat Better – Get More Exercise – Take Care of Yourself" was offered to all employees, and conferences were organised by speakers, doctors or health/sport experts to raise employee awareness over the benefits of a healthy lifestyle.

For customers, Auchan Retail has developed a simplified identification system for products that are considered to be the healthiest in each category and provide the greatest health benefits for consumers. This selection, concerning both national and own brand products, is based on an objective selection method, from multiple criteria such as: nutritional content, absence of certain substances such as GMOs, palm oil, etc. These are defined and validated at the national level by a group of experts comprising doctors, nutritionists and health professionals.

As we develop a food and catering service, we will propose offering a range of healthy or balanced meals to customers who are concerned about the impact of nutrition on their health, and raising awareness of those who feel less concerned by featuring healthier alternatives.

Numerous local initiatives are also being carried out independently in our countries. Having committed to displaying the Nutri-Score ⁽¹⁾ on the packaging of all of its own-brand products in 2017, Auchan Retail France is the most advanced French distribution brand in this field. For its drive-through offering, 100% of the 6,000 Auchan brand references are presented with their scores and Nutri-score information, and 1,000 products sold in-store carry this information on their packaging. In addition to improving customer information, the Nutri-Score also encourages industrial producers to constantly improve their recipes to make them better balanced. In addition to the recipe improvement process for the 7,200

own-brand food products run by the Auchan Food Production teams, with equivalent taste and properties the Nutri-Score is a selection criterion when considering bids for tenders.

During World Health Day, Auchan Retail Portugal stores offered several health screenings and advice to interested customers. Similarly, the Hungarian Csepel store brought in a "health truck" for customers and employees with a range of free screenings and check-ups on offer. During the "world heart day", an Auchan Retail Ukraine hypermarket offered 250 of its customers to have their blood pressure and blood sugar measured, and were given specialist health advice.

Awareness of the many sustainable development and better eating issues among younger generations is a major driver of the behavioural changes that will be needed to move towards a more eco-responsible future. The Rik & Rok clubs for children aged 4 to 10 in the French, Spanish and Portuguese hypermarkets are positioned around themes related to sustainable development, with a particular focus on good nutrition. The club has almost a million members in these 3 countries who regularly receive an illustrated magazine or newsletter containing educational games and simple recipes.

In March 2018, Auchan Retail Spain joined the Spanish society for the study of obesity to launch a study to determine the impacts of an organic-psycho-social intervention on mental health and cardiovascular risks in obese children and teenagers. In Saragossa, the company is a partner of the 13th edition of a race assembling 2,000 children and their families to promote regular sporting activity. A story competition aimed at encouraging good eating habits and physical exercise was also launched. By the end of this operation, over 18,000 primary school children from schools throughout the country had taken part in groups and submitted their proposals to over 77,000 voters, who gave their opinion via a dedicated internet site.

> SPECIAL SECTION

Increasing the naturalness of fresh produce

Naturalness for most consumers implies an absence of "chemicals". Consumers are attentive to the composition of food and favour those without artificial ingredients (preservatives, additives, artificial colourings, etc.). They also look to avoid products from biotechnologies, GMOs and the use of pesticides and herbicides in agriculture.

Acting on naturalness requires significant support for farmers, producers, and suppliers who lies at the root of the hoped-for changes of method.

(1) The Nutri-Score system is based on a 5-colour scale that goes from green through to red depending on a food's calorie content per 100 grams, as well as its sugar, fat and salt content. It is a reliable and simple way for consumers to clearly determine the nutritional quality of the products they are buying, helping them make informed, healthier food choices.

Organic products have developed in all Auchan Retail countries. Many stores now have specific organic sections and stage special sales events with promotional offers that encourage customers to buy such products. In Ukraine, Auchan Retail launched an "Organic project" in 2017. The organic product range now has 650 available references.

The Auchan Retail Romania purchasing department began an identification process for new suppliers. The conclusions of this research will be known in February 2019.

In Spain, the presence of an organic range dates from 1998 and the current assortment includes 1,825 listed products, including 128 own-brands. Following the transfer of supermarkets to the Auchan brand, their signage has been enhanced for better visibility.

NUMBER OF ORGANIC PRODUCT REFERENCES ⁽¹⁾

	Western Europe	Central and Eastern Europe	Asia	Total
Number of organic product references	13,694	2,525	297	16,516

To ensure homogeneity of products considered as produced from organic agriculture, only products that meet the European label are taken into account. This explains part of the difference in the number of references by geographic region. This difference is also due to the level of demand, which varies considerably from one country to another. For this reason, sales of organic products, which exceeded €400 million in revenue excluding tax, are mainly concentrated in Western Europe countries.

Auchan Retail's international fruit and vegetables buying centre, based in Spain, distributes around 300,000 metric tons of products from 27 countries towards 10 European Auchan Retail countries each year. The buying centre has also developed a global plan to reduce the use of pesticides, over 3 years, as well as a range of products free of pesticide residue. The aim is for all "standard" products to have pesticide residue levels lower than 2/3 of EEC MRL⁽²⁾ by the year 2021, and for all own-brand products to be free of pesticide residues. In 2018, over 33,000 tonnes of fruit and vegetables were grown. In addition to the health aspect, these products have attractive environmental characteristics as they help generate savings of 40,500 litres of soil treatments products.

In 2019, the aim is to produce 56,000 tonnes of pesticide residue-free fruit and vegetables, enabling a reduction in the use of some 66,800 litres of phytosanitary products. This target is driven by the development of ranges of bananas, strawberries and berries, tomatoes and oranges used to produce fresh, healthy juices.

To date, only a few dysfunctions have been noted for some products such as lettuce, where yields are significantly lower in the event of bad weather, and controls of aubergines cultivated in greenhouses proved to be unsatisfactory, thus preventing the sale of a few batches that did not comply with our applicable specifications.

In France, this fruit and vegetable range has been extended thanks to the enthusiasm of partner producers and customers. 17 new references, of which the majority are produced in France, have boosted the offering of citrus fruits launched at the start of the project. Amongst these references, available depending on the season: cherry tomatoes, strawberries, mushrooms and courgettes.

In order to be sure that a product is entirely free of any traces of pesticide, Auchan Retail France performs regular tests to verify the absence of previously identified molecules from pesticides. These have been reinforced: 386 molecules compared to a previous 218 are now detected. In China, quick pesticide tests are carried out when products are delivered. In Taiwan, customers in 15 stores can use an on-site lab service to rapidly detect whether the fruit and vegetables on display contain traces of pesticides.

In the longer term, the sharing of specifications should enable all Auchan Retail countries to offer a local offering guaranteeing the same properties.

Lastly, the issue of GMOs is addressed transparently with the food chain as a whole. A non-GMO policy applies to all own-brand everyday consumer products, from discount to premium ranges. In France, the approach is extended into specific meat sectors, e.g. veal, poultry and pork, as well as the fish sector, with the guarantee that products have been fed with non-GMO products.

> SPECIAL SECTION

Offering healthy and safe products

In the food sector, quality is a long standing and persistent worry that remains at the heart of consumer concerns. The term quality for food products concerns several components: nutritional, health and organoleptic quality. The food sector acts on these three key components of quality. At the end of the 1990s, a succession of health crises undermined consumer trust in food product safety. To regain this trust, the European Commission carried out a significant overhaul of community legislation. Despite these regulatory changes, consumers are more and more demanding, wherever they live, about the health quality of products.

At the same time, the increase in obesity and number of people overweight has reinforced consumer demands with every aspect of nutrition. Today, in the food sector, quality is a key component of company strategy and a decisive element in consumer choice.

Risk mapping, the primary mission of the Quality Department, is a scientific monitoring method essential to decision-making and crisis planning. It integrates customer feedback, crises at Auchan or its competitors and scientific meetings organised regularly around current topics. This risk-mapping exercise has been divided into 2 main zones since 2012: Europe and Asia, to adapt as acutely as possible to the realities on site.

(1) According to the EU definition.

(2) Maximum residue limit, set by the European legislation.

For this, the company has prepared an international list of around one hundred issues monitored and/or to be monitored. These include: fish resources and fishing conditions, progress with scientific research into hormone disruptors and environmental issues such as indoor air pollution, etc. The Quality Department is working closely with renowned scientists to examine these issues. Another underlying objective: to share the issues and objectives of each delimited geographic scope and jointly build, as far as possible, international convergence to encourage countries to improve.

In 2018, Auchan committed to the gradual elimination of nanoparticles, for which the definition and potential risk that they may represent are subject to considerable debate. Titanium dioxide (E171) has notably been eliminated in several Auchan Retail countries, including France.

Auchan Retail carries out a large number of tests, as product safety is always one of its top priorities. More than 100,000 food samples are tested every year as part of the company's surveillance plan. In 2018, Auchan Retail carried out more detailed controls to ensure the safety of its products faced with the swine fever epidemic in several countries. Following the salmonella infection scandal with Lactalis infant milk, Auchan Retail France deployed a system at check-out counters to block the sale of products concerned by an alert. This solution is also being studied by other countries.

In-store food safety inspection procedures have been implemented in most countries to ensure compliance with food hygiene best practices. The international FSQS standard in which Auchan Retail was a founding player involves checks on compliance with food hygiene procedures, the cold chain, and the verification of best-before dates.

In 2016, all countries where Auchan Retail is located adopted procedures based on these guidelines, with the exception of Vietnam and Senegal, which were recently opened by Auchan Retail.

Auchan Retail has appointed Health Officers in all countries to train and raise awareness among employees regarding their health and the importance of proper eating habits, and to offer guidance to customers as part of their shopping experience.

Pesticides are a key issue in every country. It is also important to keep in mind that bans on substances such as bisphenols and phthalates sometimes give rise to substitutes that must be monitored.

MEETING NEW CUSTOMER EXPECTATIONS

Supplying products for everyone

Auchan Retail takes into consideration the diverse profiles and needs of its customers. More than 17 million people suffer from food allergies in Europe and many others need to follow special diets. Auchan Retail stocks products for such special dietary needs: gluten-free, salt-free, sucrose-free, vegetarian items, etc.

In November 2009, for instance, Auchan Retail was the first French retailer to create a range of 16 own-brand gluten-free products. These products are now available in many countries. Since 2016, some Auchan Retail countries such as Poland and France have launched a "Veggie" range.

Auchan Retail is also working to make products available to people with disabilities. To accommodate the visually-impaired, Auchan Retail is, to the best of its knowledge, the only major mass retailer in the world to provide Braille labelling for its own-brand products. Over 2,000 references are offered in France and over 600 in Portugal, Spain and Romania. Every 6 months, Auchan Retail invites the "Donne-moi tes yeux" ("lend me your eyes") association to carry out in-store checks on the efficiency and quality of the information provided in Braille, and to report any anomalies to the company so that they can be rectified.

In Italy, customers with disabilities can use a free home delivery service in a number of cities such as Milan, Brescia, Catania, Mantua, Messina, Rome and Turin, when they shop at convenience stores.

Auchan Retail Hungary offers electric scooters allowing autonomous shopping for people with reduced mobility. Parents of children suffering from Angelman syndrome can be accompanied by their children thanks to shopping trolleys specially designed for their safety. In 2018, the Company received the disability-welcome employer award for the fifth consecutive year. A innovative trolley have been also been introduced, which can be attached to wheelchairs.

A similar approach has been developed more recently in Ukraine, with special trolleys made available to customers. Specially adapted checkouts are now integrated whenever a store is opened or renovated.

Protecting the personal data of customers and employees

Ensuring personal data protection for Auchan Retail's customers and employees is a major legal, reputational and commercial issue. To ensure protection, Auchan has set up a decentralised organisation. Each country has a Data Protection Officer (DPO) who locally coordinates data protection and for European Union countries, the application of the European General Data Protection Regulation (GDPR). A Corporate DPO ensures the coordination of the actions carried out in the different countries, and is responsible for presenting a bi-monthly report to Auchan Retail's Management Committee. Other bodies have also been created to ensure governance of Data protection at the international level, including a Strategic Committee, a Steering Committee and an Operations Committee.

As part of the work of these different bodies, a roadmap has been prepared to ensure the deployment of tangible actions in the different Auchan Retail countries. Amongst the actions being implemented:

- the updating of contracts with partners and sub-contractors to list the customer data concerned by data exchanges, conditions of transfer, and recipients;
- the preparation and diffusion of an e-learning module for all people likely to manage personal customer data;
- the use of 2 tools to reinforce digital security as part of calls for tender/project management and to ensure data protection;
- use of the "Payment Card Industry Data Security Standard" (PCI DSS) to protect all customer banking information with the aim of "zero customer bank cards in the information systems".

Informing customers using the blockchain

The development and democratisation of blockchain technologies may allow real improvements in product traceability throughout their life cycles.

The impossibility of modifying a decentralised, shared database may also reduce the risk of fraud. With this aim in mind, several states in which Auchan Retail has operations are developing their own state blockchains.

To capitalise on all the benefits of this technology in the future, Auchan Retail has decided to test a public blockchain solution named Foodchain, with Te-Food in Vietnam. The solution has been fully deployed with 3 interfaces; an inventory management tool to allow competent local authorities to check the certificates issued by farms, a BtoB application for the different logistics chain operators to enter product traceability data, and a BtoC application which enables the product life cycle to be consulted to the moment it reaches the store.

This solution has already been deployed for several raw materials (pork, chicken, eggs) and will be extended to egg plants, mango and durian. The international deployment of the solution is also in progress. The use of blockchain is also being tested in France for the organic carrot and potato segments, and will be extended to chicken by 2019. In Italy, it will soon be applied to the tomato and chicken segments, in Spain to Iberian pork and locally farmed exotic fruit, and to the chicken segments in Portugal and Senegal.

PROTECTING THE ENVIRONMENT AND DEVELOPING THE LOCAL SUPPLY ECONOMY

Promoting responsible consumption

Auchan Retail is gradually developing a more responsible and affordable range of products: eco-friendly, natural or fuelling the circular economy.

In the food segment, the Auchan Retail stores stock and promote a broad range of responsible foods that meet the demands and expectations of customers.

Auchan Retail France is the leading sponsor of the Foundation for Innovation and Taste Transmission and took part in the taste week by mobilising its experts around the creation of a "low spending better eating" shopping trail. Lessons were provided in schools by professional employees from the food industries.

By heightening awareness of responsible consumption, gradual changes can be made to consumer behaviour. In Spain, the #Mareparasiempre⁽¹⁾ campaign carried out in February 2018 enabled better showcasing of MSC certified "blue flag" products to celebrate 20 years of action by the said organisation. Children of customers and employees, members of the Rik & Rok club, also joined in the "mi amigo el mar" drawing competition for which each participant draws his/her favourite sea animal.

(1) *The sea forever.*

In Portugal, Auchan Retail promotes responsible products (organic, bulk products, fish, local products, national products and other commitments) via the social networks and modern media such as its Facebook page or "Jumbo Responsavel" micro-site.

In Poland, Auchan Retail set up "Responsible Together", an awareness raising campaign on responsible consumption and the circular economy. It was deployed at the end of 2017 for customers in all hypermarkets and on the internet, via the site <http://razemodpowiedzialni.pl/start>. It is based on the partnership between four key consumer players: Henkel (industrialist), Auchan (retailer), customers and Rekpol (a waste recovery and management company). This campaign also provided an opportunity for widespread information about ending the free distribution of plastic bags at checkouts, pending a new Polish law prohibiting the practice.

> SPECIAL SECTION

Understanding animal welfare issues

The idea of animal welfare seems to be one of the many influences that civil society has on the world of farming. While it is the expression of how consumer expectations are taken into consideration by law-makers and players in the agricultural foods industry, this social demand is embracing a scientific and moral evolution that goes beyond the sole framework of farming. This ethical issue questions the place of animals in our societies, and our collective ability to guarantee living conditions for animals that respect their behavioural and physiological needs.

In a context of the structural decline in meat consumption in western countries, under the pressure of animal protection associations and in a strongly competitive market, taking account of animal welfare should not be perceived exclusively as a risk, but also as an opportunity to set ourselves apart in the markets.

Auchan Retail is committed to animal welfare. All Auchan Retail countries, and EU members, have decided to stop selling eggs produced by battery hens under own-labels by 2025. This commitment was also made in Taiwan, which, like some other countries, has committed to extending this to all of its listed products (including national brands). In Ukraine, although this commitment seems a little premature right now given the dearth of players likely to provide "cage free" eggs, Auchan is nonetheless the only retail brand to offer his sort of product reference in its range.

In France, Auchan Retail entered into a partnership in 2017 with the CIWF (Compassion in World Farming) NGO to promote animal welfare. The objective of this agreement, which complements the company's continual effort to improve its practices, is to advance, by 2022, the conditions under which animals are treated in the supply chains of Auchan's responsibly-sourced food channels. It is based on a pragmatic vision of animal welfare: they must not suffer from hunger or thirst, they must not suffer discomfort, pain, injury or disease, they must be able to exhibit a natural behaviour and they must not experience fear or distress.

In 2018, the team worked more specifically on the scope of Auchan responsible segments with the setting up of a minimum demand base per species, one that is mandatory for all new segments. Existing segments have been audited on this basis. Specific audits for animal transport and end of life at the slaughter house have been set up to cover the entire supply chain.

In 2019, French progress will be shared with all the other countries in order to capitalise on the good practices and think about how to duplicate them.

Offering products that do not threaten Biodiversity

Auchan Retail has been working for 10 years to sustainably preserve fish resources, by avoiding overfishing and protecting the environment.

2006: the foundations for a responsible fishery policy were laid in France.

2007: Auchan Retail discontinued the sale of Mediterranean bluefin tuna (*thunnus thynnus*) in all countries around the Mediterranean Sea. Alongside similar efforts by other retailers, bluefin tuna numbers since appear to have increased in this zone. Specialists are in agreement regarding the positive effects of such measures, and sales of this particular species of fish have consequently been able to resume. However, Auchan Retail will be carefully monitoring how bluefish tuna numbers evolve in this sensitive zone.

2009: Auchan Retail also decided to contribute to the protection of endangered species of shark. It stopped all sales of these species, with the exception of catshark (*scyliorhinus*) and smooth-hound (*mustellus*). In all countries, Auchan Retail is working to have a ban placed on the capture of sharks solely for their fins.

2013: Deep-water species were also removed from Auchan Retail's shelves to help preserve increasingly scarce resources.

Similarly, when it comes to its own brands, Auchan Retail upholds best fishing practices and the efficient management of fish resources to help sustain tuna populations.

It requires full traceability of tuna-based products (fishing zone, species, method of capture and fishing fleet) and refuses IUU⁽¹⁾ products. This entails sourcing from diversified fishing channels. 60% of albacore is fished FAD free⁽²⁾ unless this does not use gillnets. The fishing of young tuna is also prohibited (minimum weight in the specifications set for each species).

Moreover:

- the production of discount products incorporating "albacore"⁽³⁾ tuna has been suspended;

- data compiled by RFMOs⁽⁴⁾ on the availability of stocks (biomass and fishing mortality) will be closely monitored before making sourcing decisions. To substantiate its decisions, Auchan Retail will refer to the ISSF's report on the⁽⁵⁾ status of stocks. The traceability of fishing zones will be indicated on the boxes of all own-brand products by 2021;
- it will support and promote the scientific evidence relied upon by RFMOs to manage tuna stocks and their eco-system;
- it will also support the scientific initiatives of the ISSF aimed at improving sustainable management of global tuna stocks, and will notably undertake to work only with suppliers who have registered their fleets in the PVR.⁽⁶⁾

Auchan Retail signed the RFMOs ISSF letter of March 2017. Lastly, Auchan Production is an active member of the Opal Group (Oceans Preservation Alliance) in collaboration with the NGO TFT⁽⁷⁾, sector players and other French retailers committed to offering responsible tinned tuna. Via this working group, a transparency questionnaire aiming to map supplies back to the boats was sent to all suppliers and canneries. The collected data will be compiled and analysed at the start of 2019. A boat movement monitoring tool to qualify and quantify fishing methods has been selected and made available to Opal member companies.

The countries in the Mediterranean area have gone further in their efforts to address this issue, by drawing up responsible fishing policies and taking innovative measures.

Auchan Retail France has teamed up with Innovafeed, a start-up that produces meal derived from insects. Choosing insects to feed fish in farms helps to cut down on the overfishing of forage fish⁽⁸⁾ for this activity. This partnership has led to the creation of a supply channel for trout fed on insect meal. The first insect-fed trout were sold at the end of 2018 with a very positive reception from customers, and taste that was very much appreciated. The deployment of the animal feed sector continues with the installation of a second production site in the Somme region, which will be supported by Auchan Retail France.

Every year, around 15 million hectares of forest disappear, even though forests are vital for humans. They make up 30% of the planet's surface but house 80% of the world's biodiversity.

In keeping with its ethics and its social responsibility as a business, Auchan Retail wants to shape a forestry policy that ensures the sustainability of the resources that it sources and safeguards them for the future.

Given the constant emergence of new issues, Auchan Retail works with stakeholders and experts to better understand their needs and aspirations, and to come up with suitable ways to move forward together.

(1) Illegal, unreported and unregulated.

(2) Fish aggregating device.

(3) Yellowfin.

(4) Regional fisheries management organisations.

(5) International Seafood Sustainability Foundation

(6) ProActive Vessel Register.

(7) The Forest Trust.

(8) Forage fish are small fish that serve as food for carnivorous fish.

TFT (an international non-profit organisation that works to improve supply chains and tackle deforestation), in particular, has been working with Auchan Retail since 2011 to help it implement its forestry policy and make constant improvements. This policy has focused on products derived from wood where the ability to take action and seek ad hoc expertise are greatest: i.e. charcoal, palm oil, paper (stationery, toilet paper, disposable products, documentation), and home furniture and garden furniture.

As part of its forestry policy, Auchan Retail expects its suppliers to ensure and verify that the above materials sourced from wood or vegetable fibres are:

- legally harvested, purchased, transported and exported from their country of origin;
- traceable via the supply chain back to the original harvesting source;
- harvested in ways that do not pose a threat to high conservation value (HCV) zones, including peatland and Intact Forest Landscape (IFL) ecosystems;
- harvested outside of High Carbon Stock (HCS) forests and zones where these forests have been converted into land for other crops and plantations;
- not taken from species of wood that are included on the IUCN⁽¹⁾ Red List of Threatened Species ;
- not taken from species included in Appendices 1, 2 and 3 of the CITES⁽²⁾;
- sourced in strict compliance with the rights of the indigenous peoples and rural communities to own and control the land under statutory or customary tenure, including their right to give or refuse to give their Free, Prior and Informed Consent (FPIC) to the proposed development of their land;
- sourced in compliance with the rights and safety of workers, without forced or child labour and without discrimination. The workers must have freedom of association.

In 2018, Auchan Retail experienced a delay in its communication of these measures to all suppliers of wood products. The Company has committed to do so by the end of 2019, in order to be able to demand proof of the legality and traceability of the products by reference to their respective risk assessments, which will be reassessed each year based on the criteria set out in the previous paragraph. If Auchan Retail finds that one of its suppliers is in breach of its forestry policy, it will assess the incriminating elements and then take steps to remedy the situation. If the supplier fails to make the required improvements within the set time frame, or does not go far enough with such improvements, Auchan Retail reserves the right to end its commercial relationship with that supplier.

Over the last few years, palm oil has become a controversial issue in the food world in Europe. Millions of hectares of primary tropical forest have been destroyed to make space for the many palm oil plantations. In Indonesia and Malaysia alone (90% of world production), 3,5 million hectares have been deforested in 20 years. In addition to forests, hectares of peat bogs (containing specific ecosystems) have been drained for plantations, with the effect of releasing an immense quantity of greenhouse gas into the atmosphere. Numerous animal and plant species are threatened by this pressure on forests. As palm oil is an ingredient and not a raw material sold as is, Auchan Retail does not work directly with the producers and refiners. As the issue is important, the Company has nevertheless committed to:

- substituting this ingredient, whenever possible in the recipes of its own-brand products and catering range;
- using RSPO certified palm oil if substitution proves impossible.

(1) The International Union for Conservation of Nature.

(2) Convention on International Trade in Endangered Species of Wild Fauna and Flora.

6.6 ACTIVITY OF THE FOUNDATIONS

Auchan Retail Holding companies' operations on 3 different continents lead to great diversity in terms of cultural references, economic or social contexts and in the sales policies in each of the regions where it does business. Nonetheless, the design of their solidarity policies is a uniform and shared process. This is expressed on a daily basis, close to production or sales outlets based on solid partnerships and support from several foundations.

AUCHAN YOUTH FOUNDATION

Created in 1996, the Auchan Youth Foundation now forms part of the Auchan Retail Vision, "Auchan changes lives", whose ambition is to promote the consumption of "good, healthy, local" products.

With this in mind, the foundation now prioritises solidarity initiatives related to healthy eating, and healthcare for young people between 5-25 years of age and who come from districts and towns where the company's stores are located.

As part of these actions, the Auchan Youth Foundation, chaired by Pierre Buchsenschutz, Secretary General of Auchan Retail, enables company employees to help disadvantaged young people in their regions or partner local solidarity projects.

How it works

The foundation is now up and running in 13 Auchan Retail countries, where it works using a system of delegation. This system provides countries with greater freedom to select which initiatives to support, provides a more suitable response to the needs of local associations and operates in a more pragmatic fashion. In this way:

- the store teams choose and investigate the projects to be supported and act locally with regional players;
- depending on the number of applications received, a national selection committee may meet to decide on which projects to support. Through a system of dialogue, the persons making the decisions are better able to understand the social difficulties encountered and the nature of the needs expressed, before deciding whether the foundation can provide financial support;
- once a project is approved, the store managers and their employees will become involved and support it over the long term.

Examples of projects supported in 2018

Amongst the 2018 highlights, the foundation decided to add a generous touch to the "AuchanRun" operation, initiated by a Spanish Human Resources Manager, whose utopian project was to make all Auchan Retail employees run together over a same period for the benefit of a noble cause. The kilometres run by over 15,000 employees resulted in €55,700 in subsidies being collected and handed over to the branches of SOS Villages d'Enfants located in Auchan Retail countries.

At the same time, and amongst the projects supported during the year, the Foundation was involved hand in hand with employees from one and the same region and different store formats.

In Poland, hypermarket and convenience store employees in the city of Gliwice teamed up to raise awareness of young people at the Sośnica Social Centre to healthy eating and regular exercise.

In Aragon, Spain, on the same theme, it was the turn of employees in Auchan Retail Spain's support services and convenience stores, who decided to pool their skills and get mobilised for young beneficiaries of the "Ayuda en Acción" Foundation. In particular, they will benefit from healthy cooking lessons given in schools, distributions of snacks together with their families, and physical expression workshops mixing music with physical exercise.

In 2018, the Auchan Youth Foundation focused its actions on health and healthy eating and, within this same framework supported over half of the 96 projects which received an average donation of €11,300. Since its creation, it has contributed to the development of 1,078 projects in 13 countries.

AUCHAN GENERATIONS FOUNDATION (RUSSIA)

The Auchan Generations Foundation was created in Russia in 2011 with the aim of reinforcing its social responsibility in a country where the Company is sustainably established, and providing close assistance to local needs. In 2018, the foundation supported 93 projects with an overall budget of €1,309,836. It supports projects aimed at helping young people and children in three areas.

1. **To support disadvantaged children**, the Foundation financed for €19,000 the construction of an access ramp at the entrance and the installation of secured marking in the premises of the Gorodets rehabilitation centre (region of Nijni Novgorod), intended to welcome disabled young people.
2. **To incite people to participate in sport and live a healthier life**, the Foundation has funded the construction of numerous sports grounds and facilities. For example, it developed the playing field at Samara boarding school for the benefit of 213 children by providing equipment to mark the occasion.
3. **In order to develop programmes related to retail professions**, the foundation sponsored a "Fashion, Childhood, Inspiration" competition for future fashion designer students. During this event, the students were invited to create clothes for children from 3 to 8 years old: t-shirts, party dresses, coats and jackets. The final fashion parade, with a jury chaired by the Chief Executive of Auchan Retail Russia, comprising representatives of the Textile Department and a famous Russian designer, selected the winners in different categories. The main prize, with a cheque for €660, was awarded to a student who obtained the maximum number of points for her creations.

For the 3rd consecutive year, Auchan Generations Foundation organised its flagship project: a football tournament for children from 9 to 15, bringing together orphans from several social institutions and 14 towns close to stores. A very special opportunity to play football and take part in other fun and cognitive activities.

From 14 April to 19 May 2018, 2,230 children from 129 orphanages took part in the competition. To support the event, 450 employees from 43 stores voluntarily took part in the organisation of this sporting venture.

A TASTE FOR SHARING FOUNDATION (SUPERMARKETS, FRANCE)

The "A Taste For Sharing" foundation supports solidarity and social integration projects related to food and nutrition. During 2018, the Foundation supported 27 projects by granting €187,515 to associations to facilitate access to healthy eating, create or recreate social ties, promote return to employment or raise awareness on the links between health and food.

The initiatives supported by the "A Taste For Sharing" foundation are developed in close proximity to a supermarket so that the employees can share their know-how.

Amongst the highlights of 2018, the social and solidarity economy was the focus of all attentions with two major projects funded respectively with €29,100 for Bou'Sol and €20,000 for the Jardins du Volvestre.

In Marseille, Montpellier and Bordeaux, support from the SCIC⁽¹⁾ Bou'Sol, created in 2013, was provided to set up a network of solidarity bakeries. The structure facilitates the emergence and coordination of "Bread and Sharing" bakeries on a national level, based on a network of players sharing the same wish to commit to a local, solidarity initiative, focusing on the wheat/flour/bread sector.

In Toulouse, the Jardins du Volvestre, created in 2010, were supported by the Foundation in order to continue their task of helping job seekers by facilitating insertion by way of organic market gardening. Today, the structure has achieved its targets and its teams have imagined the creation of the "Relais Cocagne de Haute-Garonne": a building specifically dedicated to this initiative, which tackles serious issues whilst respecting the environment. Thanks to this location, the development of the activities will lead to the creation of new jobs.

To promote social ties, with employees involved as both volunteers and beneficiaries, the Foundation notably supported the Montrouge Café-Restaurant Culturel et Solidaire (cultural and solidarity café-restaurant). This associative venue welcomes store teams on a temporary basis for encounters and meetings and even entertained the Foundation's Board of Directors.

The Foundation also supports structures committed to food aid: 9 projects in 2018 on this subject: solidarity grocery stores and associations prepare meals or distribute food parcels in Île de France, Normandy, Aquitaine and Auvergne-Rhône-Alpes.

Created in 2016, HopHopFood combats food waste thanks to its digital platform. It helps provide food donations between individuals. The aim is not only to lead the fight against food waste, but now also to combat isolation. An exchange system will soon be operational, thanks to the Foundation, with "solidarity larders" to also meet the needs of people who are without digital tools. The A Taste For Sharing Foundation encouraged this initiative by financing 5 solidarity larders which will be established in Paris.

IMMOCHAN FOUNDATION FOR SOCIAL ENTREPRENEURSHIP (FRANCE)

The Immochan France Foundation was formed in 2009 under the umbrella of the Fondation de France to provide long-term support for social entrepreneurship. It reflects the values and the profession of entrepreneur clients who operate in Ceetrus shopping malls.

The foundation has a number of goals:

- to help create and develop social enterprise: it can act as a seed fund or temporarily host entrepreneurs in Ceetrus malls and so facilitate meetings and encounters with the public;
- establishing a special link with networks of entrepreneurs;
- helping social entrepreneurs explore their options before deciding where to locate their business.

The foundation has supported more than 120 projects since 2009. One in three Ceetrus France employees has donated his or her time and skills to one of these projects, something that is central to the foundation's policy. 14 projects were funded in 2018, equating to an overall budget of €189,000. This year, for instance, the foundation decided to finance the "Cantine de Joséphine" initiative: a social integration restaurant through the economic activity of disabled people located in the commune of Valenciennes. €15,000 will be dedicated to financing rehabilitation work on the building façade, supervised by employees.

The Baptiste pour l'Entraide et la Jeunesse association was also supported with €10,000 for the purchase of handling equipment. This structure has welcomed, hosted and housed vulnerable people in the Lille area for 30 years. It recently opened a solidarity resource centre to combine its social integration initiative with an environmental approach focused on the circular economy. This resource centre was presented to head office employees during a breakfast designed to launch a collection of objects.

The IESEG business school and the Immochan Foundation organised the seventh edition of the CREENSO awards (Creation of Social Enterprise) in May 2018.

This prize aims to reward social enterprise creators through a double award: 1 year of skills sponsorship by a business school student, and a total grant of €20,000 for 3 projects selected by the jury. The 1st prize was awarded to "Rézomes", an enterprise based in the Lyon region, whose aim is to offer alternatives to synthetic phytosanitary chemicals in order to combine responsible agriculture with profitability for farms.

(1) Collective interest cooperative company

FINANCIAL OVERVIEW OF THE FOUNDATIONS IN 2018

	Number of projects supported	Amount allocated
Auchan Youth Foundation	96	€1,082,795
Auchan Generations Foundation	93	€1,309,836
A Taste For Sharing Foundation	27	€180,083
Ceetrus Foundation for Social Entrepreneurship	14	€189,000
TOTAL	230	€2,825,214

THE WEAVE OUR FUTURE (WOF) FOUNDATION

The WOF Foundation was formed in April 2014 under the umbrella of the Fondation de France to provide support, through local NGOs, for initiatives that seek to improve the working and living conditions of workers and their families, in the textile and general merchandise industries in the least developed countries. It has 3 main missions:

- helping to drive progress in labour-related issues at partners in manufacturing industries, such as the textile and general merchandise sectors;
- working with factory owners to make concrete improvements in the working and living conditions of workers;
- supporting development initiatives through stakeholders such as NGOs, government agencies, and international organisations like the International Labour Organisation, etc.

Organisation of the Foundation

With a 5-year budget of \$7.5 million WOF provides financial support for initiatives in the areas of healthcare, social protection, training and education.

Its Executive Committee is chaired by Marc Grosser (Corporate HR Director of Auchan Retail) and is composed of qualified internal colleagues, a representative of the Fondation de France, and three recognised outside experts:

- Marie H el ene Boidin Dubrulle (Member of the CESE)⁽¹⁾;
- Fr ed eric Tiberghien (counsellor of state, Honorary Chairman of the ORSE)⁽²⁾;
- Jean Fran ois Trogrlic (former director of the ILO in France).

How the Foundation operates

1. Examination of country needs.
2. Project preparation with local partners (NGOs, unions, professional organisations, etc.)
3. Projects validation
4. Projects execution.
5. Follow-up and examination of possible roll-out in other countries.

Actions and projects

Since it was created, the foundation has provided assistance in four countries: Bangladesh, Cambodia, Vietnam and Myanmar. That makes a grand total of 22 projects financed, including 6 initiated in 2018, benefiting over 1,000,000 workers. Through this backing, always in keeping with government objectives in the countries in which it operates, the Weave Our Future Foundation works to protect the health of working populations (social protection, training, social dialogue, etc.) by improving the provision of on-site or off-site care. It operates within the communities where their families live, and in conjunction with local partners who are committed to these causes in order to ensure the sustainability of support for each project.

In Bangladesh, for instance, two pilot healthcare coverage schemes have been launched to help 20,000 workers in Dhaka, thanks to the financial support and involvement of WOF with the NGOs, GK Savar⁽³⁾ and BADAS⁽⁴⁾. The success of this scheme is all down to cooperation with three other local partners: SNV⁸ which supports GK Savar in project management, RTM (Research Training & Management International) tracking and evaluating the pilot schemes and, importantly, support from the three factory owners (Echotex, Mashiata Sweater and Abloom Design). With the support of the WOF Foundation, the participation of factory owners and inexpensive healthcare coverage, workers will have free access to healthcare for the most common illnesses, including ophthalmic and dental care.

Another example of the foundation's work relates to the International Labour Organisation's flagship programme to promote social protection bases across the globe: WOF signed the first public-private partnership with the International Labour Office of Cambodia to support the advertising campaign for the National Social Security Fund, which helped double the number of people subscribing to healthcare coverage. In 2018, WOF strengthened its support to extend this healthcare coverage to as many people as possible.

(1) French economic, social and environmental council (Conseil Economique, Social et Environnemental).

(2) French watchdog for corporate social responsibility (Observatoire de la Responsabilit  Soci tale des Entreprises).

(3) Gonoshasthaya Kendra is a medical association that has been working since 1972 to facilitate access to healthcare and improve the health of the most vulnerable members of the population.

(4) Diabetic Association of Bangladesh.

6.7 METHODOLOGY

ORGANISATION OF CSR REPORTING

In every country, a CSR manager is in charge of circulating environmental and social reporting instructions to all sites and divisions falling within his/her scope. Each CSR manager is responsible for tracking the indicators and coordinating data submissions from the employees who are tasked with this job at entity level. He/she has data consolidation tools at his/her disposal for this purpose. The Human Resources managers share responsibility for labour data with their Executive Committees and all operational contributors. To ensure that the communicated data is homogeneous and certifiable, the International CSR Committee developed a reporting protocol in 2013 that was made available to all individuals who might contribute to the process directly or indirectly. This protocol is updated every year and translated into English. The aim is to gradually address any issues encountered so as to better define and track clear and uniform procedures across all sites. A CSR-specific software application was deployed in September 2015 to handle the data escalation and verification process. All people involved in contributing and validating the data were trained. These 2 complementary organisations work together closely to organise the reporting process and check the information that they are given before the corporate team produces this document.

ENVIRONMENTAL AND SOCIETAL INFORMATION

Scope

The quantitative and qualitative data in this document summarises the data communicated to Auchan Holding by all the entities within its scope within the meaning of

Article L.233-1 of the French Commercial Code and all companies it controls within the meaning of Article L.233-3 of that code, with the exception of Oney and the e-commerce activity when there are no physical sales outlets. Environmental data for Oney is not published in this document due to the specific nature of this business compared with Auchan Holding's other core businesses. It may, however, be found in the CSR section of Oney's management report. E-commerce is currently negligible in terms of environmental impact. The following limitations apply:

- only the commercial sites are included in the calculation of the indicators. Logistics sites, support functions, affiliated stores, etc., are not included;
- only the shopping malls owned by Ceetrus are included in indicator calculations. Malls where Ceetrus is the lessee or has an operating contract, and retail parks are not incorporated into the data calculations or the coverage ratio calculations;
- store surface area in square metres does not include storage, food preparation or shopping mall surface areas. The environmental indicators are monitored site by site.

The exclusion of data deemed unreliable implies the calculation of a coverage ratio for each indicator. Two coverage ratios are calculated for each indicator:

- a coverage ratio based on the number of sites covered;
- a coverage ratio based on the number of square metres covered. To best reflect the reality of the different core businesses, it is this second ratio that is used in this document (see below).

Changes in the scope of the reporting exercise,
(in thousands of m² of surface area)

Changes in the scope of the reporting exercise, (in thousands of m ² of surface area)			Changes in the scope of the reporting exercise, (in number of sites)		
At 30/09/18	At 30/09/17	At 30/09/16	At 30/09/18	At 30/09/17	At 30/09/16
12036.5	11671.36	11364.93	2354	2263	2192

Data collection methods

For qualitative data, the policies and actions implemented in the countries are reported via the software tool developed for that purpose using a questionnaire put together by the International CSR Committee, based on legal obligations and indicators traditionally tracked by the company. To ensure the homogeneity of indicators across all entities, a reporting methodology guide is available in French and English. This guide is amended each year to correct any marginal shortcomings and distributed to all employees involved in collecting the data presented in this management report. It explains the methodologies to be applied in the collection of indicator data: definitions, scope, measurement units, calculation formulas, etc. KPIs are reported via the software tool, which incorporates alert systems as described in the next section.

Data verification

Each assigned manager is responsible for reporting the data for their entity for the purposes of calculating the indicators. He/she uses a software tool for this that includes 2 levels of alert:

- when there are sizeable variations in consumption from one year to the next (different delta depending on the indicator, the core business or the geographical region);
- when consumption ratios are particularly low or high. The CSR managers in each of the Auchan Retail and Ceetrus' countries are responsible for validating this data. They must verify that sites for which an alert has been issued in respect of 1 or more indicators have entered a comment in the software tool to explain the discrepancy or significant change that has been flagged. The International CSR Committee then carries out a second level of control. Inconsistencies and errors are reviewed with the CSR managers of the entities concerned and, wherever possible, corrected before

consolidation. When, in spite of these controls, data does not appear to be sufficiently reliable or the substantiations do not appear to be sufficiently convincing, the International CSR Committee excludes the data from the calculation of the

ratios disclosed in this document. A coverage rate, based on square metres of surface area, is published to give the reader a clearer picture of what the disclosed data represents.

COVERAGE RATE FOR THE MAIN INDICATORS AS A %

Electricity consumption per m ² of surface area	Energy consumption per m ² of surface area	Waste recovery rate at hypermarkets and shopping malls	Greenhouse gas emissions from refrigerant leakage	Greenhouse gas emissions from refrigerant leakage in stores and energy consumption
99.6%	99.5%	92.1%	99.9%	99.5%

Note that following a configuration problem, data from the Russian Proletariskiy hypermarket and the Spanish Aranda hypermarket has not been included in the published ratios. They represent less than 17,500 m² of surface area together, i.e. less than 0.13% of the total Retail surface area. Their contribution to the environmental data for the Retail Division is less than 0.2% so not significant.

LABOUR INFORMATION

Scope

The quantitative and qualitative data in this document summarises the data communicated to Auchan Holding by all the businesses within its scope within the meaning of Article L.233-1 of the French Commercial Code and all companies it controls within the meaning of Article L.233-5 of that code.

For the Auchan Retail France scope, data for Auchan Direct was reintegrated into CSR reporting. For the previous year, data reported for Auchan.fr and Auchan Direct was not satisfactory due to the then ongoing merger of the different HR information systems. The workforce of Auchan.fr has now joined the workforce of Hypers France. For Auchan Direct, the data is now correct and reliable.

All of the indicators are now calculated to 30 September 2018. Some indicators on disability, occupational illness and training indicators were previously calculated on the basis of data for the prior calendar year. This change of data reporting period aims to standardise the time periods for the data published by Auchan Retail and Ceetrus, but makes comparisons between the data published in this document and that of the CSR section of the 2017 Management Report a difficult business.

From 2018, Oney has decided to report all of its data for a different period to that of Auchan Retail and Ceetrus. Oney's data is now reported from 1 January 2018 to 31 December 2018 instead of 1 October 2017 to 30 September 2018. As a financial institution, Oney is required to draft and publish its own statement of non-financial performance. For purposes of simplification and readability for the 2 statements, it was decided to use only the calendar year as the reporting period for Oney.

Data collection methods

To ensure the homogeneity of indicators across the scope, a reporting methodology guide was drafted in French then translated into English. This guide was then distributed, after having been reviewed by all employees involved in collecting the data presented in this document. It presents the methodologies to be applied for the collection and verification of indicators: definitions, methodological principles, roles and responsibilities of internal stakeholders, calculation formulas, etc.

Qualitative and quantitative information, and any relevant comments regarding policies and actions implemented in the countries and core businesses, are entered into the software application based on the information provided in exhaustive questionnaires.

Data verification

To calculate the indicators, each validator is responsible for checking the data entered by the different contributors in his/her scope. For this, he/she has automatic alerts programmed into the software when significant discrepancies (more or less 10%) are noted from one year to another. Whenever an alert is issued, the contributors and validators must enter comments to explain and substantiate the discrepancy. A second level of control is then conducted at the Holding level. Inconsistencies and errors are reviewed with each business and corrected before consolidation.

Following an error in the information provided about workplace accidents and the number of lost days of work within Supers France in 2017, a correction to the previous year's data was carried out to obtain a consistent rate of change between 2017 and 2018.

Reporting practices by the subsidiaries may be different with regard to workplace accidents. Some countries recognise all declared accidents, whereas others only take into account those recognised by an official organisation (e.g. the Caisse primaire d'assurance maladie in France). As non-recognition by the official organisations of declared workplace accidents is marginal, this difference in methodology only has a very limited impact on the published data. Standardisation work will be carried out for 2019 to improve data comparability between countries.

AUCHAN HOLDING SA
**REPORT FROM ONE OF THE STATUTORY
AUDITORS, APPOINTED THIRD-PARTY
INDEPENDENT AUDITOR,**
ON THE CONSOLIDATED NON-FINANCIAL
PERFORMANCE STATEMENT INCLUDED
IN THE MANAGEMENT REPORT

Financial year ended 31 December 2018

6.8 REPORT FROM ONE OF THE STATUTORY AUDITORS, ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT

AUCHAN HOLDING SA Report from one of the statutory auditors, appointed third-party independent auditor, on the consolidated non-financial performance Statement included in the management report.

Financial year ended 31 December 2018

To the Shareholders,

In our capacity as third-party independent auditor of Auchan Holding S.A., accredited by the COFRAC under the number 3-1049, we present to you our report on the consolidated declaration of non-financial performance for the year ended 31 December 2018 (hereinafter the "Declaration"), presented in the Group's management report in accordance with Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Board of Directors to draft a Declaration in accordance with the applicable laws and regulations which includes a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks as well as the results of these policies, including key performance indicators.

The Declaration has been prepared in accordance with the procedures of the company, (hereinafter the "Terms of Reference"), the significant elements of which are presented in the Declaration and available upon request at the registered office of the company.

INDEPENDENCE AND QUALITY CONTROL

Our independence is provided for by Article L. 822-11-3 of the French Commercial Code and the profession's Code of Ethics. In addition, we have put in place a quality control system that includes documented policies and procedures to ensure compliance with ethical rules, professional literature and the applicable laws and regulations.

DUTIES OF THE STATUTORY AUDITOR

It is our duty to formulate, on the basis of our work, a reasoned opinion expressing a conclusion of moderate assurance on:

- the compliance of the Declaration with Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to paragraph 3 I and II of Article R. 225-105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions, relating to main risks, hereinafter the "Information".

On the other hand, it is not our duty to give an opinion on:

- compliance by the company with other laws and regulations that may be applicable, in particular with regard to vigilance plans;

- compliance of products with applicable regulations.

NATURE AND SCOPE OF THE WORK

Our work described below has been carried out in accordance with the provisions of Articles A. 225-1 et seq. of the Commercial Code which determines the manner in which the independent third-party auditor shall carry out its mission and according to the professional literature of the Compagnie nationale des commissaires aux comptes (the profession's regulatory authority) regarding this mission; as well as with the international standard ISAE 3000 (Assurance engagements other than audits or reviews of historical financial information).

We have carried out work that allows us to assess the compliance of the Declaration with the applicable laws and regulations and the sincerity of the following Information:

- We have reviewed all the companies included in the scope of consolidation, the statement of the main social and environmental risks related to this activity, as well as the related policies and their results;
- We have assessed the suitability of the Terms of Reference with regard to its relevance, exhaustiveness, reliability, neutrality and comprehensiveness, taking into account, where applicable, the industry's best practices;
- We have verified that the Declaration covers each category of information provided for in Article L. 225-102-1 III in social and environmental matters;
- We have verified that the Declaration presents the business model and the main risks related to the activity of all the companies included in the scope of consolidation, including, where relevant and proportionate, the risks resulting from its business relations, its products or its services, with regard to the information mentioned in Article R. 225-105 I, as well as the policies, the due diligence procedures and the results, including the key performance indicators;
- We have verified, whenever relevant to the main risks or policies presented, that the Declaration contains the information mentioned in Article R. 225-105 II;
- We have assessed the process of identifying, organising hierarchically and validating the main risks;
- We have inquired about the existence of internal control and risk management procedures put in place by the company;
- We have verified that the Declaration covers the consolidated scope, namely all the companies included in the scope of consolidation in accordance with Article L. 233-16 with the limits set out in the Declaration;
- We have appreciated the collection process put in place by the entity aimed at the exhaustiveness and sincerity of the policies' results and of the key performance indicators to be mentioned in the Declaration;

- We have implemented key performance indicators and other quantitative⁽¹⁾ results that we considered the most important:

- analytical procedures to verify the correct consolidation of the collected data and the consistency of their evolution;
- detailed testing on a survey basis, to verify the correct application of definitions and procedures and to reconcile data with supporting documents. This work was carried out on a selection of contributing entities ⁽²⁾ and covers between 25% and 47% of the consolidated data of key performance indicators and results selected for these tests;

- We have consulted the documentary sources and conducted interviews to corroborate the due diligence procedures (organisation, policies, actions, qualitative results) that we considered the most important⁽³⁾;

- We have assessed the overall consistency of the Declaration in relation to our acquaintance with the company.

- We believe that the sampling methods and sample sizes that we chose based on our professional judgement allow us to formulate a conclusion of measured assurance; stronger assurance would have required more extensive verification work.

Due to the use of survey techniques and the inherent limitations of the operation of any information and internal control system, the risk of not detecting a material misstatement in the Declaration cannot be completely excluded.

MEANS AND RESOURCES

Five persons have participated in this mission.

To assist us with performing this mission, we have called on our specialists in sustainable development and social responsibility. We have conducted ten interviews with the persons responsible for the preparation of the Declaration.

CONCLUSION

Based on our work, and taking into account the scope of our duties, we have not identified any significant anomaly likely to call into question the compliance of the Declaration with the applicable regulations and that the Information, in all respects, are presented in a sincere manner and in accordance with the Terms of Reference.

Paris-La Défense, on 8 March 2019

KPMG S.A.

Anne Garans

*Partner
Sustainability Services*



Hervé Chopin

Partner



(1) **Social Information:** total workforce and breakdown by age, gender, type of contract and geographic area, share of women among managers, distribution of full-time/part-time employees, number of permanent hirings, number of layoffs on permanent contracts, sick leave rate, frequency rate of accidents at work, severity rate of accidents at work, number of training hours.

Environnemental informations: energy consumption (electricity and gas) per superfcy, GHG emissions from energy consumption, GHG emissions from refrigerants leakage, total amount of wastes recovered, waste recovering rate for hypermarkets and galleries.

(2) RTMart (China), Retail China (China)

(3) Policies to attract and retain talent, policies to prevent health and safety risks to employees, measures to promote diversity and equal opportunity, measures to promote biodiversity protection, circular economy measures, policies to combat global warming, environmental and social risk traceability and management procedures in the supply chain, anti-corruption and tax evasion mechanisms, measures to promote healthy food and the fight against food waste, measures to promote fair business relations with producers, measures to promote animal welfare.



Auchan Holding

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