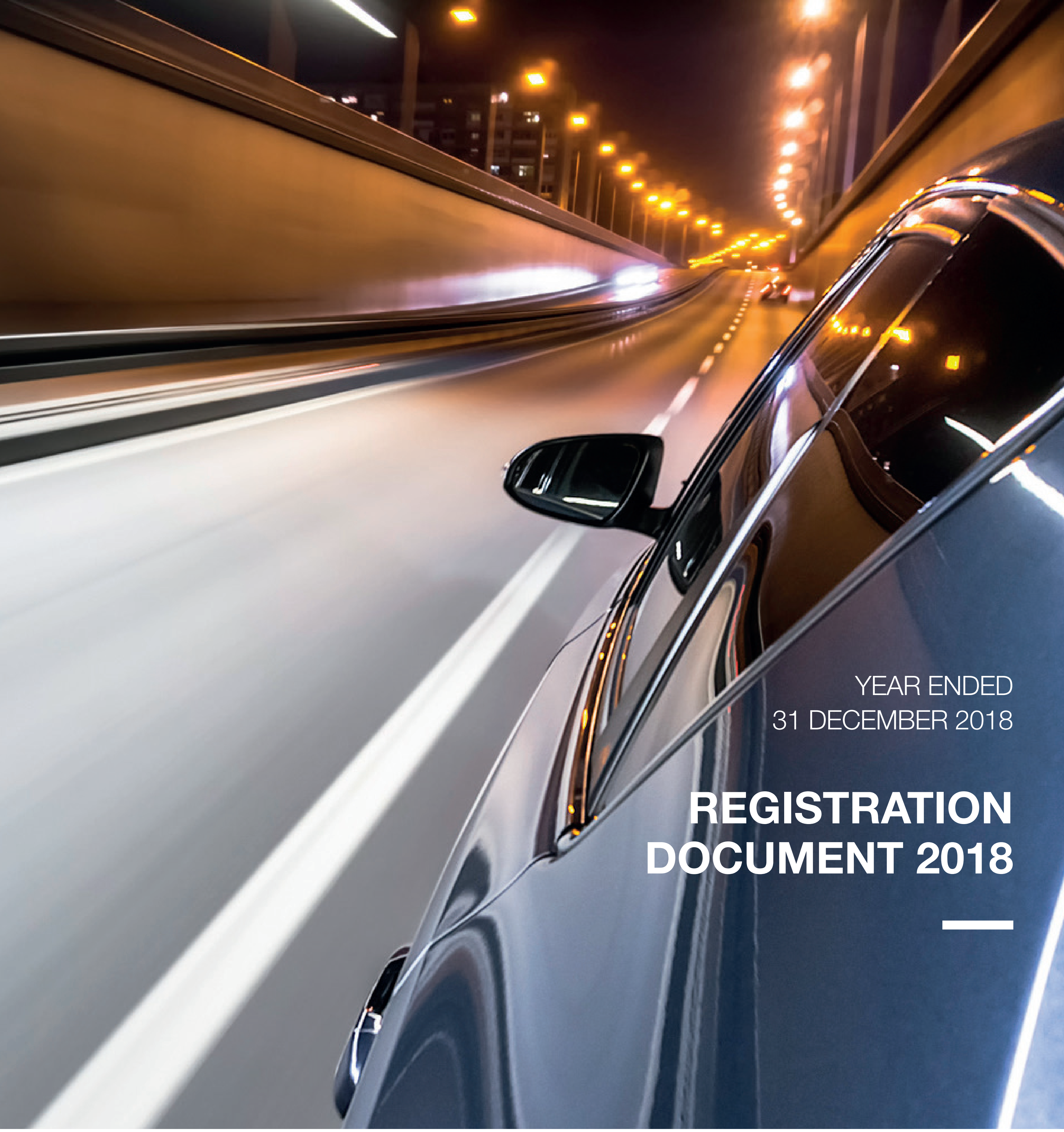

YEAR ENDED
31 DECEMBER 2018

REGISTRATION DOCUMENT 2018

ALD

2018
CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

In accordance with its General Regulations (Règlement Général) and, in particular Article 212-23 thereof, the Autorité des marchés financiers (the "AMF") registered this Registration Document on 23 April 2019 under number R.19-009.

This document may not be used in the context of any securities offering unless completed by a Securities Note in respect of which the AMF has granted a visa.

The Registration Document has been prepared by the issuer, and its signatories therefore assume responsibility for its contents.

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

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

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Items in the annual financial report are identified by the pictogram AFR
The declaration on extra-financial performance is identified by the pictogram DEFP

Items in the report on corporate governance are identified by the pictogram ✦

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PERSONS RESPONSIBLE

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

Mr. Michael MASTERSON, Chief Executive Officer of ALD.

1.2 CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

AFR

I hereby certify, after taking all reasonable measures for this purpose, that the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission likely to affect its meaning.

I certify, to the best of my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and are a fair reflection of the assets, liabilities, financial position and profit or loss of the Company and all the undertakings included in the consolidation scope, and that the Management Report (the cross-reference table of the annual financial Report, in Chapter 26, indicates the contents of said report) presents a fair view of the Company's business, performance and financial position and that of all the undertakings included in the consolidation scope, as well as a description of the main risks and uncertainties to which they are exposed.

I have received a completion letter from the Statutory Auditors, stating that they have audited the information contained in this Registration Document about the financial position and accounts contained here in, and that they have read this Registration Document in its entirety.

23 April 2019

Mr. Michael MASTERSON

Chief Executive Officer of ALD

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

Mr. Gilles MOMPER, Chief Financial Officer of ALD

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

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PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.1 STATUTORY AUDITORS

ERNST & YOUNG et Autres

6 place de la Pyramide

92030 Paris La Défense Cedex

France

Represented by Mr. Micha MISSAKIAN.

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

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

DELOITTE & ASSOCIES

6 place de la Pyramide

92908 La Défense Cedex

France

Represented by Mr. Jean-Marc MICKELER.

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

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

2.2 ALTERNATE STATUTORY AUDITORS

AUDITEX

1-2 Place des Saisons

Paris La Défense 1

92400 Courbevoie

France

Represented by Mr. Christian SCHOLER.

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

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

BEAS

195 Avenue Charles de Gaulle

92200 Neuilly-sur-Seine

Represented by Ms. Mireille BERTHELOT.

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

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SELECTED FINANCIAL INFORMATION AFR

The following table presents the Group's Key Performance Indicators (KPIs) for the years ended 31 December 2018, 2017 and 2016.

(in EUR million)	31 December 2018	31 December 2017	31 December 2016
Leasing Contract Margin	623.8	574.5	514.1
Services Margin	616.7	593.0	528.6
Car Sales Result	102.5	165.3	201.5
GROSS OPERATING INCOME	**1,343.0**	**1,332.8**	**1,244.2**
Total Operating Expenses	(617.6)	(598.0)	(553.1)
Cost to Income ratio excl. Car Sales Result [1]	*49.8%*	*51.2%*	*53.0%*
Cost of risk (Impairment charges on receivables)	(37.8)	(22.4)	(23.8)
Cost of risk as % of avg. Earning Assets [2] *(in bps)*	*21 bp*	*14 bp*	*18 bp*
Non-Recurring Income (Expenses)	(0.0)	(0.0)	(2.0)
OPERATING RESULT	**687.6**	**712.4**	**665.3**
Share of Profit of Associates and Jointly Controlled Entities	1.5	1.2	0.7
PROFIT BEFORE TAX	**689.1**	**713.6**	**666.1**
Income Tax Expense	(126.8)	(140.4)	(150.4)
Non-Controlling Interests	6.6	5.6	4.0
NET INCOME GROUP SHARE	**555.6**	**567.6**	**511.7**
Other data *(in %)*			
Return on average Earning Assets [3]	*3.1%*	*3.6%*	*3.8%*
Return on average Equity [4]	*15.9%*	*17.9%*	*17.9%*
Total equity on asset ratio [5]	*15.8%*	*16.0%*	*16.3%*

(1) "Cost to Income Ratio" means Total Operating Expenses divided by Gross Operating Income. "Cost to Income Ratio excluding Car sales result" is defined as Total Operating Expenses divided by Gross operating Income excluding Car sales result.

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

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

(4) "Return on Average Equity" means for any period, Net Income for the financial period divided by the arithmetic average of Total Equity at the beginning and end of the period.

(5) "Total equity on asset ratio" means for any period, Total Equity before minority interests divided by Total Assets, as presented in the ALD consolidated financial statements. See Section 20.1.2 "Consolidated balance sheet".

(in EUR million)	31 December 2018	31 December 2017	31 December 2016
Total fleet *('000 vehicles)*	**1,663**	**1,511**	**1,376**
o/w Fleet on balance sheet (funded fleet)	*1,299*	*1,179*	*1,046*
o/w off-balance sheet fleet	*365*	*332*	*330*
Acquisition cost [1]	25,063	22,394	19,540
Cumulative amounts of amortisation and depreciation [1]	(6,639)	(6,058)	(5,465)
RENTAL FLEET [1]	**18,424**	**16,336**	**14,075**
o/w residual value	*12,359*	*10,592*	*8,888*
Amounts receivable under finance lease contracts	678	594	513
EARNING ASSETS [2]	**19,101**	**16,930**	**14,588**
Other data:			
• Average Earnings Assets [3]	18,016	15,759	13,375

(1) "Rental fleet" (Carrying amount of the rental fleet), "Acquisition cost" and "Cumulative amounts of depreciation, amortisation and impairment" are presented in note 13 "Rental fleet" of the consolidated financial statements of ALD. Cf. 20.1.

(2) "Earning Assets" corresponds to the net carrying amount of the rental fleet plus receivables on finance leases.

(3) "Average Earning Assets" means, for any period, the arithmetic average of Earning Assets at the beginning and the end of the period.

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FINANCIAL RISK FACTORS

AFR

4.1 PRINCIPAL RISKS ATTACHED TO BUSINESS OPERATIONS

Risk category	Definition	Potential impact on business operations Weak Medium Strong
Residual value risk	The resale price of vehicles at the end of contracts is estimated when contract is drawn up. The actual resale price may vary from the original estimated price thus generating a gain or a loss.	
Credit Risks	Losses resulting from inability of counter-party to honour its financial commitments.	
Operational risks	Losses resulting from the inadequacy or failure of internal processes, systems or personnel, or from external events. Non-compliance risk is defined as risk of judicial, administrative or disciplinary sanction, financial loss or damage to reputation, due to failure to comply with laws and regulations, professional standards and practices and codes of conduct.	
Structural risks	Interest-margin loss in the event of a change in interest or currency rates.	
Liquidity risk	Liquidity risk is defined as the inability of the Group to meet its financial obligations.	
Insurance risks	Risks inherent to insurance activities; asset-liability risk, setting premiums.	

In 2018, ALD drew up, and the Board of Directors validated, two documents: the risk appetite statement and the risk appetite framework. The risk appetite statement defines the principles governing ALD's business development as well as the indicators and associated thresholds that limit the major risks (profitability, solvency, residual value, credit, structural and liquidity risks). The risk appetite framework specifies the governance concerning risk management and the limits of the risk appetite statement.

4.2 STRATEGIC RISKS

4.2.1 General Economic Environment

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

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

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

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

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

4.2.2 Strategy of internationalisation

- **The Group's broad geographical presence exposes it to significant complexities that increase the risks associated with its business.**

The Group's strategy of internationalisation, whereby management is organised at the country level, involves various risks including market-specific, legal, regulatory, fraud, financial and personnel risks. These include possible incorrect assessments of market, legal and regulatory conditions in the countries in question, changes to national legal frameworks, the costs associated with the establishment of an effective business organisation and the need to find qualified management personnel and suitable employees. The Group's significant international presence exposes it to complexity that increases the risks associated with its business, particularly in newer markets and emerging economies, including:

- the potential for differing legal and regulatory requirements, including consumer protection, data protection, labour, intellectual property, tax and trade law, as well as tariffs, export quotas, customs duties or other trade restrictions;
- the potential for unexpected changes in legal, political, regulatory or economic conditions in the countries in which it provides services or from which it derives products or services;
- any sanctions under anti-corruption and anti-money laundering laws; and
- the need to effectively adjust its customer targeting to local markets, and adapt its product offering as well as its logistics, payment, and customer care practices to take account of local tastes and practices.

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

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4.2.3 B2C Market (individual customers)

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

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

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

Moreover, B2C segment represents a higher credit risk than the rest of the activity. Identically, specific regulations protect private individuals than can add complexity and risks.

4.2.4 Risks related to acquisitions

- **The Group may not successfully integrate recent and future acquisitions.**

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

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

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

4.2.5 The automotive industry

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

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

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

The negative development of these factors may affect the use of cars and therefore the business of the Group.

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

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

4.2.6 A competitive market

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

The Group operates in a highly competitive industry characterised by consolidation in a number of its core markets, particularly in the more mature European markets.

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

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

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

4.3 RESIDUAL VALUE RISK AND MAINTENANCE RISKS

4.3.1 Residual value risk

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

The Group generally retains the residual value risk on the vehicles it leases and sells the vehicles that are returned by customers at the end of their leasing contracts (96.1% of the Group's leasing contract portfolio as at 31 December 2018 was under operating leases), generating a profit or loss on the sale of such vehicles. Gross operating income derived from car sales totalled EUR 102.5 million, EUR 165.3 million and EUR 201.5 million for the years ended 31 December 2018, 2017 and 2016 respectively.

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

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

In particular, car manufacturers are urged to decarbonize the product line-up, and the electrification of the product range through a variety of solutions (Battery Electric Vehicles, Plug-in Hybrids, and Mild Hybrids) is moving at a fast pace. This evolution of technology can create uncertainty regarding future value of cars currently produced. Some technologies could become less desirable if car performances or regulation evolves.

In several European countries a discussion is underway about transitioning away from diesel engines because of pollution concerns. As a result, used car prices of diesel vehicles have declined relative to other engines types (petrol, hybrid, electric) as the banning of diesel vehicles from cities with high levels of pollution is perceived as a risk. Taking account of this, ALD has implemented a series of measures to accelerate the shift of its fleet away from largely diesel towards a more balanced fleet. As a result, the share of diesel in the deliveries of passenger cars in the final quarter of 2018 stood at 60% in Western Europe, down significantly from 68% in Q4 2017. Including all regions, this share showed a similar drop from 64% in Q4 2017 to 53% in Q4 2018.

There can be no assurance that market prices for used vehicles will not decline in future periods, and that the adjustments the Group makes to its depreciation costs during the life of the leasing contract reflect the full decline of the residual value of the leased vehicle based on the actual sales proceeds from such vehicle. As a result, if the Group's adjustments to depreciation costs are less than the full decline of the residual value of the vehicle, the used car resale price will be lower than its net book value, and thus will generate a loss on resale activity. The total residual value of the lease portfolio as at 31 December 2018 was EUR 12,359 and EUR 10,592 million as at 31 December 2017.

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

4.3.2 Residual value risk management

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

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

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

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

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

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

4.3.3 Risk related to services maintenance and tyres

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

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

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

4.4 FINANCING RISKS

4.4.1 Credit risk

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

Credit risk, which is the risk of losses arising from the failure of the Group's customers or contractual counter-parties to fulfil their financial obligations under the terms of a contract with the Group, could have a significant impact on the Group's business, financial situation, cash flows, results and prospects. This includes the risk of a default on lease payments and accounts receivable due to the Group.

The Group's credit risk is heavily dependent upon its client concentration, the geographic and industry segmentation of its credit exposures, the nature of its credit exposures and the quality of its portfolio of leased vehicles, as well as economic factors that may influence the ability of clients to make scheduled payments, including business failures, corporate debt levels and debt service burdens and economic health of its clients. For instance, as a result of the negative effects of some of these factors during the global economic crisis in 2008-2009, the Group briefly experienced moderately higher default rates with its corporate and small and medium-sized enterprises. Since 2011, the cost of risk [1] has remained below 25 bps and narrowed to 21 bps in 2018. Customer defaults generally result in a higher rate of impairment on receivables.

As at 31 December 2018, the Group's receivables from clients and financial institutions stood at EUR 1,584.2 million, of which EUR 138.2 million in trade receivables outstanding for more than 90 days. At this same date, the Group had EUR 118.2 million in allowances for impairment concerning trade receivables (for additional information see Chapter 20.1.5, Note 20).

While the Group generally has the ability to recover and resell leased vehicles following a customer default, the resale value of the recovered vehicles may not be adequate to cover its loss as a result of a default. The Group may not be able to resell the relevant vehicle at all.

Although the Group estimates impairment charges in its audited consolidated financial statements for possible losses on its existing debtors based on its past experience and general economic conditions, there can be no assurance that its impairment charges will be sufficient to cover actual losses resulting from customer defaults, particularly if the rate of customer default increases significantly.

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

For its corporate counterparties, the Group assesses and monitors the probability of default of individual counter-parties using internal rating models that combine statistical and analytical methods with in-house judgment, which are benchmarked whenever possible by comparison with externally available data. Although its local credit acceptance policies, which are reviewed on a regular basis, take into account market conditions, an increase in credit risk in particular jurisdictions or related to specific client segments could increase the Group's provisions for credit losses. The Group has also implemented procedures to manage its credit risk exposure, including contacting delinquent customers for payment, arranging for the repossession of vehicles under defaulted contracts and selling repossessed vehicles. However, in a context of developement of B2C segment, there can be no assurance that its origination procedures, monitoring of credit risk, payment servicing activities, maintenance of customer account records or repossession policies are, or will be, sufficient to address the credit risk inherent in its business or the credit risk inherent in its B2C segment as the Group's business model evolves, as corporate models may not be adequate in predicting and managing consumer credit risk. As at 31 December 2018, 62% of the Group's rated customers were rated BBB or higher.

- **Credit risk management**

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

The Group’s decision-making process is governed by the Societe Generale credit authority structure: the application of the credit authorities’ mechanism (the "Credit Authorities") requires full compliance with the Societe Generale risk management policy principles. The Credit Authorities differ depending on the exclusive or shared nature of the client: "Exclusive Clients" are not clients of any other Societe Generale entity, as opposed to "Shared Clients". These "General Credit Authorities" represent the threshold below which the subsidiary has the ability to approve an exposure on a client or group without asking for the opinion of Societe Generale's Corporate Risk Department. Above such thresholds, a concurrent opinion from Societe Generale's Corporate Risk Department is required to approve the transaction.

Shared clients are managed at the Societe Generale level by a Primary Client Responsibility Unit ("PCRU") which is in charge of defining the business and risk strategy as well as reviewing the consolidated exposure of the Group's client portfolio. For such clients, the Group has been granted an Exception Credit Authority (as defined hereafter) per entity. This "Exception Credit Authority" represents the maximum amount per transaction below which an entity of the Group may authorise transactions on its corporate Shared Clients. Each use of an Exception Credit Authority must be notified to the PCRU within 48 hours by the Group entity. If the PCRU refuses the transaction, the Exception Credit Authority is cancelled automatically. The Exception Credit Authority granted to the Group is cancelled for some Societe Generale clients for risk or commercial reasons. For these clients, all subsidiaries of the Group have to send their credit request to the PCRU, irrespective of the amount of the requested credit limit.

Coordinated by the Group Risk Department, regular risk committee sessions review all potential risk issues and ensure the credit risk procedures are properly applied. All standard risk indicators (arrears, default, cost of risk) are also reported and monitored centrally. Each Group entity also reviews these indicators at local risk committees.

Debt collection remains by nature under the direct responsibility of the Group's subsidiaries with dedicated teams in charge of recovering unpaid invoices in compliance with local regulations and market practices. However, local processes need to be compliant with corporate policies and guidelines distributed to all Group entities. In addition, key central policies require that all Societe Generale entities rate their corporate counter-parties in accordance with internal rating models.

The General Management of the Group directly manages, with the subsidiary concerned, material irregularities reported and implements specific action plans under the supervision, if necessary, of Management at country level. The most sensitive subsidiaries are rigorously monitored.

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

4.4.2 Treasury risks

- **Liquidity risks**

The ALD Group is exposed to liquidity risk which is the risk of not being able to meet cash flow requirements when they fall due and at a reasonable price. A structural liquidity position is derived from the maturities of all outstanding balance-sheet or off-balance sheet positions according to their liquidity profile (see Chapter 20, note 3.1.2 "Treasury risk").

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

The ALD Group was mainly funded through Societe Generale until 31 December 2012. In 2013, the Group raised funds externally through asset-backed securitisation programs and the Euro Medium Term Bond program described below. As at 31 December 2018, funding from Societe Generale represented 68% of the total Group funding.

Most of the funding is provided by Societe Generale Bank and Trust (SGBT) based in Luxembourg. SGBT provides funds to the ALD Group Central Treasury which in turn grants loans in different currencies to 20 ALD subsidiaries as well as to the holding companies. The total amount of loans granted by SGBT amounted to EUR 8,227 million as at 31 December 2018 with an average maturity of 1.9 years.

The remaining Societe Generale funding, provided either by local bank branches or Societe Generale Central Treasury in Paris, represented a total of EUR 3,170 million as at 31 December 2018

As at 31 December 2018, 32% of funding was provided by other local banks or third parties, for an amount of EUR 5,434 million. In 2018, as part of its financial diversification strategy and its EUR 6 billion euro-denominated medium-term bond program, the Group called on the bond market in February, June, July and October, and issued two 3-year senior notes totalling EUR 1,300 million, a EUR 500 million, 4-year positive impact bond, and, by way of a private placement, a EUR 400 million, 2-year bond. S&P raised its BBB rating of ALD to BBB+ on October 24, 2018, and Fitch issued its first rating on ALD with an A- on September 20, 2018. Both of these ratings were published with a stable outlook.

- **Foreign exchange risk**

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

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

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

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

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

- **Interest rate risk**

ALD policy consists in financing the underlying assets with fixed rate loans as lease contracts are mostly priced at fixed rates, in order to avoid any mismatch between assets and liabilities. Structural interest rate risk arises from the residual gap (surplus or deficit) in each entity's fixed-rate forecast position. To this end, any residual interest rate risk exposure must comply with the sensitivity limits set for each entity. Sensitivity is defined as the variation in the net present value of the future residual fixed-rate positions (surplus or deficit) for a 0.1% parallel shift in the yield curve.

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

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

4.5 OPERATIONAL RISKS

4.5.1 Group's shareholder structure

- **Societe Generale can continue to exercise significant influence over the Group, and the interests of Societe Generale may conflict with the interests of the other shareholders of the Company.**

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

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

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

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

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

The Group has entered into various agreements with Societe Generale under which Societe Generale or certain of its subsidiaries provides certain services to the Group (see Chapter 20.1.5, note 33 "Related Parties"). Following the listing of the Company on Euronext Paris, the Group continues to rely on services from Societe Generale that are required for it to conduct its business operations and Societe Generale has committed to continue to provide these services. As such, the Group expects to continue to benefit from funding, IT infrastructure, compliance, credit risk management, legal, IP and other services currently provided by Societe Generale. However, after the Group's agreements with Societe Generale expire, or if they are terminated pursuant to the notice periods provided in the agreements (generally ranging from one month to three months), the Group may not be able to replace all of these services or obtain them at appropriate prices and terms, particularly in relation to funding.

4.5.2 Dependence on stakeholders risk

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

The Group has a diversified portfolio of clients, composed of a number of significant corporate customer accounts. As at 31 December 2018, the Group's five and twenty (respectively) largest customers (by fleet) accounted for 4.1% and 10.3% of its fleet in contracts, with the largest customer accounting for 1.2% of its Fleet Management contracts (for further information regarding trade receivables, see section 4.4.1 "Credit risk").

The Group's leasing contracts may be terminated early by its counterparties. Although early termination charges typically apply, there can be no assurance that a customer will not default on such payment or that such charges will be sufficient to cover the Group's losses. Lease contracts have an average duration of 42 months as at 31 December 2018.

In addition, the Group has significant partnerships for the distribution of its products, notably with car manufacturers and banks. Distribution partnerships with car manufacturers and banks represented around 34% (including private lease) of the Group's total fleet as at 31 December 2018. No partnership with a single car manufacturer or bank accounted for more than 7% of the Group's total fleet as at 31 December 2018. Agreements with car manufacturer and bank partners are generally entered into on a country by country basis and typically have an initial term of 3 years, are automatically renewed from year to year and may be terminated in certain situations (with advance notice).

There is a risk that car manufacturers will internalise their Fleet Management, thereby increasing competition, and a risk that the Group's largest partners will terminate or not renew their agreements. For example, PSA's acquisition of Opel led to the termination of the partnership agreement with Opel and the non-renewal of contracts resulting from this partnership (Opel represented 3.5% of the Group's vehicle fleet as at 31 December 2017).

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

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

The Group purchases the vehicles it leases to its customers from car manufacturers and dealers. The Group depends on these manufacturers and dealers for the supply of attractive vehicle models on competitive terms, in sufficient quantities, with satisfactory quality and on a timeline compatible with its business model. There is no assurance that the Group will be in a position to negotiate purchase conditions relative to its competitors that allow for it to remain competitive or to renew at favourable terms, or at all, these agreements. As at 31 December 2018, the Group's top three suppliers were Ford, Renault and Volkswagen (no brand representing more than 15.6% of the Group's vehicles on the balance sheet).

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

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

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

The Group's business could be negatively impacted if any parts, components or equipment from one of its suppliers suffers from broad-based quality control issues or becomes the subject of a product recall. As a provider of leased vehicles, the Group may be required to participate in a product recall by retrieving recalled cars from customers and declining to lease these cars until it has taken all of the steps described in the recall. If a large number of vehicles were subject to simultaneous recalls, the Group may not be able to lease those vehicles to its customers for a significant period of time, and it may be unable to obtain adequate replacement parts or vehicles from another supplier in a timely manner. The Group may also be civilly liable to purchasers of such vehicles upon their resale by the Group at lease termination. As a lessor of vehicles, the Group does not guarantee and, in most regulatory environments, does not take responsibility for the performance of vehicles it leases, which lies with the responsibility of the manufacturer. However, the Group normally takes responsibility for ensuring the provision of "mobility" over the period of the contract, *e.g.* by providing replacement cars while vehicles are in a workshop in the case of a maintenance activity or in the case of accidents, which is budgeted for in the Group's lease contracts. Matters outside the normal course of business such as technical issues resulting in recalls are not budgeted for, but the Group is generally able to recharge associated costs to the respective manufacturers and provide replacement vehicles on a best effort basis. In the event of a manufacturer failing to accept responsibility for costs associated with a recall, there would be no legal obligation for the Group to take on such costs and this would have to be negotiated on a case by case basis with customers. Although the Group's fleet is highly diversified, with no maker constituting more than 15.6% of the on balance sheet fleet, these recalls, depending on their severity, could materially affect the Group's fleet utilisation rate and revenues, damage its customer relations and brand image, and reduce the residual value of the vehicles involved, in particular if they damage these vehicles' brand image or the car manufacturer's reputation.

4.5.3 Environmental risks

The Group's environmental and sustainability policy is set out in Chapter 8 "Declaration of extra-financial performance" of this Registration Document.

The financial risks linked to climate change and pollution concerns may be observed in differences between forecast residual values and actual resale values of used cars, in particular for diesel vehicles that represent the majority of the Company's fleet. The on-going and necessary shift towards low emissions vehicles could have an impact on the resale value of traditional combustion engines, which is one reason why ALD aims to reduce the share of the latter in its portfolio and promote green alternatives. The governance in place on residual value risk (see section 4.3.2 "Residual value risk management") aims at monitoring used car market evolutions, and adapting the Company's pricing and financial policy. In parallel, the evolution of the fleet mix across different kinds of engine (diesel, petrol, classic hybrid, plug-in hybrid, electric) is closely monitored by the operational governance bodies of the Group (Executive Committee, Operating Committee).

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

4.5.4 Human Resources risks

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

The Group's success is dependent on its personnel in key positions, in particular on Mr. Michael MASTERSON, ALD's Chief Executive Officer, Mr. Gilles MOMPER, ALD's Chief Financial Officer, Mr. Tim ALBERTSEN, ALD's Deputy Chief Executive Officer, Mr. Gilles BELLEMERE, ALD's Deputy Chief Executive Officer, and Mr. John SAFFRETT, ALD's Chief Operating Officer. The Group is also dependent on the services of the other members of ALD's Board of Directors, its Operating Committee and its executive staff. Since 2018, ALD Group employees have benefited from a long-term incentive program in the form of ALD shares, which replaces the Societe Generale program. This program has been implemented within the resolution voted by the General Assembly of shareholders of April 2017 for a period of 38 months (see Section 17.3.3 "Incentive Plan").

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

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

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

Currently, the Group relies on Societe Generale and its employees for the provision of certain services, such as IT, Group general secretary, corporate resources, Group finance, internal Group communications, credit risk management and Group human resources. Some Group employees are currently employed under Societe Generale contracts. If employees of Societe Generale were to cease to be available to the Group, or if Societe Generale were to retain Group's employees, it could be time-consuming and expensive for the Group to replace them with suitably experienced employees.

4.5.5 IT risks

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

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

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

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

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

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

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

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

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

4.5.6 Operational risk management

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

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

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

In addition, a self-assessment of risks and controls is performed in each entity periodically. The purpose is to identify and evaluate the main operational risks, to assess the controls in place and to determine action plans to address any identified areas of weakness.

Managers perform controls on a quarterly basis in all subsidiaries. These controls cover all aspects of the Group's activity (i.e. not just the finance department). The book of controls used is based on a reference list of controls defined by Societe Generale, supplemented with controls specific to ALD activity. These managerial controls together with operational controls performed in each entity constitute the first level of permanent control.

ALD is currently implementing a second level of permanent control, with controllers responsible for reviewing first level controls and associated processes.

Lastly, Societe Generale provides a third line of defence with periodic controls performed by audit covering all activities. Both second level controllers and audit define yearly review plans based on a risk assessment. Together, these controls make up ALD's internal control framework.

4.5.7 Legal and compliance risks

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

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

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

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

ALD is not, as a result of its business, a regulated entity. However, several of its subsidiaries are regulated entities, notably in the UK and in Germany. The Group is subject to a variety of laws and regulations in the countries where it operates and to the issuance of new laws and regulations or changes in the interpretation of existing laws and regulations by a court, regulatory body or governmental official in each of the jurisdictions in which it operates. The Group benefits from Societe Generale's regulatory watch tools to identify new laws and regulations that could apply to its activities.

Accordingly, the conditions for the United Kingdom's withdrawal from the European Union will modify the regulatory framework applicable to the Group's activities in the United Kingdom, although we consider such activities to be limited. ALD's UK operations address a local market with no trans-national element. However, the activity of its subsidiary may be affected by the economic consequences of exiting the EU.

- **The Group could face the risk of not complying with laws and regulations to which it is subject.**

The Group's activities are currently subject to various laws and regulations in the countries where it is active, particularly in the areas of labour, consumer affairs, online sales and contracts, privacy and data protection, and competition. These laws and regulations are evolving at a rapid pace and can be amended, or subject to differing interpretation, from jurisdiction to jurisdiction.

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

Pursuant to consumer protection laws the Group is subject to various information obligations which, if violated, grant consumers the right to withdraw from agreements or may allow for other contractual adjustments which could be detrimental to the Group. In addition, data protection is a sensitive and politically charged issue in Europe with the entry into force of the new General Data Protection Regulation (GDPR), effective 25 May 2018. Furthermore, the Insurance Distribution Directive (IDD) no. 2016/97 of 20 January 2016 reflects the European legislator's desire to provide better protection to consumers and harmonise national rules regarding the retail of insurance products. Any actual or potential failure by the Group to comply with these regulations could have a material adverse effect on its reputation and popularity with existing and potential customers and could result in the imposition of significant fines or other penalties.

The Group is subject to competition law and currently involved in an investigation in Romania, filed in December 2017 by the competition authorities against all members of the Romanian Full Service Leasing Association. So far this investigation has not led to legal action.

- **Standard clauses used in the Group's leasing contracts could be declared invalid, and it thus may not be able to enforce such clauses or the contracts in which such clauses are found.**

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

Standardised terms under the laws of all jurisdictions where the Group operates have to comply with statutory law on general terms and conditions, which means they are subject to rigid fairness control by the courts regarding their content and the way they, or legal concepts described in them, are presented to the other contractual party by the person using them. The standard is even stricter if they are used with retail customers, a segment the Group plans on further expanding through B2C services. Due to the frequent changes to applicable legal frameworks, particularly with regard to court decisions relating to general terms and conditions, the Group may not be able to fully protect itself against the risk of these contractual conditions becoming void. These could also turn out to be unenforceable, even if prepared with legal advice. A significant number of its agreements could be impacted.

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

If the Group violates any applicable law or regulation, governmental authorities may take legal action against it, the members of its governing bodies or its employees. An unfavourable ruling may result in damage claims by third parties or other adverse legal consequences, including severe criminal and civil sanctions, injunctions against future conduct, profit disgorgements, occupational and employment restrictions or prohibitions, reputational damage, the loss of business licenses or permits or other restrictions. In addition to monetary and nonmonetary sanctions, monitors could be appointed to review future business practices in order to ensure compliance with applicable laws and the Group may otherwise be required to modify its business practices and its compliance program. Regardless of the outcome, potential litigation or administrative proceedings can be costly and may also damage the Group's reputation and have a material adverse impact on its ability to compete for business.

In particular, the Group is involved in an anti-trust investigation in Romania, which relates to the provision of fleet information to a car leasing trade association by ALD Romania and the other major players in car leasing in Romania. At this stage, the Romanian Authorities have not issued any statement of objection and as a consequence no provision has been established either in ALD Romania's or in the Group's accounts for 2018.

ALD India initiated litigation in respect of fiscal years 2006 to 2014 in order to contest the application of the goods and services taxes to the entity's long-term. Provisions have been recorded for this litigation in the amount of EUR 15.2 million (unchanged amount in local currency).

The Group also recorded a provision of EUR 4.7 million in 2017 following the acquisition of Parcours, which was subject to a tax audit in respect of fiscal years 2010 to 2013. This provision was reversed for EUR 1.2 million as part of the tax adjustments and was reduced to EUR 3.4 million in the 2018 financial statements. Adjustments and penalties incurred have been provisioned and the Group should be partly covered by a vendor guarantee and purchase price adjustment.

In addition, the Group initiated tax litigation in Brazil relating to road taxes in respect of fiscal years 2009 to 2012 and taxes on services (PIS, COFIN) in respect of fiscal years 2010, 2011 and 2014. These risks have been provisioned by the Group in the total amount of EUR 7.8 million. ALD Brazil obtained a favourable judgement in the court of first instance, however the administration retains the right to appeal.

ALD Spain initiated litigation in 2017 following a tax adjustment in respect of fiscal years 2011 to 2014 relating to income tax, withholdings and VAT, for which a provision totalling EUR 2.4 million was made as at 31 December 2016. The proceedings are pending in the administrative courts.

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

Implementation of new tax regulations, changes in tax regulations, in particular with respect to leasing transactions, company cars, vehicle fuels and motor vehicle emissions, could directly impact the behaviour of the Group's customers, thus reducing demand for vehicle leasing and management services. In addition, any changes to the benefit-in-kind rules relating to car policies, including changes driven by policy decisions to penalise higher CO_2 emissions could adversely affect the tax consequences of leased vehicles for the Group's customers.

In addition, changes in tax laws could increase the Group's tax burden or otherwise affect the Group's results, including any changes relating to schemes subsidizing investments in equipment. The Group's ability to use tax loss carryforwards, which amounted to EUR 49.4 million as at 31 December 2018, and, thus, the recoverability of deferred tax assets accounted for in the Group's audited consolidated financial statements, depend on the national tax legislation of the countries where the Group is subject to taxation.

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

- **Compliance risk management**

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

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

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

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

The fight against corruption is one of the major features of the compliance monitoring system and the Group complies with the UK Bribery Act 2010, the Foreign Corrupt Practices Act (FCPA) in the US, and the French Sapin II law (regarding transparency, the fight against corruption and the modernisation of practices in the economy). The anti-corruption policy defines the measures to be taken by each subsidiary to ensure the absence of involvement in any corruption scheme, including through intermediaries or suppliers. This policy is completed by the Group's Code of Conduct, which is communicated to all employees, and the Anti-Corruption and Influence Peddling Code of Conduct.

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

Further to the listing of ALD shares on Euronext Paris on 16 June 2017, the Group holds all ALD-related trademarks which do not incorporate any of the logos or brands of Societe Generale, including ALD, ALD Automotive and ALD Autoleasing, Temsys, ALD Carmarket, ALD Bluefleet, Axus, Let's drive together and the ALD Autoleasing SecondDrive in the countries where they are registered. A license agreement for the ALD and ALD Automotive trademarks used exclusively by ALD and including the red and black logo of Societe Generale was concluded between ALD and Societe Generale. The trademark license agreement provides for Societe Generale's right to terminate the agreement in the event of a reduction of Societe Generale's holding in the Group below 50% and of insolvency, winding-up or dissolution of the Group, with a notice period of 18 months.

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

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

- **Other proceedings**

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

4.6 INSURANCE RISKS

4.6.1 Main insurance risks

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

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

In relation to Own Damage or Casco, the Group can either retain the risk with respect to its fleet or transfer it to external insurers. If the Group decides to take out insurance, it may do so through the local entity or through ALD Re [(1)], the Group's captive re-insurance subsidiary. In the latter case, the Group's affiliates purchase insurance through selected external fronting insurers (including AXA, AIG and Sogessur), which are then reinsured by ALD Re. Should the Group decide not to retain the risks through the local entity or through ALD Re, then normally the risk is placed through external local insurance companies.

ALD Re re-insures the MTPL risk for about 310,000 vehicles within the Group and the Own Damage risk for approximately 128,000 vehicles within the Group as at 31 December 2018. A vehicle may be covered by both kinds of insurance. MTPL on a standalone basis represents the majority of the insurance coverage provided by ALD Re. ALD Re caps its exposure at EUR 500,000 per event for MTPL, by limiting the insurance to this amount or by buying coverage from a re-insurer. Regarding Own Damage, the re-insured exposure is generally limited to this amount in the countries in which ALD operates. The vast majority of the Group's insurance costs relate to fronting insurers reinsured by ALD Re and, for the year ended 31 December 2018, the premiums received by ALD Re from such fronting insurers amounted to EUR 137 million. For the year ended 31 December 2018, the premiums paid by ALD Re to reinsurance providers to provide retrocession cover in excess of EUR 500,000 amounted to approximately EUR 1.5 million.

The table below presents the distribution of the Group's insurance policies by risk covered.

	Total on balance sheet fleet *(in thousands)*				
		MTPL		CASCO	Insurance margin*
INSURED *VIA* ALD	**42%**	**557**	**42%**	**545**	
ALD Re	22%	284	10%	124	
Risk retained by subsidiary	-	-	24%	306	EUR 151 m
Other carriers	21%	294	8%	118	

Note: Data as of 31/12/18

* *Contribution to ALD 2018 gross margin, including TPL, Casco and other insurance cover.*

- **Own Damage – vehicles owned by the Group**

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

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

(1) See 4.6.2

- **Motor vehicle liability**

(i) Motor third-party liability (MTPL)

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

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

(ii) Passenger indemnity

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

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

(iii) Legal protection

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

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

- **Risks related to the Group's business (excluding its fleet).**

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

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

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

4.6.2 ALD Re

ALD Re is a wholly-owned subsidiary of ALD based in Dublin, Ireland. ALD Re was established in October 2005 and began accepting reinsurance in January 2006. Through its reinsurance of different insurance coverages (MTPL, Motor Own Damage and ancillary covers such as Driver, Passenger and Legal Protection). ALD Re provides reinsurance coverage to more than 350,000 vehicles within the Group, with live risks in 19 countries, and employs 26 full-time staff. Profit after tax for the financial year ended 31 December 2018 was EUR 20.2 million (non-audited figures).

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

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

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

(i) Regulatory Compliance

The Group is subject to Directive 2016/97/EC of 20 January 2016 on insurance distribution (IDD) has replaced Directive 2002/92/EC of 9 December 2002 on insurance mediation (IMD) as of 1 October 2018. IDD seeks to enhance the current regulation applicable to insurance intermediaries only with a particular focus on practices for selling insurance products and to promote a level playing field between participants in insurance sales in order to improve consumer protection, market integration and competition. IDD will widen the scope from insurance intermediaries by adding all sellers of insurance products, including insurance manufacturers that sell directly to customers and market participants who sell insurance on an ancillary basis (subject to the proportionality principle). IDD is aimed at minimum harmonisation and therefore does not preclude EU member states from maintaining or introducing more stringent provisions, provided that these are consistent with IDD.

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

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

(ii) Governance systems

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

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

(iii) Internal control and risk management

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

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

(iv) "Prudent person" principle

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

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

(v) ALD Re's Financial Situation

ALD Re's consolidated balance sheet reached EUR 279.8 million in 2018 compared to EUR 271.7 million in 2017.

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

(in EUR million)	2018*	2017	2016
ASSETS			
Financial Investments	228.2	229.7	213.5
Reinsurance Debtors	43.7	34.9	46.2
Other Assets	7.9	7.1	12.9
TOTAL ASSETS	**279.8**	**271.7**	**272.6**
EQUITY AND LIABILITIES			
Total equity	99.9	111.8	114.6
Provisions	157.3	143.4	141.4
Current liabilities	22.6	16.5	16.6
TOTAL EQUITY AND LIABILITIES	**279.8**	**271.7**	**272.6**

* *Figures as of 31 December 2018 are not audited.*

Figures at 31 December 2017 presented in the 2018 Registration Document had not yet been audited and differ slightly from the audited figures given here.

RATIOS

SCR has been calculated per the table below.

Regulatory SCR *(in EUR million)*	2018*	2017
Solvency Capital Required (SCR)	60.8	57.7
Available own funds	118.8	113.7
SII SCR Ratio	196%	231%
SII SCR Ratio required	100%	100%

* *Figures as of 31 December 2018 are not audited.*

5

INFORMATION ABOUT THE COMPANY

5.1 HISTORY AND DEVELOPMENT OF THE COMPANY

5.1.1 Corporate and Commercial Name

The corporate name of the Company is ALD.

5.1.2 Place of Registration and Registration Number

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

5.1.3 Date of Incorporation and Duration

5.1.3.1 Date of Incorporation of the Company

The Company was incorporated on 19 February 1998.

5.1.3.2 Duration

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

5.1.4 Registered Office, Legal Form and Applicable Legislation

5.1.4.1 Registered Office

The Company's registered office is located at 1-3 Rue Eugène et Armand Peugeot, 92500 Rueil-Malmaison - France.

Telephone: +33 (0)1 58 98 79 31

5.1.4.2 Legal Form and Applicable Legislation

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

5.1.4.3 Fiscal year

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

5.1.5 History and development

The Company was incorporated in 1998 under its former corporate name “Lysophan”. In October 2001, the former corporate name was replaced by “ALD International”. In March 2017, this was in turn changed to “ALD”.

Key milestones for the Group include the acquisition by Societe Generale, its parent company, of Deutsche Bank’s European car leasing interests in 2001 and Hertz Lease Europe in 2003, thereby consolidating the Group’s leading market position in almost all of its key European markets.

Since 2004, the Group has established multiple subsidiaries in Central and Eastern Europe and South America, Africa and Asia. Already present in all the BRIC countries (Brazil, Russia, India and China), the Group is also developing in other Latin American countries, notably in Mexico, Chile, Peru and Columbia, and has built up strong positions in markets outside Western Europe.

In April 2009, the Group entered into a global strategic co-operation alliance with Wheels, a specialist and leader in vehicle Fleet Management for large corporate customers in North America. In 2012, the Group entered into a similar alliance with Fleet Partners, which extended its coverage in the Asia Pacific region. In 2014, another strategic alliance was signed with ABSA (South African-based company Absa Vehicle Management Solutions), which extended its coverage to South Africa. In 2016, the Group expanded its strategic partnerships in the Latam region (in Argentina with Autocorp and Central America with Arrend). These alliances have expanded the Group’s global presence, which directly or through its alliances covers, as at 31 December 2018, 55 countries.

In addition to its regional partners, the Group has forged partnerships with more than 150 car manufacturers and banks, insurers, energy suppliers and mobility platforms. Aside from its direct distribution, the Group uses other indirect distribution channels, to offer its Full Service Leasing and Fleet Management services.

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

5.2 INVESTMENTS

5.2.1 Historical Investments

The Group’s investments in tangible and intangible assets (other than acquisitions and investments in fleet) during the fiscal years ended 31 December 2016, 2017 and 2018 totalled EUR 48.8 million, EUR 64.5 million and EUR 69.5 million, respectively. Acquisitions and investments in fleet consisted principally of acquisitions discussed below and the Group’s investments in its fleet as presented in Section 10.2 “Rental Fleet”.

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

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

In July 2017, ALD International Group Holdings GmbH, a subsidiary of ALD, acquired Merrion Fleet, the number two FSL player in Ireland with a portfolio of approximately 5,500 vehicles. The acquisition further enhanced ALD’s geographical reach.

In September 2017, ALD Automotive SAU (Spain), acquired BBVA Autorenting, the Spanish Full Service Leasing subsidiary of BBVA. At the time, BBVA Autorenting was the seventh largest player in the Spanish market with a fleet of approximately 25,000 vehicles, most of which were previously managed by ALD Spain under a Fleet Management contract. An agency agreement was also reached with BBVA, which makes the Group's Full Service Leasing products available to corporate and private customers under a white label agreement.

In June 2018, ALD Automotive SAU (Spain), acquired Reflex Alquiler Flexible de Vehículos, SA, an independent company specialised in flexible rentals. This acquisition enabled ALD to expand its services offering to include flexible rentals, particularly adapted for SME customers.

In August 2018, within the context of the sale by Societe Generale of its Bulgarian subsidiary, Societe Generale Express Bank AD, ALD acquired from the latter its 49% minority stake in ALD Automotive ODD in Bulgaria *via* its German subsidiary. ALD now holds all of the capital in its Bulgarian subsidiary.

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

5.2.2 Ongoing Investments

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

At the date of this Registration Document the following investment is under way:

- Acquisition of Stern Lease B.V. in the Netherlands

This operation will have no material impact on ALD's capital ratio.

5.2.3 Future Investments

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

6

BUSINESS OVERVIEW

6.1 MARKET AND COMPETITIVE ENVIRONMENT

AFR

6.1.1 Market and product offering

6.1.1.1 Product offering

Full Service Leasing

Full Service Leasing service allows clients to use a vehicle without legal ownership.

In a Full Service Lease the client pays a monthly rent which covers the financing, depreciation of the vehicle and the cost of various management services provided relating to the vehicle (such as insurance, tires, repair, maintenance, courtesy car, fuel card and insurance). The fixed monthly lease payment gives the client visibility and stability in his/her vehicle lease costs. This also means he/she does not have to use his/her own funding to acquire vehicles, or be responsible for the resale of the vehicle.

A full service lease contract includes various management services, which help simplify the client's fleet administration: by thus delegating the management of its fleet the client does not require the internal operating structure necessary to managing the relationship with drivers, suppliers and vehicle manufacturers while optimising the costs and without concern for resale of the vehicle at the end of the lease. Customers also benefit from increased controls on drivers and fleet managers by the service provider, thereby improving efficiency, controlling costs and allowing the client to focus on his/her core competencies.

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

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

- **designing a car policy and vehicle selection** – the customer can choose the vehicle (brand, model and options) he/she wishes to include in his/her car policy. The leasing company purchases the vehicle selected by the customer or his/her driver;
- **repair, maintenance and tyres** – the leasing company provides repair, maintenance and tyre replacement services for both routine and emergency situations through its network of selected workshops and tyre fitters;
- **insurance** – third party liability, theft, passenger and material damage insurance;
- **driver support and breakdown assistance** – examples include a customer support telephone line to support drivers in case of emergency, breakdown or for any other need;
- **replacement vehicles** – the leasing company may arrange for provision of a replacement vehicle in case of routine maintenance or accident repairs;
- **other** – tailor-made customer services, such as car sharing solutions and telematics.

Starting from 1 January 2019, the new accounting standard IFRS 16 will be of mandatory application to corporate customers reporting under IFRS. Lessor accounting is not impacted but Lessees will have to recognize on their Balance Sheet the contractual leasing commitment (discounted). This new accounting rule does not alter the advantages described above of Operating Lease versus Outright Purchase.

Fleet Management

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

6.1.1.2 Growth trends & drivers

The growth of the Full Service Leasing and Fleet Management market has been driven by several factors.

- The rising volume of corporate fleets has increased the importance and potential for Fleet Management solutions.
- Client acceptance of leasing has risen, as corporates have become aware of the potential to improve leverage and save costs by outsourcing non-core activities, thereby realizing efficiencies.
- There is an ongoing behavioural shift from ownership to usage across different consumer segments, including private customers.
- The rise of connected cars and digital services encourages the development of new high value-added services for the client to optimise the cost of vehicles. Such specialist technology solutions require niche expertise. A certain scale is needed to amortise costs of development, making them difficult to implement in-house by customers. Development of new mobility solutions, such as car sharing, autonomous driving and connected cars, is expected by the Group to provide opportunities to the leasing industry to expand its range of services to both corporate and private customers.

- The Group believes there is potential for growth in all customer segments on both mature markets and in emerging economies. The growth in mature markets is expected to come from the further extension of indirect channels to target SMEs, where penetration remains lower, but where there is a trend towards outsourcing of Fleet Management activities. Emerging economies have a lower penetration of full-service leasing as a proporation of all new vehicle registrations than mature markets, so there is strong growth potential as car fleets grow and more international companies look to outsource their Fleet Management activities. The private lease segment is developing rapidly in a number of key markets and expected to continue to do so in the context of the shift away from ownership.

6.1.2 Competitive environment

6.1.2.1 Competitive landscape

On a global scale, the full service leasing and fleet management market remains fragmented, with few players providing global coverage, (in 2017 and 2018, ALD ranks #1 in Europe, #2 worldwide; LeasePlan ranks #1 worldwide, #2 in Europe; and Arval ranks #3 in European and worldwide). Companies have traditionally focused on their home market and region (such as Sumitomo and Orix in South East Asia, and American leasing entities, such as Element Fleet (over 1.0 million vehicles), ARI and Wheels, present largely in North America).

There are few global operators that can match the size of the ALD Group, which manages 1.633 million vehicles across 43 countries as at 31 December 2018. The Group has built a global network, successfully rolling out its business model in new customer segments, leveraging its international client base and its strong commercial partnership culture to penetrate new customer segments. It should be noted that players that are only present in North America, where leases are mainly finance leases, generally lack the expertise to underwrite business in geographies where business is primarily composed of operating leases, notably Europe.

6.1.2.2 Type of competitors

Across the Group's areas of operation, it competes with other international Fleet Management companies, including both vertically integrated companies, offering Full Service Leasing and finance, and pure Fleet Management companies. The Group's key competitors are LeasePlan (1.822 million [(1)] vehicles managed), Arval (1.194 million [(2)] vehicles financed), Alphabet (0.700 million [(3)] vehicles managed) and Athlon/Daimler Fleet Management (0.395 million [(4)] vehicles managed), which are international multi-brand leasing companies operating in similar geographies as the Group. In some of the Group's geographic markets, it also competes with strong local players offering Full Service Leases.

In financing, the Group competes with the captive finance subsidiaries of large automobile manufacturers. The Group also competes with third-party service providers that offer fleet consulting, bidding solutions and procurement.

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

(i) Bank affiliates

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

These bank affiliates leverage the parent bank's distribution network among others. This serves as a sales channel within a diversified distribution chain for their own leasing products. Bank affiliates are included in the financing plans of their parents and/or affiliates. However, for the most part they are local or regional players without a global reach.

(ii) Car manufacturers' captives

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

The importance of captive operating lease and Fleet Management companies, such as Volkswagen Leasing, RCI Bank, PSA Finance and FCA Leasys, is increasing as their parent companies seek to present themselves as all-round providers of mobility solutions who are able to capture a greater share of the market for acquiring and operating vehicles, rather than solely car manufacturers.

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

(1) Number of vehicles as of 31 December 2018 (source: LeasePlan, Fleet Europe).
(2) Financed vehicles as of 31 December 2018 (source: BNP Paribas).
(3) Fleet leasing contracts under management as of 31 December 2018 (source: BMW Group).
(4) Number of vehicles in Fleet Management as of 31 December 2018, including Daimler Fleet (source: Daimler).

(iii) Independent operators

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

(iv) Regional players

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

6.2 STRATEGY

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

6.2.1 Be a global leader with a Top 3 position in all geographies where ALD operates

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

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

The Group believes it is well-positioned to penetrate the B2C (individual customers) market because of its expertise in financing and services, as well as its existing and future partnerships with insurance companies, brokers, municipalities and technology companies, etc.

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

6.2.2 Differentiate through quality and customer services

The Group's strategy is to differentiate itself from competitors by the quality and breadth of its services. These allow it to offer personalised packages and expand its revenue streams. In addition, the Group is increasingly diversifying its services, including into the B2C segment, to serve new mobility demands.

The Group is frequently recognised and rewarded for its high quality of services, as evidenced by strong levels of customer satisfaction.

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

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

6.2.4 Maximise sustainable shareholder value

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

6.3 ACTIVITIES

RFA

6.3.1 Business model

AFR DEFP

The ALD Group is a Full Service Leasing and Fleet Management group with a fleet of 1.663 million vehicles. It operates directly in 43 countries as of 31 December 2018. In addition, the Group has commercial alliances in 12 countries extending geographical coverage of its product. The Group is active on the whole Full Service Leasing value chain and focuses on providing solutions encompassing a broad range of services that can also be provided on a standalone basis.

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

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

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

ALD AUTOMOTIVE: A GLOBAL LEADER IN MOBILITY SOLUTIONS

Today's trends driving significant

Environmental trends:
Growing demand for urban sustainable mobility
Transition away from traditionnal combustion engines

Social trends:
Shift of focus from ownership to usage, sharing economy
Emergence of subscription model,
Pay as you drive, Mobility as a Service

OUR RESOURCES

PEOPLE
- **6,547** employees in **43** countries
- Highly committed staff (2018 Engagement rate 73%)
- International culture

OPERATIONS AND ORGANISATION
- Direct presence in **43** countries
  12 countries covered through strategic alliances
- 85.9% of revenues in Western and Northern Europe
- Strategic external growth
- Local empowerment: delivering high quality services through a local entrepreneurial approach within a global framework
- Centers of excellence to industrialise innovations locally
- Governance: operating board, responsible for country and regional supervision
- Embedded in Société Générale's (SG) organisational framework
- Business ethics recognition

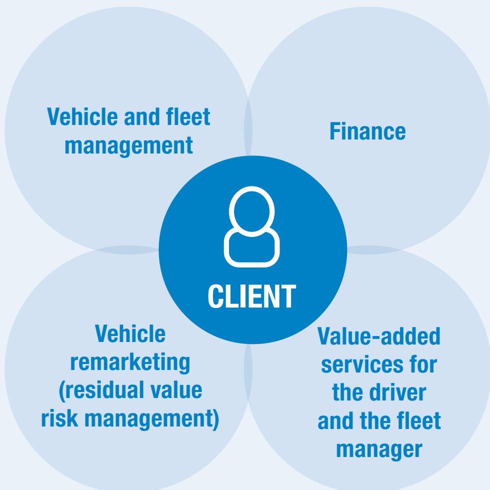
FINANCIAL RESOURCES
- Rating: BBB+ by S&P and A- by Fitch - stable outlook
- Optimal funding mix including bond issuance and SG funding providing flexibility for sustainable fleet growth
- 2018: **19.1 bn** Earning assets - **1.8 bn** bonds issued

BUSINESS RELATIONSHIPS
- Strong business relations with a broad network of suppliers
- Leadership in multi-channel distribution through powerful partnerships with financial institutions, car manufacturers... (**34%** of fleet)
- Development of innovative and flexible solutions with pure players
- Strong portfolio of IKA's (250 at end 2018)

ENVIRONMENT
- **> 100,000** "green" vehicles
- Average CO_2 footprint = **119g/km**
- **9,158** teq CO_2, i.e. 1.68t per occupant

OUR STRATEGY

Operational excellence in our core business: full service leasing (78% of fleet) and fleet management (22%)



Transformation levers

- PRIVATE LEASE
- NEW DISTRIBUTION CHANNELS
- NEW SERVICES

changes in the mobility space

Innovation and technical trends:

Demand for enhanced digital customer experience.
Connected cars, autonomous vehicles...
Connected services

Commercial trends:

Higher demand for outsourced mobility solutions
for companies and private use

Creating a mobility platform meeting all our customers' needs

MOBILITY NEEDS

- Digital Platforms
- Connected Car/Telematics
- Pay As You Go
- Mobility Solutions
- Mobility Bundles
- Electric/Hybrid
- Car sharing solutions

DIGITAL CAPABILITIES

ATEGY

VALUE CREATION FOR OUR STAKEHOLDERS

FOR OUR EMPLOYEES

- An entrepreneurship culture of open innovation and of thinking out of the box
- Innovation management (a network of innovation leaders and an innovation committee with resources enabling prototyping)
- ALDWay Talent program (Always Learning and Developing)
- Well being @ work promoted accross all our entities (New premises, Home office)

FOR OUR CUSTOMERS AND FOR THEIR EMPLOYEES

- Efficiency and cost optimisation
- Advisory services: accompany customers in energy transition
- High satisfaction rate and client satisfaction awards
- New services to employees: BtoBtoE, carsharing, MyALD app
- Offer innovation solutions
- Broadest coverage in the industry

FOR OUR SHAREHOLDERS

as at 31/12/2018

- EUR 1,343m GOI
- EUR 555.6m Net income
- EUR 0.58 Dividend per share (42% payout ratio)
- 1.6M vehicles (1.1M in 2014); +10.7% CAGR of fleet over 2014-2018

FOR OUR ECOSYSTEM

- Global reach
- Focus and Reliability
- Visibility and access to market
- High ethical standards
- Long term relationships

FOR OUR ENVIRONMENT AND THE SOCIETY

- Positive impact bond to finance green fleet
- Target **200k** green vehicles managed by 2020
- Development of EV program
- Internal footprint: **-25% CO_2** per employee 2020 vs. 2014
- Citizenship commitments

Finally, the Group generates income from the resale of its vehicles at the termination of a lease contract, referred to as the Car sales result. The Group markets and sells used cars at the end of their lease term *via* several channels: dealerships, directly to the users of the vehicles or sales to individuals through auctions, respectively through its online vehicle auction and sales platform for professionals (ALD Carmarket), or through its online sales website for individuals, or one of 50 showrooms in 19 countries. The ALD Carmarket website, an online auctioning and sales platform, has become the main channel through which the Group remarkets its own used cars and sells them. *Via* this website, the Group can also remarket, on behalf of its customers and partners, used cars which it does not own, earning a fee from the proceeds of the sale.

The following chart sets out the distribution of the Group's three principal sources of consolidated Gross operating income for the year ended 31 December 2018, 2017 and 2016:

(in EUR million)	31 December 2018	31 December 2017	31 December 2016
Leasing Contract Margin	623.8	574.5	514.1
Service Margin	616.7	593.0	528.6
Car sales Results	102.5	165.3	201.5
Gross operating income	**1,343.0**	**1,332.8**	**1,244.2**

6.3.2 Product Offerings

The Group provides financing and management services through two principal product offerings. These two offerings are Full Service Leasing and Fleet Management, which together accounted for 100% of the Group's Gross operating income for the fiscal year ended 31 December 2018. The following table shows a breakdown of fleet under management (in thousands of vehicles) by product offering for the year ended 31 December 2018, 2017 and 2016:

(in '000 vehicles)	31 December 2018		31 December 2017		31 December 2016	
Full Service Leasing	1,299	78%	1,179	78%	1,046	76%
Fleet Management	365	22%	332	22%	330	24%
Total Fleet	**1,663**	**100%**	**1,511**	**100%**	**1,376**	**100%**

FULL SERVICE LEASING

Full service vehicle leasing contracts comprise 78% of the Group's fleet as at 31 December 2018. The majority of its leases are classified as operating leases, with 95.9% of the Group's Full Service Leases classified as operating leases as at 31 December 2018. The Group's Full Service Leases are typically for a duration of 36 to 48 months.

FLEET MANAGEMENT

Fleet Management comprises 22% of the Group's fleet as at 31 December 2018.

Through its range of services and specially negotiated rates, the Group provides solutions to clients to identify and control their costs by streamlining and simplifying the Fleet Management process. The Group offers two Fleet Management solutions: (1) a flat rate plan for the services provided or (2) a plan where the Group handles vehicle bill processing for the client.

6.3.3 Customers

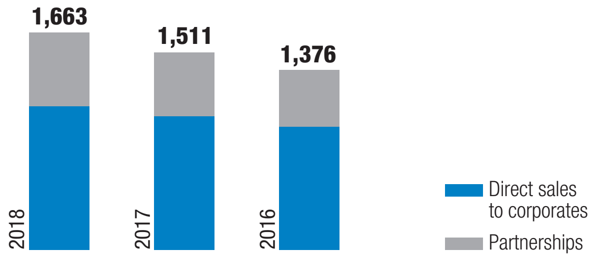
The Group has over 200,000 customers and a diversified client base. The concentration of the Group's [(1)] top 10 customers remained limited to 6.4% of the total funded fleet as of 31 December 2018 compared to 6.7% as of 31 December 2017 and 6.0% as of 31 December 2016.

The Group's leasing contracts have an average length of 42 months. The key factors to successful customer retention for the Group is the strength of the relationship, which depends both on maintaining excellent service delivery as well as sustaining high levels of customer satisfaction. In addition, for international customers, succeeding in tender processes is essential to retaining or obtaining contracts.

(1) By size of fleet financed

6.3.4 Distribution channels

The Group has a client base accessed through a variety of direct and indirect channels. The following chart shows the breakdown of fleet under management by distribution channel for the year ending 31 December 2018, 2017 and 2016.



DIRECT SALES

Direct sales are made by the Group's in-house teams in its different countries of operation supported by the central ALD team. Teams responsible for relations with large accounts coordinate the activity between clients and the various countries concerned. Local ALD teams bid at tenders from local or international corporate accounts (either corporate or public entities) who receive dedicated sales and account management by the Group's local operating companies.

The Group also targets private lease clients directly *via* its online platform.

PARTNERSHIP

The Group may enter into a partnership agreement either on a white label basis (see below) or directly under the ALD brand. These may be financed by the Group, the partner or both. These partnerships are remunerated either on a commission basis or *via* a joint venture in which risks and revenues are shared with the partner.

Through White Labelling, whereby a product is provided by the Group and packaged and sold by other companies under various brand names **("White Labelling")**, partners can offer a full service lease product to their clients under their own brand with the Full Service Leasing product operated by the Group. These agreements offer the Group a powerful channel to reach small and medium-sized enterprises and individuals.

SMALL AND MEDIUM SIZED COMPANIES

The Group uses its strong partnerships with car manufacturers, banking networks and insurers, energy suppliers and mobility platforms to address the needs of mostly small and medium-sized companies.

B2C – PRIVATE LEASE

The Group is continuing its development in the private customer (B2C) segment. In 2017, this market represented 13.6 million vehicles in Europe (number of new vehicles licensed) [(1)]. It aims to access this new client base in a cost-effective manner by using its existing distribution partnerships through partners a new online platform.

The Group intends to continue to develop these new channels, including through (i) B2B2C, through car manufacturers, banks and insurance companies, (ii) B2C *via* the Group's web portal and external web portals and (iii) B2B2E, to the employees of the Group's corporate customers.

The Group manages more than 112,000 vehicles as at 31 December 2018 for the retail segment, *via* partnerships. The Group has the expertise to offer private leases, as the Group's full-service leasing model is well suited to managing the life-cycle of private lease contracts. Management believes that the Group's flexible offers are particularly adapted to retail customers' needs, as the Group's different offerings allow for *à-la-carte* services and contract modifications in terms of duration, mileage and other options.

(1) Source: Frost & Sullivan

6.3.5 Regions

The Group's wide geographical coverage makes it one of the largest players in the full operational leasing and Fleet Management industry in Europe and in the world. Management believes that the Group's broad geographical footprint generates significant benefits of scale in the industry and reinforces the Group's competitive position. Today, the Group has a direct presence in 43 countries spread over 4 continents, enhanced by strategic alliances in 12 countries, see Section 6.3.6 "Global Alliances".

The following tables show a breakdown of product offerings by number of vehicles and geographies of customer for the year ending 31 December 2018:

	As at 31 December 2018		
	Full Service Leasing	Fleet Management	Total
Western Europe	1,002	333	1,335
Central and Eastern Europe	138	9	147
North Eastern Europe Hub	79	9	88
South America, Africa and Asia	80	13	93
TOTAL FLEET	**1,299**	**365**	**1,663**
%	78.1%	21.9%	100%

Revenue from external customers and Rental Fleet by countries with Revenues in excess of EUR 500 million are detailed below (see Chapter 20.1.5 note 5 "Segment information"):

	31 December 2018		31 December 2017	
(in EUR million)	Revenue from external customers	Rental Fleet	Revenue from external customers	Rental Fleet
France	1,933.1	4,431.3	1,808.8	3,892.6
Italy	1,449.2	2,944.3	1,237.0	2,581.3
United Kingdom	901.8	1,568.9	856.3	1,462.8
Spain	669.9	1,549.7	524.6	1,346.9
Germany	623.7	1,215.4	578.5	1,097.0
Belgium	531.6	1,149.6	499.9	1,011.5
Other countries	2,862.8	5,654.6	2,761.2	4,944,1
TOTAL	**8,972.1**	**18,423.9**	**8,266.3**	**16,336.1**

6.3.6 Global Alliances

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

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

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

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

6.3.7 Other Service Providers

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

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

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

6.3.8 Innovation

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

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

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

6.3.8.1 Adapting to the digital era

A unique global platform

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

Telematics and connected car

Telematics encompasses all devices that capture data on vehicle trips, driver behaviour and risk factors, and technical information about the vehicle itself. This technology enables the Group and its customers to optimise fleet management through better management of driving risks and location of stolen vehicles. In addition, it can provide data on business mileage for expense reporting and fuel and CO_2 consumption.

To accelerate its deployment in all countries, the Group signed a strategic partnership agreement with Vinli in 2018. Vinli will provide the Group with the platform and services that enable it to improve the customer experience worldwide and contribute to the development of products such as car-sharing and insurance based on driver behaviour. (Pay How You Drive).

ALD stresses its desire to provide its customers with new, high value-added connected products and services based on the interpretation of data provided by telematics.

ALDCarmarket/Web-based used car sales platform

The Group's online resale platform (ALDcarmarket.com) allows professional dealers to purchase vehicles that were leased under full-service leases. The platform facilitates dealers' decision-making by providing direct access to vehicle information, including an assessment of general vehicle condition, maintenance history and detailed photos. The platform offers three types of sales: (a) bidding (an offer is manually or automatically posted online and the dealer who offers the best bid gets the vehicle), (b) sale by closed bidding (buyers make a closed bid, the Group selects the best offer and awards the vehicle to that person) and (c) fixed price sale (all buyers can click on a vehicle and buy it instantly at the indicated target price).

This resale platform has extended its functionality, making it an international e-commerce portal that allows customers to purchase vehicles and arrange for their delivery or can offer customised services. This platform has been rolled out in the majority of countries where the Group is present.

6.3.8.2 Innovative products

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

Green solutions

The Group aims to be the leader in eco-friendly fleets and mobility solutions. The Group already offers its customers around the world who want to reduce their CO_2 and fine particle footprint the possibility to choose hybrid and electric cars. In addition, “ALD ecodrive” is a mobile app offered by the Group that helps users optimise their driving in an eco-friendly and engaging manner.

The Group expects the share of diesel cars to decrease in coming years, as ALD and its clients are pushing for an increasing number of hybrid and electric cars in their fleet mix. As at 31 December 2018, the Company’s electric and hybrid fleet consisted of over 100,000 electric or hybrid vehicles and the Group believes it will continue to evolve with the global market as demand and technology further develop.

Flexibility solutions

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

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

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

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

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

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

These flexible solutions are offered in one or several countries where the Group operates depending on the maturity of the Full Service Leasing market and customer demand.

6.4 INFORMATION TECHNOLOGY

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

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

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

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

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

For detail on IT risk, see section 4.5.5 "IT risk".

7

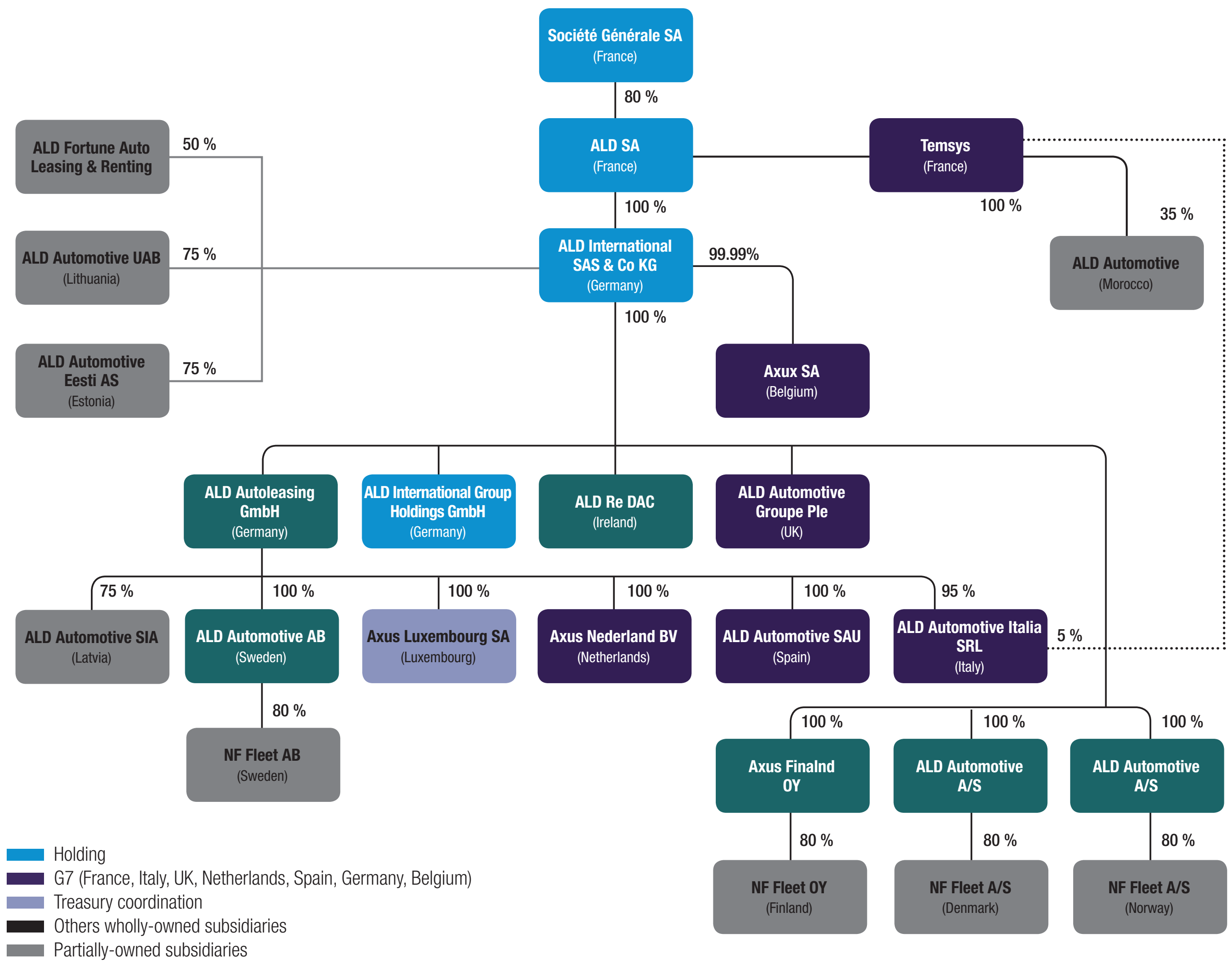
ORGANISATIONAL STRUCTURE

7.1 ORGANISATIONAL CHART

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

- subsidiaries supervision;
- management of relationships with Large Corporate Accounts and partners;
- central procurement activities to negotiate volume bonuses with manufacturers and other suppliers (such as tyres, short term rental, etc.);
- treasury coordination, including administering the Group's EMTN bond issues;
- finance;
- investor relations;
- General Secretary functions covering credit, compliance, risks and internal control; and
- IT support functions.

SIMPLIFIED ORGANISATIONAL CHART LISTING THE GROUP'S MAIN ENTITIES



This organisational chart discloses the Group's main entities.

7.2 FUNDING AND OTHER SERVICES

7.2.1 Funding

As of 31 December 2018, Societe Generale funded approximately 68% of the Group's debt financing on an arm's length basis. The remaining 32% was made up of secured and unsecured funding obtained through local external banks or third parties. Societe Generale also provides guarantees to external funding providers on behalf of the Group.

Most of the funding provided by Societe Generale is granted through Societe Generale Bank and Trust ("Societe Generale BT"), which is based in Luxembourg. Pursuant to a facility agreement (the "Treasury Facility Agreement") renewed in 2018, Societe Generale BT funds the ALD Group Central Treasury, which then grants loans in different currencies to the twenty main Group subsidiaries, in addition to the Group holding companies. As at December 2018, the total amount of loans granted to the Group by Societe Generale BT was EUR 8,277 million for an average maturity of 1.9 years. The Group also benefits from an intra-group funding agreement applicable to entities of Societe Generale. This agreement provides for the terms and conditions of the loans which can be granted by Societe Generale or any of its subsidiaries to other Societe Generale entities. The agreement is of unlimited duration and cancellable by each party with one month notice, with existing loans remaining subject to the agreement until repayment.

As at December 2018, the total amount of loans granted to the Group by Societe Generale was EUR 11,397 million.

Societe Generale has committed to continue to provide the majority of the Group's funding following the listing of the Company on Euronext Paris, as long as the Company requests it. The Group intends to maintain its issuance program in the capital markets in the future. In the event of liquidity stress on the market, Societe Generale has committed in the near term to provide the Group with liquidity support in order to enable the Group to pursue its operations.

7.2.2 Other services

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

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

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

The Group's relationship with Société Generale includes other administrative aspects. The Group shares premises with Société Generale's business divisions in France, Germany, Ireland, India and Romania.

For more details, see Chapter 19 and Section 20.1.5 note 33 “Related parties” of the consolidated financial statement.

7.3 SUBSIDIARIES AND EQUITY INTERESTS

7.3.1 Material subsidiaries

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

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

ALD Automotive Italia SRL (Italy), a limited liability company (*societa a responsabilita limitata*), is indirectly wholly owned by the Company. Its primary corporate purpose involves the short and long-term leasing of vehicles, the sale and purchase of road transport vehicles, the operation of garages and machine workshops, the maintenance and repair of road transport vehicles both directly and *via* third parties and the provision of ancillary services.

ALD Automotive Group PLC (UK), a limited liability company, is an indirect subsidiary wholly owned by the Company. Its primary corporate purpose is the renting and leasing of cars and light motor vehicles.

ALD Autoleasing D GmbH (Germany), a limited liability company, is an indirect subsidiary wholly owned by the Company. Its primary corporate purpose is the short, medium and long-term leasing of all types of moveable goods, in particular German and foreign cars.

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

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

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

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

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

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

7.3.2 Recent acquisition and disposals

For more details, see Section 20 note 6 of the consolidated financial statements and 5.2.1 Historical investments.

8

DECLARATION OF EXTRA-FINANCIAL PERFORMANCE

AFR DEFP

8.1 INTRODUCTION: A CSR AMBITION INTEGRATED WITHIN THE GROUP'S STRATEGY

AFR DEFP

8.1.1 Main themes

ALD's new CSR ambition is applied through four themes integrated within the activity of each of its business lines:

- one theme related to the promotion of sustainable mobility;
- one theme on being a responsible employer and on the development of human capital;
- one theme on responsible practices (ethics and governance, including the management of environmental and social risks (E&S), customer satisfaction and responsible purchasing);
- one theme concerning the Group's internal environmental footprint.

The objective of this ambition is to create added-value for stakeholders and support the positive transformation of the Company, giving priority to issues relating to the energy transition and sustainable cities. As a major player in mobility and a services company, our main societal impact is through the products and services that are marketed (profiles of vehicles and associated services), resulting in a CSR policy with a strong emphasis on sustainable mobility.

8.1.2 CSR governance

The structuring and organisation of this policy took on a new dimension in 2018 with the appointment of a CSR director in January, followed in August 2018 by a dedicated coordinator, who reports hierarchically to the Group Corporate Secretary, and with a close, direct link to the Executive Committee and the General Managers of the commercial subsidiaries. The CSR community was consolidated by the appointment of correspondents in each of the seven main European countries. ALD's CSR system is fully integrated with that of the Societe Generale, both in terms of substance (themes) and process (reporting, business line actions, common tools).

8.1.3 The new regulations

The new legislative obligations (articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code) are an opportunity for ALD to clarify the connection between its business model (see Chapter 6), its CSR ambition and the policies and processes that it has implemented and continues to enhance to manage the Environmental and Social (E&S) risk factors inherent in its activities. The Declaration of Financial Performance also highlights the CSR opportunities for the Group and its customers.

8.1.3.1 Methodological approach

In order to identify the extra-financial risk factors inherent in ALD's activities, the Group has drawn up a mapping of extra-financial risks. The Group's risk typology was cross-referenced with the environmental and social risk factors relative to human rights and corruption.

The CSR Department worked on the mapping methodology in collaboration with the Risks and Human Resources Departments and the various departments in charge of applying the CSR themes. The risk factors identified by this analysis were evaluated according to two criteria: their potential severity (low to very high) and their probability of occurrence (very low to almost certain). The combination of these two factors constitutes the extent of the risk for the ALD Group. The methodology and results of this map were validated by the Executive Committee and presented to the Independent Third-Party Organisation.

8.1.3.2 The main risk factors identified

THE EXTRA-FINANCIAL RISK FACTORS STANDING OUT AS THE MOST SIGNIFICANT IN THE MAPPING ARE:

Significant risks (severity x probability)	CSR challenges and main policies
Environmental impact and climate change • Establishment of traffic restriction policies in urban centres • Rapid development and tightening of the regulations on cars (including taxation) and on certain types of assets (e.g. diesel) • Impact of the managed fleet on climate change (CO_2) • Impact of the managed fleet on pollution (NOx) • Reputational risk of environmental and social origin (customer or supplier transaction) • Business travel carbon footprint	• Energy transition • Electric vehicle program • Development of new mobility solutions, new usages, Smart Cities (Maas, Sharing, etc.) • Reduction of the internal carbon footprint • Responsible Purchasing • Management of E&S risks
Customer expectations and market risks: • Reduced appetite for cars due to changes in values (mature markets): potential impact on demand for new/used vehicles • Insufficient consideration of changes in demand, from ownership towards use, the boom in sharing and "on-demand" services • Insufficient customer service	• Development of new mobility solutions, new usages, Smart Cities (Maas, Sharing, etc.) • Customer satisfaction and journey
Human capital and working environment: • Insufficient support for employees in the transformation of the business model • Risk of discrimination, in particular gender equality • Failure to consider workplace wellness issues sufficiently (impact on employee commitment) • Difficulties in recruiting and retaining qualified employees	• Employability and agility of employees • Recruitment, retention and commitment of employees • Societal commitment • Promotion of diversity, including gender balance
Infringements of human rights and breaches of ethical rules: • Purchasing / Supply of raw materials for tyres, spare parts, selection of service providers • Choice of customers / suppliers: corruption, money laundering, embargoes / sanctions	• Responsible Purchasing • Culture and Conduct • AML policy, sanction and embargo policy, KYC • Industry policies, E&S watch lists and exclusion

Amongst these risk factors, some involve major risk factors for the Group and are dealt with in Chapter 4 "Risk factors".

CSR risk factors are dealt with in the Declaration of Extra-Financial Performance, which focuses on the four CSR themes. In each of the parts below, the salient intrinsic extra-financial risk factors are listed, as well as the policies implemented to limit their occurrence and mitigate them. Lastly, key performance indicators supplement the elements concerning the implementation of these measures.

Given the nature of our activities, the following topics do not, in our view, pose a major CSR risk and do not warrant being expanded upon in this Management Report:

- circular economy;
- food waste;
- the fight against food insecurity;
- respect for animal welfare;
- responsible, equitable and sustainable nutrition.

In addition, given the fact that the law was published only recently (October 23, 2018), we have not been able to include, and take into account, the theme of tax evasion in our CSR risk analysis. If tax evasion does present a major risk, it will be addressed in the next fiscal year.

8.2 SUSTAINABLE MOBILITY AT THE HEART OF THE BUSINESS

AFR DEFP

Significant risk(s) identified:

- establishment of traffic restriction policies in urban centres;
- rapid development and tightening of the regulations on cars (including taxation) and on certain types of assets (*e.g.* diesel);
- impact of the managed fleet on climate change (CO_2);
- impact of the managed fleet on pollution (NO_x);
- reduced appetite for cars due to changes in values (mature markets): potential impact on demand for new/used vehicles;
- insufficient consideration of changes in demand, from ownership towards use, the boom in sharing and "on-demand" services.

CONTRIBUTION TO UN SUSTAINABLE DEVELOPMENT GOALS (SDG):

For a player such as ALD, the commitment to sustainable mobility is multifaceted and is notably expressed in the following issues:

- the profile of our fleet in terms of powertrains, with the topic of the transition from fossil fuels to electrification as a basic challenge;
- new uses, in phase with societal trends on usage, the sharing economy, and customised and on-demand offers;
- safety for drivers, *via* means of awareness-raising, prevention training and accident management services.

8.2.1 The energy transition and low-emission vehicles

In a context of growing concern among public authorities and the general population that global warming needs to be tackled urgently, greenhouse gas emissions from private cars and vans are widely seen as one of the major issues to be addressed. Road transport is responsible for 20% of emissions within the European Union (Source: International Energy Agency, Tracking Energy Progress 2017), but attracts a greater share of public attention. Although average CO_2 emissions of the Group's fleet have been steadily decreasing in recent years, the vast majority of its vehicles is powered by Internal Combustion Engines (petrol or diesel) using fossil fuels. Furthermore, it is now recognised that the official values for the approval of these conventional engines significantly underestimate the actual emissions (by around 40% according to international studies by the ICCT), which increases the mistrust of the public and customer companies.

Another issue that has gained in awareness over the past few years is pollution, especially in urban areas. The transport sector as a whole accounts for around half of Nitrogen Oxide (NO_x – Source IEA see above) emissions and generates large amounts of particulates, both seen as a serious concern for public health. In an attempt to limit CO_2 emissions, public policy had encouraged the wide adoption of diesel, an energy that has proved more efficient than petrol in terms of CO_2 emissions. However, diesel engines are now known to generate a higher level of local pollutants, although the latest generations of diesel (under the Euro6 norm) have shown tremendous progress.

All in all, local urban pollution issues coincide and sometimes collide with global emissions concerns. Actors in the sector are requested to decarbonise their ranges of products and electrification is progressing quickly thanks to various solutions (battery-powered electric vehicles, rechargeable hybrid vehicles and hybrid "conventional" vehicles) and under the effect of regulatory constraints put in place by the EU (emission targets 2020/2021). These electric powertrains will inevitably play a predominant role in the automotive industry by 2030, but are not yet competitive for all uses, due to technological costs, problems of autonomy and limited infrastructure. Furthermore, the rise of electric vehicles does not come without concerns. From the sourcing of components (*e.g.* extraction of cobalt in emerging countries), to the emissions deriving from the production of batteries, or low battery recycling capabilities, numerous examples show that this new supply chain is not yet optimal from an environmental and social responsibility standpoint.

Although the environmental footprint of the vehicle fleet depends broadly on the offer from equipment manufacturers and use by final users (customers), a company such as ALD – which holds the assets and acts as an advisor – could be held responsible for this environmental footprint, which would lead to an image risk and an economic risk.

Financial risks are also intimately related to climate risk and pollution, and may be seen in the differences between the forecast residual values and the actual resale values of vehicles, notably for diesel vehicles, which constitute the majority of the Group's fleet (see Chapter 4 for an explanation of the residual value risk). The on-going and necessary shift towards low emissions vehicles could have an impact on the resale value of traditional combustion engines, which is why ALD aims to reduce the share of the latter in its portfolio and promote green alternatives.

The energy transition therefore covers two company projects that are intrinsically interlinked:

- a general aim to rebalance ALD's fleet, the most urgent matter being managing the reduction in the share of diesel vehicles;
- within this objective, the requirement to create the necessary conditions for the emergence of electric vehicles.

8.2.1.1 Rebalancing and diversifying the portfolio

The evolution of the vehicle mix across different types of powertrains (diesel, gasoline, hybrid conventional, hybrid rechargeable, electric) is being monitored closely by the Group's operational governance bodies (Executive Committee, Operational Committee).

ALD's mission is to guide customers towards optimal technology from an economic and environmental point of view, taking into account the real use of vehicles. This involves profiling work taking into account the business models of customers, types of users and the real use of vehicles. The aim is to identify **the right vehicle for the right use**, making sure that diesel is used **only** in cases where it continues to make sense, namely essentially for high mileage and in certain categories of vehicles where the alternative proposals are still underdeveloped (light commercial vehicles, for example).

There is a natural downward trend in the market share of diesel due to the reputation of this fuel, a trend that ALD must accompany and amplify within its activity.

The main levers that ALD has at its disposal, given its activity, are the following:

- the pricing of our services offer, by improving the attractiveness of alternative solutions to diesel, notably *via* a policy of adjusting residual values;
- commercial support to customers *via* external and internal actions. For example, ALD France has developed an energy calculator available on its website to help customers to identify the optimal type of powertrain according to their usage and priorities. Internally, the sales force has quantitative objectives included in the variable compensation system linked to reducing the diesel mix;
- the development of certain distribution channels, such as retail customers (less sensitive to diesel) or some of our white label partnerships (with pioneering manufacturers of low-emission vehicles, such as Toyota). From this point of view, ALD has immense potential, due to the diversity of its marketing channels;
- the launch of new products and services, in particular to promote the emergence of electric vehicles (see below);
- lobbying and communication actions, such as the white paper produced by ALD United Kingdom on hybrid rechargeable vehicles and customer events on alternative energies (product presentations, test drives), including in markets that are still dedicated to diesel or other combustion engines (*e.g.*: Romania, Turkey, Greece, Ukraine).

Results and ambitions

This **holistic approach** is producing tangible results, with the share of diesel powertrains in the production of new contracts dropping by nine points between 2018 and 2017, to stabilise at less than 60% for passenger cars throughout 2018 (53% in Q4 2018). This trend is particularly noticeable in France, the United Kingdom and in Germany (share of diesel in new contracts down by 14, 13 and 12 points respectively). From an environmental point of view, it is particularly important that these diesel volumes do not transfer in full to gasoline engines, which generally perform better in terms of particle emissions but have a carbon impact that is 15% to 20% greater than a comparable diesel engine. ALD must therefore make sure that low-emission vehicles (primarily electric) also benefit from this trend. This is the case, since the share of xEV solutions (electric, hybrid rechargeable and hybrid) in new contracts almost doubled in 2018 (9% at the Group level).

8.2.1.2 Electrification

This overall effort on rebalancing the managed fleet is accompanied by specific work on electric vehicles. Given the relative immaturity of the sector and significant national differences, it was decided to launch an "**EV Program**", sponsored and operationally managed by the CSR Department, in association with contributors from the various business lines and the main countries.

This program aims to address, in a systematic and organised manner, the main elements of the value chain that must be adjusted or reviewed to create the conditions for electric vehicles to take off.

NINE INTERLINKED PROJECTS CONSTITUTE THIS EV PROGRAM:

- pricing, *via* a systematic review of residual values and servicing prices that reflects the intrinsic benefits of electric, as well as its technological developments and eventual resale prospects. Note that these internal parameters represent only part of the problem of the overall cost of electric vehicles, as the excess cost in terms of purchase price and government aid arrangements play a decisive role in their attractiveness;
- setting up a system for providing advice and support to customers, as described above, but which, for electric vehicles specifically, requires a tailored approach (*e.g.*: cost calculators that include the cost of electricity used in recharging and the various tax or usage benefits related to these vehicles);
- the development of specific products and services. ALD must first adapt its existing services, going much further than a long-duration lease offer including an electric vehicle. This involves facilitating the customer experience by integrating into our offers access to recharging infrastructures at home, at work and in public places as much as possible ("end to end" offer). This approach is possible through the conclusion of strategic partnerships with "pure players" in the electric ecosystem.

  There is also an opportunity to create new "facilitator" services. For example, the ALD Switch offer, already available in Belgium and the Netherlands, was launched in France in 2018. ALD Switch provides an electric vehicle and includes the supply of a hybrid internal-combustion engine vehicle when the customer needs it (limited to 60 days per year). This type of service removes the range anxiety, and is an opportunity for ALD to extend its range of services;
- the development of commercial partnerships, either with existing partners (manufacturers) or with players in the world of energy, such as the approach initiated by ALD Italy with the energy supplier ENEL in 2016. This involves jointly creating services (conventional long-duration lease and car-sharing) brought together under the e-go umbrella brand and marketed to ENEL clients or the mass market. In the same vein, in February 2019, a partnership was announced with the energy company E-ON, with the first concrete cooperation taking place in Germany and Denmark.;
- the adaptation of our vehicle purchase policy, in the specific context of electric vehicles, marked by a shortage of supply and a pro-electric commercial policy by many manufacturers;
- the adaptation of our resale process for electric vehicles at the end of their useful lives, and more generally, the organisation of the "second life" for these vehicles;
- the adaptation of our reporting tools and our information management systems;
- market monitoring, particularly important because this new emerging electric ecosystem is developing very quickly, both from a technological and capital-intensive point of view;
- an internal program of "education" of key decision-makers.

Results and ambitions

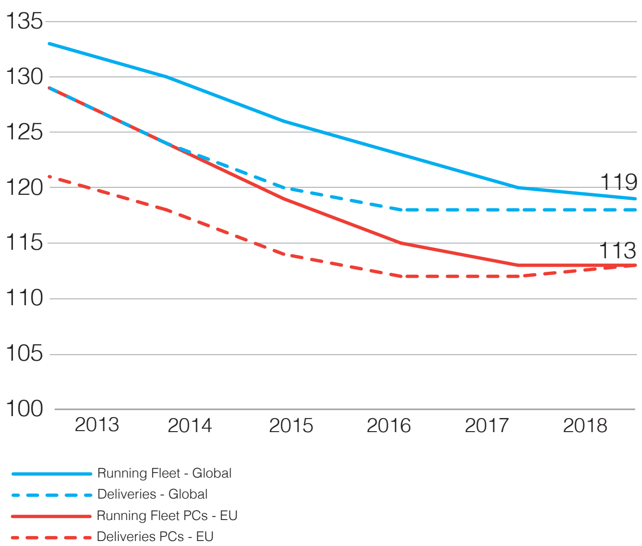
At the end of 2018, ALD had crossed the threshold of 100,000 electric or hybrid vehicles (rechargeable or not): 102,700, up by 50% year-on-year. Pure electric vehicles represent just over 17,500 vehicles out of this total, making ALD one of the main operators of electric vehicles throughout the world. Our ambition is to reach 200,000 "green" vehicles under management by the end of 2020. By that time, green vehicles will represent at least 20% of the production of new contracts.

8.2.1.3 Impact on the carbon footprint

Firstly, it should be noted that the Group's fleet is much younger than the average car fleet and hence technologically more up to date, and superior in terms of environmental impact.

As well as this, the consensus of policies put in place is reflected in the carbon trajectory of the fleet managed by ALD. While market data clearly shows that CO_2 indicators are rising again under the combined influence of the trend for Sport Utility Vehicles (SUVs) and the upsurge in gasoline, the emergence of "alternative" powertrains (electric) is counterbalancing this phenomenon.

AVERAGE OF CO_2 EMISSIONS - ALD FLEETS



In the case of ALD, the average coefficient of the entire fleet financed by ALD stood at 119g of CO_2 per kilometre (manufacturer's data), down by one point compared to 2017. In terms of the scope of passenger cars within the EU, based on recent delivery activity in 2018, the average is 113g.

Although it is quite complicated to define a trajectory for 2019 due to the transition towards new WLTP approval standards and a range from manufacturers that is still limited, ALD sees a turning point in 2020 which should, thanks to a supply-side effect extended by internal projects, bring down the emissions of the total fleet to under 110g and under 95g for new passenger cars delivered in Europe.

Thanks to the tool developed in the context of the bond issue of October 2018 (see below), ALD is also able to evaluate the CO_2 and NO_x avoided by its green fleet, under a life-cycle approach. The financed part of this fleet, recorded in the balance sheet of ALD, saves 74,200 tonnes of CO_2 equivalent and 358 tonnes of nitrogen oxide per year, compared to an internal combustion engine fleet of equivalent power.

Positive-impact bond issue

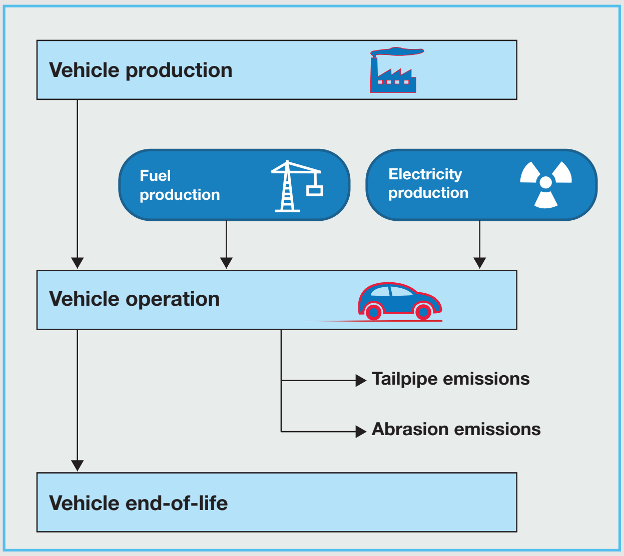
On 4 October 2018, ALD successfully issued its first positive-impact bond, of EUR 500 million with a 4-year maturity. The funds raised are exclusively used to (re)finance a fleet of electric and hybrid vehicles selected according to their climate and environmental impact.

ALD worked closely with Societe Generale in developing the framework document detailing ALD's commitments for its positive impact bonds: use of funds, selection and evaluation criteria for the fleet of green vehicles, annual reporting. The quality of this framework was widely recognised by the sector: Vigeo Eiris delivered an independent opinion on the degree of inclusion of environmental impacts and sustainability factors in the design and management of the bond, on its contribution to ALD's sustainable development strategy and its alignment with the "Green Bond Principles" of the ICMA and the "Principles for Positive Impact Finance" of the Financial Initiative of the United Nations Program for the Environment; while the Climate Bond Initiative certified this inaugural emission as being compliant with its "low carbon transport" standard.

This operation aims to (i) support ALD's strategy towards sustainable mobility, resulting in growth in the numbers of "clean" vehicles (electric, rechargeable hybrid and non-rechargeable hybrid) in its fleet, and (ii) accelerate the diversification of its sources of external finance, following its initial public offering in June 2017.

It is a first in the field of sustainable finance and in the automotive sector:

- the first sustainable bond issue by a European issuer in the automotive sector. In doing so, this inaugural issue is contributing to the diversification of the sustainable bond market, still largely dominated by the issues of energy players and by public institutions;
- the first bond issue aligned with the "Green Bond Principles", the "Principles for Positive Impact Finance" from the UNEP FI and with certification from the Climate Bond Initiative (it is also the first bond issue from the automotive sector to receive such certification);
- until now, no methodology enabled the reporting of the reality of the life-cycle, as measurements of CO_2 and pollutants carried out in laboratories for certification focused only on the use of the vehicle. In order to measure the impact of this portfolio in a robust and transparent way, ALD has worked with consultants Quantis to develop a pioneering and robust methodology that takes into account greenhouse gas emissions as well as pollutant discharges (NO_x, fine particles) affecting air quality, at all stages of the life-cycle (vehicle production, battery production, power production during the usage phase and end of life);
- ALD has selected a fleet of 14,348 vehicles – spread over 13 countries, with 24% electric and 76% hybrid and plug-in hybrid – which saves 17,000 tonnes of CO_2 equivalent and 99 tonnes of nitrogen oxide compared to an internal-combustion engine fleet of equivalent power;
- the issue was oversubscribed nearly 2.5 times, with a subscriber profile that was broader and more diversified than the institutional players attracted by conventional ALD bond issues.



8.2.2 New uses and new forms of mobility

ALD also places a strategic focus on investing in new mobility solutions that will transform car usage, fostering new behaviours that are gradually shifting the model away from the traditional "one user-one car" scenario.

In order to define its strategy, ALD analysed the mega-trends that might impact its business model, which is based essentially on "traditional" use of cars. New uses, connectivity, environmental constraints and the emergence of cities/regions that have greater control over regulations/decrees, advanced technologies (and the boom in platforms), have enabled us to identify five main aspects to be taken into account in the development of our business model to 2025:

- ALD sees the transition from ownership to usage as an opportunity to develop the private individual segment (essentially through partnerships). This new segment nevertheless requires us to review our offer, adapted specifically to companies;
- with the need to offer alternatives to diesel/gasoline vehicles, ALD must develop a coherent offer for electric, hybrid and PHEV vehicles (see above);
- connectivity, notably, of vehicles, will lead to new opportunities, for example new services for our customers (to improve their experience, in particular), as well as new products that are possible only if the vehicle is connected;
- in urban environments, the "mobility-as-a-service" phenomenon and "multi-modality" must lead ALD to re-examine the "car only" model and offer alternatives: car-sharing, electric scooters, metro, etc.; and
- finally, the transition to levels 4 and 5 in vehicle autonomy will also disrupt the current paradigm.

From this observation, ALD identified **five priority areas** in which to innovate by 2020: digital and connected vehicles, flexibility, new mobility solutions, payment and electrification.

These have therefore framed ALD's innovation strategy over the last two years and defined the priorities and avenues for investigation for the upcoming year.

Resources used

Concerning the use of resources, ALD has structured its governance around the innovation process, from the creative thinking to industrialisation/scaling up of new products or business models.

Convinced that the best ideas come from experts on the ground, ALD has installed various tools enabling ALD employees to submit new ideas (creative thinking campaign, "suggestion box" on the intranet, etc.). The subsidiaries of G7 countries (France, Italy, United Kingdom, Netherlands, Spain, Germany, Belgium) have all structured the innovation initiative locally (item, budget, process), which gives them the ability to test selected new ideas with customers. A community of innovation leaders, an official role in the organisation (11 people identified and trained), enables effective feedback of the results of these trials (success or failure/lessons learned) to a dedicated central team (Innovation Centre). This team has the role of supporting and helping the entities in their trials, as well as centralizing the initiatives and identifying attempts that have achieved a certain degree of success.

Another conviction is that ALD cannot achieve this transformation of its business model alone and that Open Innovation and its ability to establish partnerships with start-ups in the world of new mobility solutions will be key to success. Moreover, in each of the five areas mentioned above, ALD is collaborating with start-ups, which are helping us to integrate innovative services into our offer. In 2018, eight trials were carried out with start-ups operating in different areas: Vinli (connected vehicles), Mobeelity, Maas Global, Parkbob, Insurapp, Scapic, Drivy (new mobility solutions).

The last key component of this organisation: the Innovation Committee, the decision-making body that must ensure that innovation serves our strategy. This is composed of the members of the ALD Executive Committee and representatives of the subsidiaries. Its role is to allocate financing for certain trials. For example, in 2018, it was decided to finance the testing of a flexible new product for individuals in Norway (called ALD Swift).

In addition, it will decide which prototypes we wish to industrialise. Accordingly, in 2017, it made the decision that the car-sharing solution for companies developed and tested by ALD Italy and already available for 2,000 vehicles and 7,000 drivers, should be rolled out Group-wide.

In order to ensure the success of this industrialisation phase, ALD has set up "Centres of Excellence". Consisting of teams located in a subsidiary who have developed real expertise in a particular field, their role is to introduce, for and in the other subsidiaries, a product identified as strategic for the Group. Thus, ALD Italy, an expert in the car-sharing solution, has set up a Centre of Excellence for the roll-out of this solution (already introduced in three countries and planned for seven additional countries in 2019). These teams are financed by the holding company.

Plan for 2019

Car-sharing is only one example of the mobility products/solutions that the Innovation Committee has already decided to industrialise. Currently, ALD's "mobility strategy" defines which products need to be consistently in place across the G7 and in which fields ALD needs to innovate and create new products.

ALD's mobility offer to be rolled out in 2019 comprises the following products: car-sharing (example given above), "ALD Electric" (electric vehicle offering), "ALD Switch" (option to request a different vehicle for several days per year) and lastly, ALD's private individual leasing product (with a fully digital experience).

The Innovation Committee has also ruled that the focus of all innovation activities must be flexible offers or subscription models. It will therefore ensure that the initiatives launched and financing are in line with this. Notably through monitoring a number of KPIs, such as:

- number of new ideas tested;
- budget allocated to innovation;
- rate of engagement of ALD's customers in testing new solutions;
- penetration rate of new products.

These indicators are consolidated by the Innovation Centre and reported to the committee, which meets twice a year.

8.2.3 Safety

Even though it is not one of the highest risks for ALD, driver safety is one of the major concerns of ALD's customers, both for obvious reasons of social responsibility and due to the economic impact of accidents on their activities.

8.2.3.1 Enable customers to benefit from progress made in the automotive sector

Given that ALD only rents to its customers vehicles that were bought new, the very nature of its business means that the drivers of these vehicles, and their passengers, benefit from the very latest provisions and innovations in matters of road safety.

For a company, the choice of using long-term leasing services for cars automatically keeps its automotive fleet young, because the vehicles will then be renewed more frequently. The average age of the automotive fleet leased by ALD is about 21 months, with the majority of this fleet still benefiting from the coverage provided by the manufacturer’s warranty. Furthermore, as long-term leasing contracts generally include all maintenance on a fixed-cost basis, ALD ensures that the maintenance operations recommended by the manufacturer, the replacement of worn tyres and any technical checks, are carried out on time.

8.2.3.2 Roll out a specific services offer

ALD’s offer is currently built around two elements:

- an Accident Management product: management of incidents, data management, customer reporting (to date, 14 countries have an Accident Management offer);
- driver training, which is based on classroom training courses or digital programs. In recent years, ALD has increased the number of initiatives aiming to encourage customer companies to carry out accident-prevention actions with their employees. ALD France, for example, has developed the “ALD Drive” program with the driving school “Beltoise Evolution”. Three training courses are proposed: a conventional accident-prevention course entitled “Road accident prevention”, a training course oriented more specifically towards “Eco-driving” and a course on “Driving electric and hybrid vehicles”. They may be given on a track by professional instructors as well as on the premises of customer companies using mobile driving simulators designed especially for ALD. The companies that have offered these training courses to their employees have seen a very significant fall in their accident rates (responsible accident rates halved) as well as a significant drop in fuel consumption (around 15%). Similar programs are in place in 34 countries.

The safety offer will be the subject of a specific project in 2019, notably through close collaboration with our North American partner, Wheels, which is particularly advanced on these subjects.

8.3 RESPONSIBLE EMPLOYER

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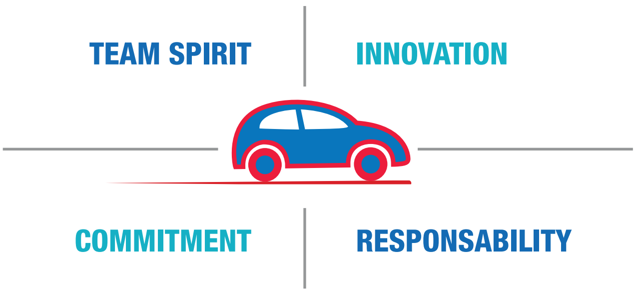
Significant risk(s) identified:

- insufficient support for employees in the transformation of the business model;
- difficulties with recruiting and retaining qualified employees;
- risk of discrimination: equality between women and men;
- risk of other types of discrimination (disability, age);
- failure to consider workplace wellness issues, impact on employee commitment.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

8.3.1 The ALD employee experience: a positive and engaging learning experience

The ALD Group Human Resources policy is based on **the values of our Leadership Model:**



These values are the keystones of ALD's strategy, which focuses on the quality of our relationships with our employees, customers and partners.

ALL employees have TALENTS and ALD's major ambition is to give everyone the opportunity to express their know-how in a corporate culture of **Empowerment** in which employee autonomy is valued.

Our goal is to make the ALD experience a positive and engaging learning experience.

Innovation

ALD strives to continually improve **the customer experience** by working together to adapt our solutions, practices and relationships to meet the needs of tomorrow and take advantage of technological innovation.

The same is true for **the employee experience**. True to our entrepreneurial culture, ALD adapts its way of working by promoting sharing and experimentation. ALD wants to incentivise employees to think outside the box, streamline processes and improve operational efficiency.

Team spirit

Our ambition is to be **THE partner of reference** in the kind of relationship that we build with our customers, collaborating with them as we work with each other in our Group and using all of our energy and talents to everyone's benefit.

Responsibility

ALD supports its customers as they complete their projects, remaining attentive to all kinds of risks. ALD employees act **ethically and courageously** and place as much importance on how the results were achieved as on the results themselves.

Commitment

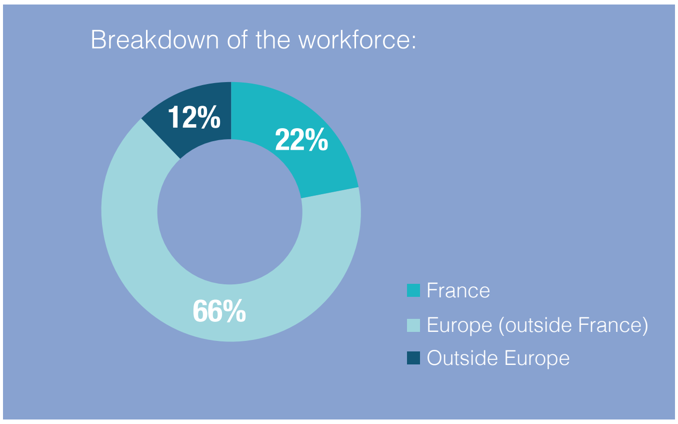
ALD's commitment comes from our customers' continued satisfaction and our pride in our profession and Group. ALD employees show their commitment through example and caring for others and relationships based on **trust** and **mutual respect**.

Accordingly, to support its growth and drive its transformation projects, ALD has had a **responsible employment policy** in place for many years. This policy is articulated around three main concepts:

- recruiting and retaining employees and encouraging them to be committed;
- making our employees more employable and flexible;
- promoting the diversity of our talent.

8.3.2 Recruiting and retaining employees and encouraging them to be engaged

A FEW FACTS ABOUT ALD'S WORKFORCE:



These indicators are presented in Chapter 17.

Newcomer onboarding is a rite of passage for both employees and ALD. This is why we have always paid attention to every detail of this welcome, ensuring that, from the start, newcomers have a learning path designed to give a complete vision of the Company and its teams and know-how. Each Group entity manages its onboarding program autonomously.

For example, ALD France has designed a three-day onboarding program for new employees called **ALD Starting**, with which ALD SA is also associated. This program has existed since 2009, and it is continuously adapted. In 2018, 171 new employees were received through the program, and they gave it an NPS rating of +55.

Other examples include ALD Belgium and its **Onboarding & Travel Itinerary** or ALD Turkey and its **Orientation Program** which gives support to newcomers during their first six months in the Company. This comprehensive program starts with the issuing of practical guides and progresses to workshops that present the entity's business lines and departments and on-line monitoring by managers, who regularly share their feedback with newcomers. The program ends with a meeting with the entity's Chief Executive Officer during a dinner at which informal discussions about the Group's strategy and culture are encouraged.

8.3.3 Labour relations and workplace wellness

Dialogue with employee representatives is fundamental to the relationship that ALD has built with its employees.

At ALD France, employees are represented by employee representatives, a Works Council and a Health and Safety Committee. ALD SA employees are represented by a *Délégation Unique du Personnel* (DUP), a body that combines features of a Works Council and the employee representative model. In this framework, agreements have been signed with employee representatives. These agreements concern, among other things, subjects relating to compensation, social benefits, working time and professional equality between women and men.

Outside France, the ALD Group ensures that labour relations with its employees are maintained in ways that may differ depending on the size and structure of the local teams and the legislation in force in the country.

The organisation of working time varies according to the rules in force in the countries where ALD is present and, as the case may be, according to the duties performed. As a result, conditions (working hours, flexible hours, organisation, part-time work) vary from country to country.

In response to a growing need for work flexibility and a better work-life balance, the majority of ALD entities (such as ALD Belgium, Netherlands, Germany, United Kingdom, Mexico, Hungary, Russia, Latvia, Poland, Bulgaria, Brazil, Portugal, Italy, the Nordic countries, France and ALD SA) have implemented or are testing the “**Home Office**” teleworking concept.

In addition, the Group has created **workspaces that promote exchanges and innovation** in the form of modular offices where digital tools are used. This is the case, for example, for ALD SA in France, ALD Spain, Italy, UK, Belgium, Portugal, to name but a few.

All ALD Group employees are interviewed every year in an “**Employer Barometer**” to find out about, among other topics, their commitment, job satisfaction and level of confidence in the Group’s strategy. This survey produces results that are analysed by each entity. Employees are invited to review the results from the barometer and the action plan put in place by the entity’s management.

2018 ALD GROUP EMPLOYER BAROMETER RESULTS (IPSOS SURVEY):

Commitment rate:
73%

Participation rate 2018:
84%

Satisfaction with the current job:
78%

Confidence in the business strategy:
79%

Pride in belonging to the group:
85%

This ongoing listening process that takes employee voices into consideration produces tangible results: in the last ten years, five Group entities have been named in the Top 10 Best Workplaces by the **Great Place to Work** Institute (**Belgium, the Netherlands, Denmark, Finland, Luxembourg**). The **Top Employer** label was awarded to **ALD Spain** in 2018.

8.3.4 Societal commitment

It is important for ALD to make a positive contribution through societal engagement and community involvement, which takes the form of support for citizen initiatives, solidarity or philanthropy.

Our aim is to involve employees in these actions as much as possible and thus generate pride in belonging to the Group.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS:

ALD's solidarity initiatives and its civic commitment are currently being developed locally by the various entities to best target the needs of each country or region.

These initiatives generally support local associations or their projects, but some prefer to act through locally created Societe Generale Foundations such as the Institut Societe Generale in Brazil, the Jistota Foundation in the Czech Republic, or the SG UK Group Charitable Trust Foundation in the UK.

The goal is to further structure this approach and focus our societal commitment around three main themes:

- **aid to children**, which represented one-third of the actions financed within the Group in 2018 and took the form of donations (in cash or vehicles) to associations, hospitals or orphanages. The specific angle that ALD will develop, in connection with the Societe Generale, concerns initiatives that promote the social inclusion of disadvantaged children through education. ALD SA renewed its partnership with the NGO *Ecoliers du Sénégal* to finance the establishment of a school bus service for schoolchildren who live far away from their school. ALD also continued to support an Indian non-governmental organisation to finance the studies of about 200 disadvantaged children at a Bangalore school for one year;
- **protection of the environment**, through actions to offset ALD's internal carbon footprint or support for emission reduction initiatives. Several countries have participated in reforestation actions, including ALD Hungary (in partnership with the local WWF), ALD Brazil in the Environmental Week Campaign, ALD Mexico and ALD Spain;
- "**mobility for all**", which provides mobility solutions to populations at a disadvantage because of a physical handicap, or economic difficulties or geographical distance. In all cases, vehicles are a major factor in social inclusion. A few examples of initiatives funded in 2018. ALD France has provided free vehicles to the *Restos du Coeur* and *Passerelles* (access to employment) organisations. ALD Turkey donated wheelchairs following an internal challenge in which all employees participated. ALD SA and its employees supported APREVA, a network of solidarity garages.

In total, for all of these initiatives combined, ALD earmarked EUR 877,000 for solidarity actions in 2018. In addition to the financial aspect, to support this movement, entities such as the UK and Switzerland have devised programs that encourage volunteer actions by their employees during working hours.

8.3.5 Making our employees more employable and flexible

ALD has a responsible training policy that meets the needs of business lines and promotes employee development.

2016
75% of employees trained
- **4,298 employees trained**
- **72,804 hours of training**
- **2.2 days of training on average**

2017
84 % of employees trained
- **5,013 employees trained**
- **99,549 hours of training**
- **2.5 days of training on average**

2018
90% of employees trained
- **5,935 employees trained**
- **119,881 hours of training**
- **2.5 days of training on average**

These indicators are presented in Chapter 17.

- The hours of training provided are mainly geared toward the development of **"business" line skills** that aim to meet the challenges of optimizing customer relations or changing working methods through the use of innovative technologies.

  Examples:

  The "**One Ready Smile**" (ORS) program described in more detail in paragraph 8.4.1 has impacted more than 1,000 employees throughout the Group, engaging them in an active and collaborative manner to think about the customer experience, and all the ways in which it can be improved.

  With the same objective, in 2018, ALD UK also launched a program called "**Customer Excellence**", which has been a great success with all its employees, who were invited to participate in the in-depth redesign of all internal processes to achieve excellence in both the customer and the employee experience, especially for "call centre" populations.

  As another example, in 2018, ALD Italy created the "**Brand@retail**" program, whose objective is to involve its 612 employees in case studies and group role plays to take full ownership of the entity's innovative mobility offerings and become the best communicators of the brand externally *via* all traditional and digital communication tools.

  In 2018, ALD Denmark launched "**Click&Bricks**", whose purpose is to transform the profiles of traditional used vehicle salespeople on-site into profiles of digital salespeople on the online platform, whose role changes and focuses on finalizing sales with customers and communicating effectively *via* internet chat tools. This transformation required development for the employees affected. This program has been very successful and will be duplicated and extended to other Group entities in 2019.

- Training also develops employee **behavioural skills.**

  As a result, development programs were developed with the "**Insights**" tool (based on the principle of four colours: red, blue, green and yellow, to get to know each other and those around us better) to support employees in team construction workshops, management support, coaching and leadership consulting. More than 10 entities (including ALD Switzerland, Denmark, Ireland, Bulgaria, Greece, Turkey, Romania, India, Spain, Belgium and ALD SA in France) have trained their employees using the Insights approach.

  ALD Netherlands has developed a "**Project Change**" program, which thoroughly reviewed the entity's organisational model with the purpose of developing entrepreneurial spirit. This model highlights each profile type within the organisation: mobiliser, follower, improver, innovator and stabiliser.

  Managers are trained to fully play their role as talent developers of their teams and to steer transformation and innovation projects. As a result, entities such as ALD Germany, Portugal, Italy and Belgium have set up programs devoted to **managerial efficiency**. In 2018, ALD France gave its support to the ramp-up of **managerial culture** through a series of conferences.

- Training at ALD is based on **diversified learning methods** that combine traditional face-to-face training, digital training, the use of innovative methods such as design thinking as well as Test & Learn and collaborative communication tools such as the Slack, Friday and Teams platforms.

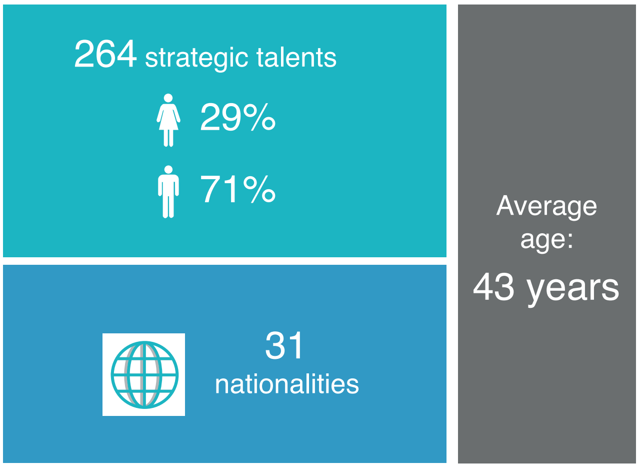
  In addition to this, ALD believes that, **for business lines, training happens mostly on a daily basis** when employees enrich others with their skills and expertise.

  ALD Spain has put this type of collaborative training in place successfully with its "**Learning on the Job**" program. Similarly, in 2018, ALD Turkey launched the "**Learning from Each Other**" initiative. As an initial response to a need expressed by a majority of employees regarding the use of the Excel tool to produce the daily reports necessary for their activities, three employees who are advanced users of the tool volunteered to provide in-house training with practical on-the-job follow-up on a day-to-day basis. A total of over 80 employees were trained. This type of knowledge sharing creates bonds between our employees and highlights committed employees who, through this experience, acquire a high level of skill from in-house trainers.

- Special attention is paid to **ALD's strategic talents**.

  The Strategic Talents initiative common to all Group entities is structured around the Leadership Model and seeks to **detect, develop and retain strategic talents** in ALD by giving those who possess them prospects for advancement within the Group, thus ensuring succession plans for management positions. Strategic talents represent 4% of the ALD population.

A few figures from the end of 2018:

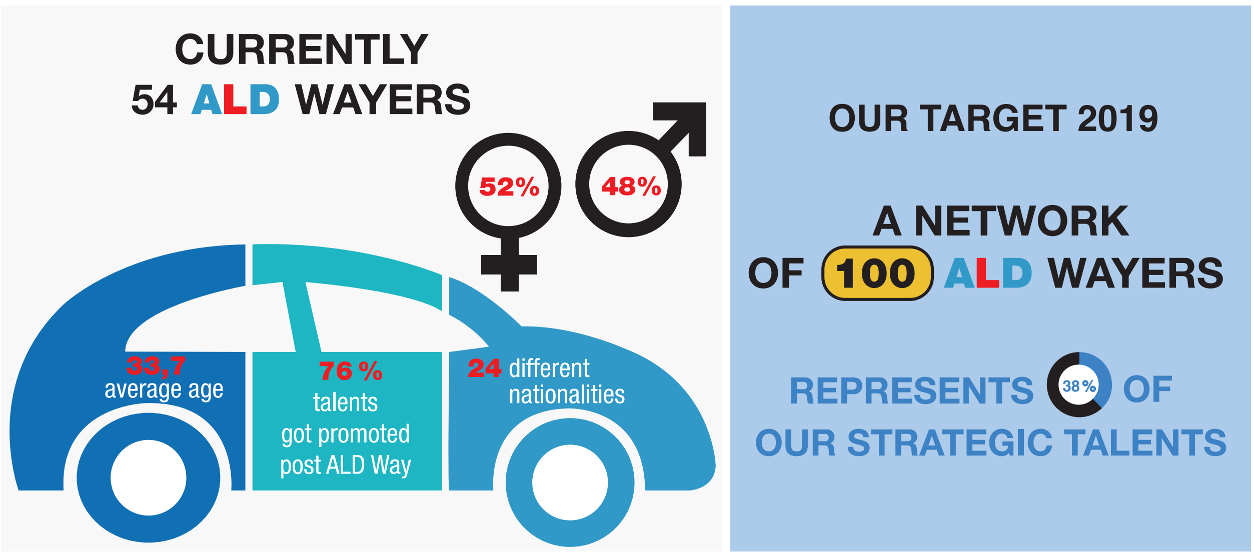


In addition to Societe Generale's Corporate University programs, since 2016, ALD's strategic talents have had a program specific to our business:

ALDWay **A**lways **L**earning & **D**eveloping Way. This international program aims to:

- **develop and boost the visibility** of our strategic talents and give them international career prospects;
- **create a network of strategic talents** willing to collaborate in innovative and cross-functional ways in the ALD Group;
- **detect and prepare the best strategic talents to be tomorrow's ALD Leaders.**

ALDWAY IN NUMBERS AT THE END OF 2018:



8.3.6 Promoting the diversity of our talent

Diversity is a response to ethical as well as performance challenges. ALD has made it a priority to promote women and international profiles to positions of responsibility in the Group's governance bodies. Some HR processes are key levers for advancing gender balance and internationalisation. These include succession plans with international candidates and profiles, and the creation of Strategic Talent pools. In addition to these priorities, ALD focuses on other components of diversity, such as age and disability. Various initiatives are carried out locally depending on the challenges and regulations in various countries.

For example, ALD Spain has embarked on a long-term **ALD Diversidad** strategy among all of its employees through conferences, events and workshops throughout the year on topics such as the impact of unconscious bias, inspiring leadership through diversity, Design Thinking for innovation and diversity in corporate life.

International Profile Balance

ALD's employees are spread across four continents and are mainly from the countries that employ them. This diversity has been encouraged throughout the Group's development process and now constitutes an asset that is part of the Company's basic fabric.

Our figures as at 31 December 2018:

Gender balance

Both inside and outside France, many initiatives that promote equality between women and men are taken in accordance with local legislation.

At ALD France, the agreement signed in 2011 on this topic with the trade union organisations was renewed in late 2014. It provides for career interviews before and after each maternity leave.

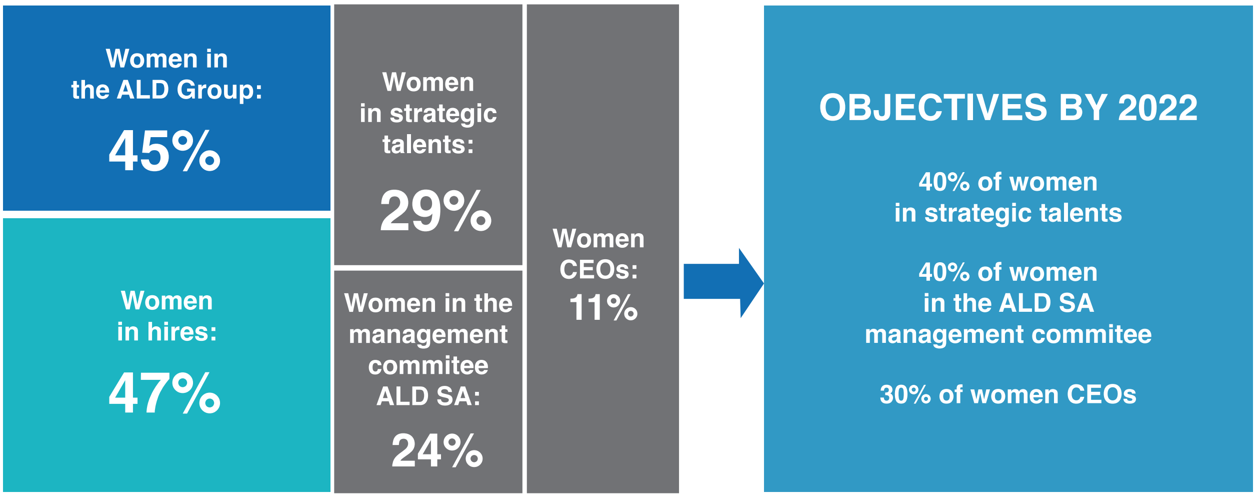
On November 28 2017, Management signed a second agreement with the Trade Union Organisations. This second agreement expanded on gender equality issues raised in the initial Agreement, to include equality in training, promotion, remuneration and private and professional life balance. It also addressed the Women's Community, the Trades Forum, the Women's Career Committee, and the specific salary-gap offsetting budget.

In ALD France, 50% of people recruited there in 2018 were women, representing 46.5% of the workforce at the end of December 2018.

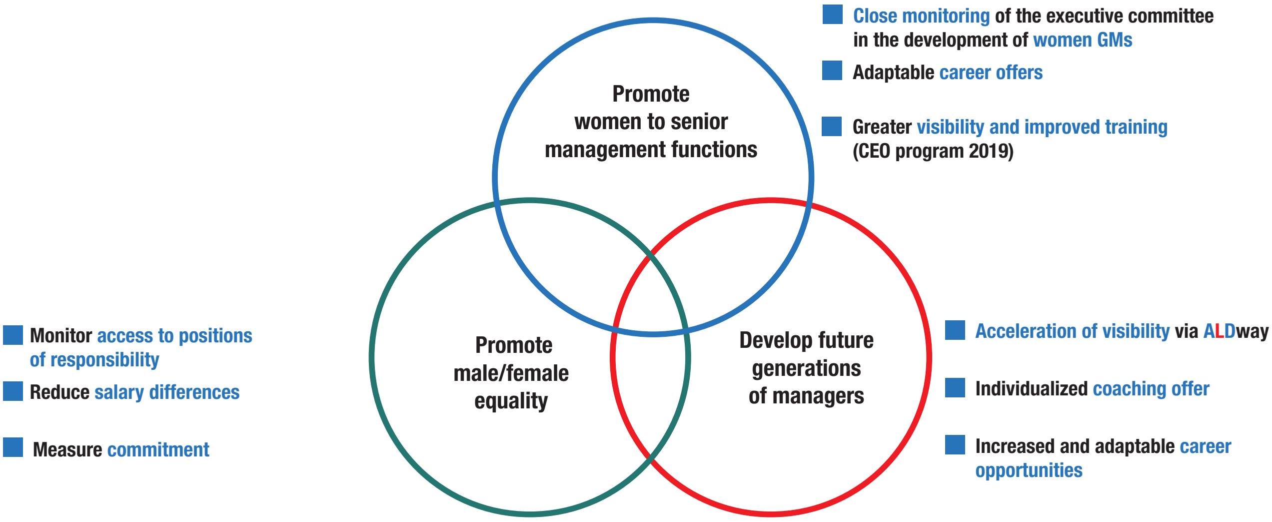
As another example, ALD Brazil promotes women's talents in its organisation through the SG Brazil Women's Careers network.

However, the issue of gender diversity in ALD Group leadership is closely driven and monitored centrally by ALD SA's Executive Committee.

ALD GROUP FIGURES AT THE END OF 2018

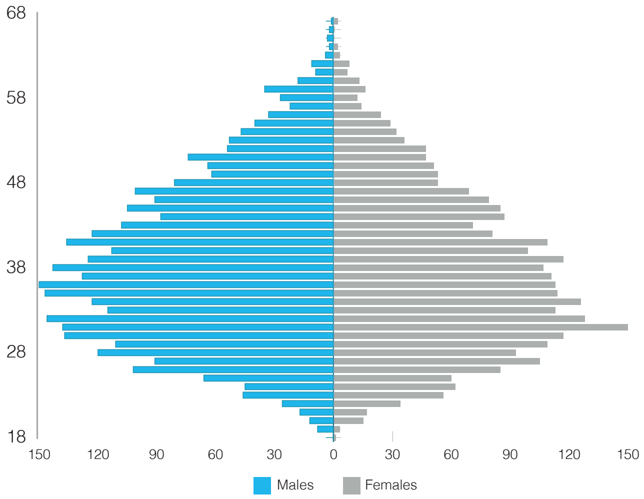


To achieve these 2022 objectives, the ALD Executive Committee has drawn up the following action plan:



Age balance

The ALD Group is a company with a relatively young workforce:



- The average age at ALD is 38
- The average age of women is 37.4
- The average age of men is 38.5

The indicators are presented in Chapter 17

Initiatives have been launched to form bonds between generations, highlighting the role of seniors in particular. Throughout the Group, there is widespread application of a principle of no age-based discrimination.

Alongside this, other actions are targeted more specifically to young people without training, who require integration.

ALD France is continuing its partnership with the *Ecole de la 2e chance*, an integration program that supports young people working under professionalisation contracts.

In the same vein, ALD Luxembourg renewed the operation it has been conducting since 2007 that allows the reception of a young apprentice so that they can acquire an Administrative and Commercial professional diploma (DAP) at the end a two-year course.

Inclusion of people with disabilities

Around a dozen agreements have been signed locally to promote employment and professional integration of people with disabilities, in particular in the ALD entities in France, Germany, Spain, Hungary, Turkey, Brazil and the UK.

At ALD France, it was agreed to set up a ***Mission Handicap*** whose purpose is to increase the percentage of employees with disabilities in the Company. This figure was 5.34% as at 31 December 2018.

Other entities such as ALD Italy set up a "**Diversity Day**" in 2018 specifically dedicated to disability topics in the Company to raise employee awareness about the subject and promote the hiring of employees with disabilities.

8

8.4 RESPONSIBLE PRACTICES

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CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

8.4.1 Culture of customer satisfaction

Significant risk(s) identified:

- insufficient customer service or lack of advice.

ALD puts the customer at the centre of all of its concerns and projects. In recent years, many initiatives have been conducted to develop a strong customer culture, including training in Design Thinking methods that allow us to start from the customer experience to define new offers or improve existing services. In 2017, ALD also launched a major program to improve the customer experience called One Ready Smile (see paragraph 3.5).

The One Ready Smile program

- **"One"** to represent unity. Despite its decentralised culture, ALD acts as a single brand, a single company and a single united team to deliver the best possible experience to its customers consistently throughout their relationship with ALD.
- **"Ready"** to represent the fact that we are ready, ready to explore new mobility trends to best meet the expectations of our customers, ready to constantly improve the quality of the service rendered.
- **"Smile"** to illustrate our positive spirit and to remind people that ALD is above all else people-oriented, focusing on the satisfaction of its customers of course but also the well-being of its employees. Because only happy employees can deliver a quality experience to their customers and pass on their smiles.

One Ready Smile (ORS) is a turnkey customer experience improvement program that primarily targets ALD countries with declining NPS scores.

The first ORS workshop raises awareness among all employees in the ALD country of customer experience indicators (NPS, CSAT, CES), how they are calculated, the results obtained by the country and the analysis of those results, including the 'why' for the scores obtained.

One Ready Smile (ORS) uses satisfaction surveys and very detailed interviews, which make the most of customer comments and verbatim transcripts.

This "Voice of the Customer" makes it possible to identify in detail the points of tension and to set up targeted workshops to resolve them by systematically studying the experiences of drivers and fleet managers and, for those two populations, customer service.

In addition, key customer interactions (delivery of a new vehicle, end of contract, vehicle return) are reviewed and improved, in relation not only to the customer element but also from the point of view of the process internally, by including an analysis of digital interactions and communication channels and presenting the Group's best practices at each stage of the process.

One Ready Smile raises awareness of best cross-functional communication practices (email, web) and behaviour (telephone, face-to-face) with customers.

Finally, the use of continuous customer feedback is studied in the ORS workshop using a flexible methodology so that countries can implement continuous and autonomous improvement action plans.

Customer satisfaction measurement

The Net Promoter Score (NPS) is a measurement of customer satisfaction based on their propensity to recommend our brand, products or services.

The NPS is calculated based on satisfaction surveys filled out by drivers and fleet managers/decision-makers for the direct sales channel, B2B and for full-service lease vehicles.

The satisfaction surveys of each ALD country are centralised by the holding company in April (for half of the countries) and October (for the remaining half). The driver and decision-maker NPS are calculated for each Group country, together with any changes over the past four years (at least).

The NPS (and CSAT, customer satisfaction score) results by country and for the whole Group are presented twice a year to the Executive Committee. The Group NPS is weighted by the fleet of each country and represents the average driver and decision-maker NPS. In 2018, the ALD Group NPS was 20 for fleet managers (with a CSAT of 78%) and 41 for drivers (with a CSAT of 85%), with an overall NPS figure for ALD of 31 (an NPS greater than 0 is good and 50 or over is excellent; the average in our industry is 30), up 3 points over last year.

Moreover, the report presented to the ALD Executive Committee, which was based on additional qualitative information provided by the countries, makes it possible to further analyse the three or four countries that have had the most significant NPS decreases and increases over the period ended and implement country action plans (in particular the One Ready Smile program).

A summary of changes in NPS in the countries that deployed ORS is regularly presented to the ALD Executive Committee (twice a year). In addition, the customer experience experts at the holding company monitor and support the countries weekly for the first three months following the workshops, then monthly for about nine months, then quarterly to ensure the implementation of the action plan and its impact on customer satisfaction and therefore the NPS.

In addition, the ALD Customer Advisory Board, set up two years ago, meets twice a year, and consults major international clients on strategic decisions, particularly regarding product or commercial development.

8.4.2 Behaviours/Ethical and Responsible Culture

Significant risk(s) identified:

- choice of customers/suppliers: corruption, money laundering, embargoes/sanctions;
- choice of customers/suppliers: environmental and social risk;
- purchasing/supply of raw materials for tyres, spare parts, selection of service providers.

As a subsidiary of Societe Generale, ALD directs its development in accordance with the basic texts and commitments of Societe Generale:

- the Universal Declaration of Human Rights and its complementary commitments;
- the fundamental conventions of the International Labour Organisation (ILO);
- the UNESCO World Heritage Convention;
- the OECD (Organisation for Economic Co-operation and Development) Guidelines for. Multinational Enterprises;
- the United Nations Guiding Principles on Business and Human Rights.

8.4.2.1 The Code of Conduct

The Code of Conduct common to all Societe Generale activities and the countries in which it operates describes the commitments to each stakeholder (customers, employees, investors, suppliers, regulator/supervisors, public/civil society) and the principles of expected individual and collective behaviour. It forms the basis of Societe Generale and ALD professional ethics.

It promotes respect for human rights, the environment, prevention of conflicts of interest and corruption, the fight against money laundering and the financing of terrorism, respect for the integrity of markets, protection of data and conduct with respect to gifts and hospitality and responsible purchasing.

These rules go beyond the strict application of the laws and regulations in force, especially when they, in some countries, cannot guarantee compliance the ethical standards imposed by the Group and prevent reputational risks.

It also sets forth the procedures for exercising the right of whistle-blowing when a particular situation warrants it and notes that the Group protects whistle-blowers and guarantees their anonymity when local law allows it.

The Code of Conduct is available to all stakeholders on Societe Generale's website (https://www.societegenerale.com/sites/default/files/documents/Code%20de%20conduite/code_de_conduite_fr.pdf).

The culture and conduct program

Initiated in 2016, the Culture and Conduct program aims to build stakeholder confidence in the Societe Generale by putting values, quality of leadership, and behavioural integrity at the core of its business activity to achieve the highest standards of quality of service and integrity.

The main achievements of this program so far are:

- the appropriation by employees of the Group Code of Conduct, which constitutes the basis of ALD's professional ethics, through:
  - face-to-face workshops that took place throughout the Group's scope, with a participation rate of nearly 85% of active employees, or around 5,300 employees worldwide. The 465 workshops enabled the various business lines and functional departments to define action plans to consider appropriate behaviour to adapt to major conduct risk situations,
  - the dissemination of a mandatory distance training module for the themes contained in the Code of Conduct and the objectives of the Culture and Conduct program,
  - raising executive awareness of issues of culture and conduct and employee awareness of the importance of the subject on a daily basis.

8.4.2.2 The fight against corruption

ALD is an integral part of the Societe Generale's system of anti-corruption obligations (stemming in particular from the Sapin II law) and of those stemming from the law on due diligence obligations, which require the establishment and implementation of a vigilance plan to identify risks and prevent serious violations of human rights, fundamental freedoms, personal health and safety and the environment.

The fight against corruption is global and intensifying. Many states have anti-corruption legislation and there are regular sanctions against both individuals and legal entities.

Since 2000, Societe Generale has made commitments under the Wolfsberg Group and, in 2003, the Global Compact. Anti-money laundering and anti-terrorist financing mechanisms include the monitoring of the possible manipulation of the banking system by third parties to engage in corrupt practices.

Societe Generale applies strict principles that are set out in its Code of Conduct and its Code governing the fight against corruption and influence peddling and complies with regulatory requirements.

In the context of the law on Transparency, the Fight Against Corruption and the Modernisation of Economic Life (known as Sapin II), Societe Generale has updated its framework standards and strengthened its mechanisms, notably on gifts and events, to manage conflicts of interest. It produces and constantly updates a risk map.

In order to increase the vigilance of all employees, a training program is being deployed across Societe Generale entities. The e-learning module on corruption had been taken by 81% of ALD employees at end-December 2018.

Lastly, Societe Generale has reviewed its whistle-blowing system, which is also applicable to ALD. The system recalls and strengthens the options available to whistle-blowers.

ALD does not have a legal obligation to formalise a Vigilance Plan but it signs up resolutely to the Societe Generale's, which is presented in its Registration Document.

8.4.2.3 Environmental and Social policies

Sector and cross-Group E&S policies

Developed by cross-functional working groups, the E&S policies are approved by the Societe Generale General Management and implemented within ALD.

They spell out the main E&S issues and risks for the sectors covered, identify the international standards applicable to them in those sectors, and provide a framework for analysis, which is used in customer evaluations and the resulting dedicated transactions. In a continuous improvement process, a sector watch is carried out to evaluate whether existing policies need to be updated. These policies will also be reviewed in the light of the findings of the mapping carried out as part of the duty of care.

There are 12 Societe Generale E&S policies covering sectors considered potentially sensitive from an E&S or ethical point of view, and in which Societe Generale plays an active role. Energy and extractive industries are covered by several sectoral policies due to their importance both within the economy and for Societe Generale, and their potentially significant impacts in terms of atmospheric emissions (including greenhouse gases) and their effect both on the natural environment and local communities (dams and hydro-electric power, thermal power stations, coal-fired power stations, mines, civil nuclear, oil and gas). Agricultural and forestry exploitation are also the subject of several policies (agriculture, fishing and agri-food, logging and palm oil production). Defence and commercial vessels are also covered (E&S policies are public and available on Societe Generale's website:

http://www.societegenerale.com/fr/mesurernotre-performance/RSE / finance-responsable).

They are systematically made available to the teams in charge of the KYC process.

E&S watch list

In order to facilitate the management of E&S risks, a watch list is prepared and updated quarterly by Societe Generale experts. This list shows the projects, companies or sectors of activity/countries, whether or not they are financed by Societe Generale, that are the subject of controversy or public campaigns by civil society for E&S reasons. This internal list aims to alert operational teams upstream of the customer and transaction review process to establish a stronger E&S assessment for the transactions and customers in question.

E&S exclusion list

In addition to the watch list, an exclusion list has been prepared by Societe Generale and is updated on a quarterly basis. It includes companies excluded from the sectorial defence policy because of their involvement in the production, storage or marketing of controversial weapons, including anti-personnel mines or cluster munitions. Societe Generale has undertaken not to knowingly provide banking and financial services to these companies, their parent companies or their subsidiaries. Exclusions are also pronounced on a case-by-case basis, in particular for new account analyses or specific types of activities.

8.4.3 Responsible Purchasing

The Purchasing sector is an important factor in CSR goals, since ALD is integrated into the policies and practices of the Societe Generale. Over the 2016-2018 period, the Positive Sourcing Program, the fourth Responsible Purchasing action plan, focused on strengthening CSR risk management at every stage of the purchasing process.

Structure

For several years, ALD has been strengthening its Purchasing Department at ALD SA to better coordinate the production (or “direct”) purchases of all ALD entities and apply the principles and rules defined at Societe Generale level, particularly with regard to CSR. Accordingly, in terms of production purchases, centralised tendering in ALD SA’s Purchasing Department is conducted in close collaboration with the Societe Generale Purchasing Department.

For other categories of “indirect” purchases made in France (whether by ALD France or ALD SA), such as supplies, travel, mobile telephony or building management, for example, ALD France and ALD SA benefit from master agreements negotiated by the Societe Generale Purchasing Department. Finally, for certain categories, ALD France works in an integrated manner with the Societe Generale Purchasing Department.

Risk identification, evaluation and control in the purchasing process

In 2006, the Societe Generale defined its first Purchasing-related environmental and social risk map, thus allowing each buyer to assess the CSR risks intrinsic to its purchasing categories. A complete review of that map was conducted between 2017 and 2018 in consortium with three other French banks and with the support of a specialised consulting firm.

The mapping covers nearly 100 categories of products or services. Four levels of risk ranging from low to very high were defined. Categories related to construction and IT appear to be the riskiest from a CSR standpoint. The duplication of this process in the “production” categories specific to ALD is in progress, using the same methodology.

Know your supplier (KYS) analysis

Tier 1 suppliers are assessed against Societe Generale standards and international standards for operational risk management, compliance and reputation (including environmental and social issues).

In addition to KYS, for a targeted scope of contracted suppliers, a non-financial assessment of environmental, social, business ethics and subcontracting performance by an independent third party is required.

Integration of E&S criteria into tender processes

Based on the risks identified in the new Purchasing-related CSR risk map, CSR criteria specific to each eligible purchasing category are integrated by the Group Purchasing Department into the main tender processes and taken into account in their analysis. The level of weighting of these criteria in the supplier’s final choice depends on the level of risk identified by the mapping. All international tender processes launched by the ALD SA Purchasing Department use this mechanism.

Responsible purchasing charter and CSR clause in contracts

The CSR clause that was updated in 2018 will now be integrated into all new contract templates. It refers to the Societe Generale Code of Conduct and the Responsible Purchasing Charter. Its purpose is to involve suppliers in the implementation of vigilance measures in human rights, working conditions (health and safety), the environment and the fight against corruption.

8.4.4 Data protection

The entry into force on May 25, 2018 of the General Data Protection Regulation (GDPR) was an opportunity for the ALD Group to revise its personal data protection and privacy policy while reinforcing its existing practices. This commitment was reflected first and foremost by the appointment, in early 2018, of a Data Protection Officer (DPO) who reports directly to the Group's General Secretary and the contact person designated by the national protection authority for personal data (National Commission of Computing and Freedoms in France). With a network of local correspondents trained in the protection of personal data in all ADP entities within the GDPR scope, the DPO defines the rules, instructions and internal procedures ensuring the respect of the obligations relating to ALD as the person responsible for the processing of personal data in order to ensure the protection and security of all data entrusted to the Group by its clients, partners and employees.

The implementation of this personal data division enabled the integration of the "privacy by design" and "privacy by default" concepts introduced by the GDPR into the Group's organisational processes, while consolidating the protection measures already put in place within the framework of the 1995 European Directive. As a result, mechanisms related to personal information, as well as those used to record and evaluate the impact of data processing, incident management and the exercise of rights are implemented in each Group entity and monitored on a daily basis as an integral part of the functioning of the organisation.

These measures, together with employee training in privacy protection issues, are more generally integrated within IT, legal and cyber-security processes that are largely updated to take into account current expectations and obligations relative to the protection of privacy. They are intended to ensure ALD's compliance with regard to personal data processing and the Group’s ability to continue developing its service offering in a spirit of mutual trust with its stakeholders.

This GDPR mechanism is part of Societe Generale’s overall governance on the subject.

8.5 RESPONSIBLE CONDUCT OF THE GROUP'S OWN-ACCOUNT ACTIVITIES

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8.5.1 2014-2020 carbon reduction program

As a subsidiary of Societe Generale, ALD is a party to the 2014-2020 carbon reduction program and has made a commitment to reduce its greenhouse gas (GHG) emissions by 25% per occupant and increase by 20% the energy performance per occupant of Societe Generale's buildings in 2020 compared to 2014.

This proactive program is accompanied by an "internal carbon tax" system that has been in place for six years at Societe Generale. This program has been enriched over the years and is based on a double incentive mechanism. Each year, a carbon tax is applied to Societe Generale entities based on their greenhouse gas emissions (EUR 10/t CO_2eq), and the amount collected is redistributed to reward the best internal environmental efficiency initiatives as part of the Environmental Efficiency Award. For 2018, nine ALD Group entities presented 18 applications (20% of Societe Generale entities), and 14 of them received awards.

8.5.2 Entity carbon footprints

For the 42 ALD entities that participated in the collection campaign this year (up from 38 last year), greenhouse gas (GHG) emissions are estimated at 9,158 tonnes of CO_2 equivalent (for direct and indirect emissions related to energy, business travel and total paper consumption), or 1.68 tons of CO_2 equivalent per occupant, down 17% compared to the 2014 base on a like-for-like basis.

Premises

Building energy efficiency is a major focus of Societe Generale's environmental policy.

In 2018, electricity consumption was 13.6 GWh for the whole of that new scope of 42 entities; this year certified renewable electricity purchases represent 28% of that total.

In the eleven countries that use it, gas consumption was 5.4 GWh over the reference period, which represents a 19% decrease compared to 2017.

The consumption of fuel oil and other fluids (steam and iced water) was negligible in 2018, with the exception of overheated water consumption in Finland and Norway, which amounted to 1.8 GWh.

The total energy consumption of the buildings occupied by ALD amounts to 21 GWh in 2018, for consumption of 3,295kWh per occupant.

Travel

The very high degree of internationalisation of ALD means that there is a very high level of air travel. To limit trips, audio or videoconferencing exchanges are strongly encouraged. The new ALD SA headquarters and most other sites have been equipped with the necessary equipment to facilitate the use of audioconferences and the results of these efforts are visible in CO_2 emissions related to transportation for 2018.

In 2018, ALD Automotive employees travelled a total of 39 million km by plane, train and car for their business trips, which corresponds to an average of 5,875km per occupant. The CO_2 emissions generated by these trips amounted to 4,164 tonnes, down 9% *vs.* 2017. This decrease was generated in part by the decrease in travel (-5% *vs*. 2017) as well as the choice of trains instead of planes (whenever possible). There was a decrease of -25% in CO_2 emissions from aircraft travel and a 14% increase in emissions generated by train travel.

For commuting related emissions, targeted actions are deployed to promote alternative solutions to the individual use of vehicles. At ALD headquarters and in many subsidiaries, a car-sharing service is in place. In some subsidiaries (such as the Benelux hub), employees have electric bicycles available for their use. As mentioned in the Chapter on workplace wellness, a growing number of Group entities are implementing home office (19).

Paper consumption

As the leading consumable used by service activities, paper represents a significant economic challenge and a sensitive environmental theme (waste management, combating climate change and pollution).

Total ALD paper consumption was 166 tonnes in 2018 (a decrease of 8.8% despite the extension of the scope); 25.5% of the paper purchased by the Group is recycled.

The progress achieved is the result of various actions conducted throughout the Group, such as the proper use of printers, the shift from paper documents to digital media and the use of recycled paper. Pool printing solutions (centralised badge printing) widely deployed within the Group reduce the number of printers and the use of paper and ink and thus contribute to the reduction of greenhouse gas emissions and to waste reduction (cartridges, maintenance kit, paper).

Water consumption

In 2018, ALD recorded water consumption of 56 thousand m^3 with an average consumption per occupant of $10m^3$, stable compared to 2017.

There are still some entities that are having difficulty with measuring their consumption, especially when they are located in buildings shared with other companies, as the cost of water consumption is included in the costs related to the management of the building.

Waste management

Due to the nature of its activities, which involve the predominantly administrative tertiary sector, ALD generates very little specialised waste.

With regard to ordinary waste (non-hazardous industrial waste - NHIW), its handling and processing are part of sectors over which ALD entities often have little control, particularly when their teams are located in buildings shared with other companies.

However, paper and cardboard are collected separately.

Waste electrical and electronic equipment (WEEE) and furniture replaced during redevelopment represent low and non-recurring volumes. With regard to computer waste in particular, the Group has an increasing number of partnerships with associations/ companies that deal with the recovery/reuse/recycling of such equipment (such as the partnership between ALD SA and ECODAIR and between ALD Belgium and OUT OF USE).

Estimated waste production in 2018 was 1,137 tonnes, an increase of 71% compared to 2017. This increase can be explained by two factors:

- an improved reporting coverage rate;
- significant change in IT waste following the relocation of ALD Belgium's headquarters, which was refurbished and recycled by Out of Use.

There is also an increase in recycled waste. This clearly reflects the ALD Group's desire to reduce our direct impact on the environment.

8.6 RATINGS

AFR DEFP

At the request of over 60 large customer groups, ALD underwent a CSR evaluation conducted by EcoVadis, first at the Group level and then, starting in 2016, at the subsidiary level. At the end of 2018, 16 Group entities had undergone an EcoVadis assessment: eight have Gold status (ALD SA (Group), Belgium, Croatia, France, Hungary, Luxembourg, Switzerland, UK) and eight have Silver status (Germany, Austria, Spain, Italy, Parcours (FR), Poland, Czech Republic, Slovakia). The number of Group entities assessed doubled in 2018, and it is our objective to continue extending the scope in 2019.

8.7 METHODOLOGICAL NOTE

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The purpose of this notice is to explain the reporting methodology used by ALD to develop the indicators contained in this document (specifically, section 8.2 - Sustainable Mobility; section 8.3 - Responsible Employer; section 8.5 - Responsible conduct of the Group's own business activities).

8.7.1 Scope of the report

In compliance with Societe Generale's scope criteria whereby reporting is mandatory for all fully-consolidated entities within Societe Generale plus all companies in which Societe Generale holds at least 50% of the shares, ALD has integrated all entities except ALD China (50% owned) regarding the environmental data related to its own business activities (42 subsidiaries). Regarding the social data campaign providing data for the human resources indicators, as well as the data related to sustainable mobility, ALD has integrated all of its entities (43 subsidiaries).

8.7.2 Reporting protocol used

The information in this report is based on data provided in accordance with Societe Generale's CSR reporting protocol. Most of these data are collected *via* the "Planethic Reporting" tool which is used by all Societe Generale entities. Data collection and consolidation is carried out under the supervision of Societe Generale's CSR Department and coordinated at ALD SA level by the CSR department. Societe Generale reviews and optimises this process of collecting information and its CSR indicators each year. This revision has not however prompted any fundamental change in the protocol, which has remained relatively stable over the past few years.

8.7.3 Indicators

8.7.3.1 Social indicators

Permanent contract (PC) turnover is the ratio between the total number of PC employee departures / total PC workforce. The absenteeism rate is the ratio between the total number of paid days of absence / the total number of days paid. Most entities in the reporting scope input data related to the social indicators However, for certain indicators, such as average compensation, where comparisons cannot really be drawn between one country and another, the analysis is limited to the French scope.

8.7.3.2 Details of environmental indicators for the Group's own data

Coverage of the data collection scope corresponds to the ratio of the number of employees of the entities participating in the collection campaign to the number of employees of the entities included in the reporting scope.

The notion of occupant covers all people who, due to their presence or activity on the site in question, consume energy, water and paper, travel and produce waste. In addition to staff members employed under permanent or fixed-term contracts (including seconded employees, temporary workers, trainees and work-study trainees), this notion includes contractors and subcontractors working on site as at 30 September. As such, it is more extensive than the number of employees used to establish social indicators, it being specified that the notion of occupant concerns the number of persons rather than that of Full Time Equivalents which takes into account the possibility of part-time employees.

Data are calculated on the basis of invoices, statements made by contributors, information received from suppliers and real estate managers, or on the basis of estimates. Collected data relating to water, energy (electricity, water vapor, chilled water, fuel and gas), office paper or transport are related to the number of occupants declared by the entity. Total energy consumption is also reported in terms of surface area (expressed in m^2). For buildings that are shared with other Societe Generale entities, both the square meter and the workforce indicators serve to ensure the distribution of collected data.

These data were initially declared and stored, on a site by site basis. As of 2012, Societe Generale sought to establish an individualised declaration for buildings with a surface area of more than 5,000 m2. To improve the analysis while reinforcing the audit trail and the validation process, in 2014 ALD adopted individual building declarations. The coverage of the collection scope for each indicator corresponds to the ratio of the number of employees in all buildings related to the indicator in question out of the total number of employees working at ALD.

Water consumption and waste generation data are still difficult to obtain, due either to the absence of individualised meters, or to the small amount of waste generated per site and their processing when collection is carried out by local authorities. More precise data could be collected in all cases where selective sorting and / or recycling systems have been put in place by the entity.

8.7.4 Reporting period

With certain exceptions, data related to sustainable mobility (section 8.2) and social indicators (section 8.3) are calculated on an annual basis running from January 1 to December 31, 2018.The Group's own quantified environmental indicators (section 8.5) are generally established over a rolling 12-month period from October 1, 2017 until 30 September 2018.

8.7.5 Data collection

The methods used for data collection and consolidation are as follows:

- **For sustainable mobility indicators**
  - Data relative to average diesel and CO_2 emissions of the fleet which are extracted from the ALD data warehouse and thus cover the 43 subsidiaries. Note that average CO_2 emissions are manufacturers' official certified data;
  - "Green" vehicle data are collected *via* the *ad-hoc* reporting process set-up to monitor this emerging activity more closely and derived from the 23% representing more than 95% of the activity generated by this type of vehicle. These figures cover the following technologies: battery-powered electric vehicles, battery-powered vehicles with extended range capability, hydrogen vehicles, non-rechargeable hybrid vehicles (gasoline and diesel), plug-in hybrid vehicles (gasoline and diesel). This does not include gas, flex-fuel and bio-ethanol vehicles.
- **Other data are mostly collected at the level of each implementation *via* the "Planethic Reporting" tool.**

All contributors are officially informed at the launch of each collection campaign. This notably includes the campaign schedule and an updated version of the protocol for the domain concerned so that each contributor can easily find the definition and application criteria of each indicator.

The "Planethic Reporting" tool provides several levels of control carried out by:

- data collectors, who input the data related to their subsidiary;
- validators, who check the data inputted within their entity before validating them;
- central administrators who, at Societe Generale level, carry out the last controls before the final consolidation.

Controls to verify any change vis-à-vis the previous year are carried out for most of the environmental indicators: if the recorded data is 30% higher or lower than the previous year, a message is sent to alert the contributor who must explain and justify the difference.

Certain data, in particular those concerning ALD SA and Temsys (ALD France), are collected directly from the Societe Generale support departments (the Real Estate and the Purchasing Departments).

In particular, transport and paper data concerning the French entities are integrated into the reporting tool by the CSR Department using files provided by the Purchasing Department:

1. **Transport data**

   For distances travelled by plane and by train, the travel agency referenced in France by Societe Generale lists the distances travelled for each client entity, and in particular for ALD SA and Temsys (ALD France).

2. **Paper consumption**

   While the reporting scope for paper mainly concerns photocopying paper, it also includes, as far as possible, all customer paper (including invoices), envelopes and other types of paper.

   In terms of office supplies, the Societe Generale-referenced company in France communicates data by entity, including ALD SA and Temsys (ALD France), concerning the quantities of office paper purchased during the year as well as those of unmarked envelopes.

   These data are then consolidated at the ALD level with the assistance of Societe Generale's CSR Department for environmental and sponsorship data and of the Human Resources Department for social data.

8.7.8 Calculation of CO_2 emissions for the group's own account

Societe Generale's CO_2 emission calculation is based on a 3-scope structure:

- Scope 1, which includes direct emissions related to energy consumption ("city gas" and fuel oil), as well as fugitive gas emissions related to cooling systems;
- Scope 2, which includes indirect emissions related to energy consumption (electricity, water vapor and external chilled water).
- Scope 3, which includes GHG emissions generated by business travel, office paper consumption and waste generation.

CO_2 emissions are calculated using the GHG Protocol method [1].

Emissions generated by financed vehicles are estimated by applying to the total vehicle fleet (in 43 countries) the average annualised contractual mileage multiplied by the average emission factor per kilometre.

8.8 INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED NON-FINANCIAL STATEMENT PRESENTED IN THE MANAGEMENT REPORT

AFR DEFP

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Financial year ended on 31 December 2018

To the Shareholders,

In our quality as an independent verifier, accredited by the COFRAC under number n° 3-1050 (scope of accreditation available on the website www.cofrac.fr), and as a member of the network of one of the statutory auditors of your entity (hereafter « entity »), we present our report on the consolidated non-financial statement established for the financial year ended on 31 December 2018 (hereafter referred to as the "Statement"), presented in the management report pursuant to the provisions of the article L. 225 102-1, R. 225-105 et R. 225-105-1 of the French Commercial Code (Code de commerce).

Responsibility of the entity

It is the responsibility of the Board of Directors to establish the Statement in compliance with the legal and regulatory provisions including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied regarding these risks as well as the results of these policies, including key performance indicators.

The Statement has been established by applying the procedures of the entity (hereafter referred to as the "Criteria"), the significant elements of which are presented in the Statement and available on request at the entity's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements pursuant to the provisions of the article L. 822-11-3 of the French Commercial code (Code de commerce) and the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work, to express a limited assurance conclusion on:

- The compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code.
- the fairness of the information provided pursuant to paragraph 3 of 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 related to the main risks, hereinafter the "Information".

(1) *The Green House Gas (GHG) Protocol accounting standard introduced in 1998 by the World Resource Institute and the World Business Council for Sustainable Development is today the most widely recognized method for carbon accounting. Scope 3 concerns other indirect emissions caused by the Company's activities, which come from sources other than those related to energy or from sources that the Company uses but does not own.Performance shares granted during the financial year to each corporate officer by the issuer (see table 6 of AFEP-MEDEF code).*

Nonetheless, it is not our responsibility to express any form of conclusion on:

- Compliance by the entity with other applicable legal and regulatory provisions, particularly regarding the vigilance plan and the fight against corruption and tax evasion.
- Compliance of products and services 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 French Commercial Code determining the procedures in which the independent third party conducts its mission and according to professional standards as well as to the international ISAE standard 3000 - Assurance engagements other than audits or reviews of historical financial information.

The work that we conducted enables us to assess the compliance of the Statement with the regulatory provisions and the fairness of the Information:

- We took note of the activity of all the companies included in the scope of consolidation, the statement of the main social and environmental risks related to this activity, and, if applicable, its effects regarding compliance with human rights, the fight against corruption, tax evasion as well as the resulting policies and their results.
- We assessed the suitability of the Criteria in terms of its relevance, comprehensiveness, reliability, neutrality and understandability by taking into consideration, if relevant, the best practices of the industry.
- We verified that the Statement covers each category of information provided in III of article L. 225-102-1 regarding social and environmental matters, as well as respect of human rights and the fight against corruption and tax evasion.
- We verified that the Statement includes explanatory reasons justifying the absence of information required by paragraph 2, subdivision III of Article L. 225-102-1.
- We verified that the Statement presents the business model and the main risks related to the activity of all the entities included in the scope of consolidation; including, if relevant and proportionate, the risks created through its business relationships, products or services, policies, actions and results, of which key performance indicators are part.
- We verified, when relevant to the main risks or the policies presented, that the Statement presents the information provided for II in Article R. 225-105 II.
- We assessed the process of selecting and validating the main risks.
- We inquired about the existence of internal control and risk management procedures put in place by the entity.
- We assessed the consistency of the results and the key performance indicators selected regarding the main risks and policies presented.
- We verified that the Statement covers the consolidated scope, i.e. all the companies included in the scope of consolidation in accordance with Article L. 233-16, with the limits specified in the Statement.
- We assessed the collection process put in place by the entity for the completeness and fairness of the Information.
- We implemented for the key performance indicators and other quantitative results that we considered the most important presented in Appendix 1:
  - Analytical procedures to verify the correct consolidation of the collected data as well as the consistency of their evolutions.
  - Detailed tests based on samples, consisting of checking the correct application of the definitions and procedures and reconciling the data with the supporting documents. This work was carried out with the contributing entity ALD Automotive (France) which covers 22% of headcount and 32% of vehicle fleet.
- We consulted documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered the most important presented in Appendix 1.
- We assessed the overall consistency of the Statement with our knowledge of the entities included in consolidated scope.
- We consider that the work we have done by exercising our professional judgment allows us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

Means and resources

Our verification work mobilized the skills of four people and took place between December 2018 and March 2019 on a total duration of intervention of approximately eight weeks.

We conducted about ten interviews with the persons responsible for the preparation of the Statement including in particular the CSR direction, compliance, human resources, risk, and digital marketing, in charge of policies definition, deployment, information collection and internal control.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us not to believe that the non-financial statement complies with the applicable regulatory provisions and that the Information, taken together, is fairly presented, in compliance with the Criteria.

Paris-La Défense, 15th April 2019

Independent Verifier
ERNST & YOUNG et Associés

French original signed by:

Caroline Delerable
Partner, Sustainable Development

Hassan Baaj
Partner

APPENDIX 1: INFORMATION CONSIDERED AS THE MOST IMPORTANT

Business information (including societal and environmental information)	
Qualitative Information (Actions or results)	**Quantitative information** (Key performance indicators)
• *"New Mobility" strategy and resulting offers* • *Anti-corruption program* • *Program implemented for the reduction of diesel vehicles in the fleet* • *Program implemented to reduce the fleet's carbon footprint through the increase of green vehicles*	• *Number of projects involving start-ups and/or customer co-creation* • *Percentage of employees trained on anti-corruption* • *Share of diesel vehicles in new contracts* • *Number and share of green vehicles (electric or hybrid) in the fleet* • *Average CO_2 emissions of the financed fleet* • *Avoided emissions on a selection of the fleet's green vehicles*

Social information	
Qualitative Information (Actions or results)	**Quantitative information** (Key performance indicators)
• Non-discrimination and gender equality • Employee support and skills development on ALD S.A.'s evolving business model and practices • Recruitment and retention of skilled labor	• Percentage of women participating in ALD S.A.'s talent program • Number of hours of training for employees • Number of employees who attended at least one training session during the year • Number of employees on permanent contracts who changed position within the entity over the course of the year • Employees' satisfaction results (satisfaction related to the position held and the company's strategy)

9

ANALYSIS OF FINANCIAL POSITION AND RESULTS AFR

9.1 Strong business development across all regions

The following table summarises the Group's audited results for years ended 31 December 2018 and 2017:

(in EUR million)	31 December 2018	31 December 2017
Leasing Contract Margin	623.8	574.5
Services Margin	616.7	593.0
Car Sales Result	102.5	165.3
GROSS OPERATING INCOME	**1,343.0**	**1,332.8**
Total Operating Expenses	(617.6)	(598.0)
Cost to Income ratio excl. Car Sales Result (1)	*49.8%*	*51.2%*
Cost of risk (Impairment charges on receivables)	(37.8)	(22.4)
Cost of risk as % of avg. Earning Assets (2) *(in bps)*	*21 bp*	*14 bp*
Non-Recurring Income (Expenses)	(0.0)	(0.0)
OPERATING RESULT	**687.6**	**712.4**
Share of Profit of Associates and Jointly Controlled Entities	1.5	1.2
PROFIT BEFORE TAX	**689.1**	**713.6**
Income Tax Expense	(126.8)	(140.4)
Non-Controlling Interests	6.6	5.6
NET INCOME GROUP SHARE	**555.6**	**567.6**
Other data *(in %)*		
Return on average Earning Assets (3)	*3.1%*	*3.6%*
Return on average Equity (4)	*15.9%*	*17.9%*
Total equity on asset ratio (5)	*15.8%*	*16.0%*

(1) "Cost to Income Ratio" means Total Operating Expenses divided by Gross Operating Income. "Cost to Income Ratio excluding Car sales result" is defined as Total Operating Expenses divided by Gross operating Income excluding Car sales result.

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

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

(4) "Return on Average Equity" means for any period, Net Income for the financial period divided by the arithmetic average of Total Equity at the beginning and end of the period.

(5) "Total equity on asset ratio" means for any period, Total Equity before minority interests divided by Total Assets, as presented in the ALD consolidated financial statements. See Section 20.1.2 "Consolidated balance sheet".

9.1 STRONG BUSINESS DEVELOPMENT ACROSS ALL REGIONS

AFR

ALD again generated exceptionally strong fleet growth during 2018 with total fleet reaching 1.66 million vehicles at the end of December, up 1.01% *vs.* the end of the previous year, above the guidance range of 8-10% provided at the start of the year.

All geographical regions contributed to this strong performance during 2018. Total fleet rose robustly in the three European regions, by 10.0% in Western Europe, 9.4% in Northern Europe, 6.9% in Central & Eastern Europe. In South America, Africa & Asia the pace of increase was even more dynamic, at 15.9%. Direct sales (mainly to corporate clients) grew by 7.3% on the year.

ALD is continuing to expand its partner network. On February 6, 2019, the Group announced that it had entered into a strategic partnership to develop new mobility solutions with E.ON, a renowned European energy supplier. The purpose of this partnership is to develop a comprehensive range of electric vehicles for corporate clients, municipalities and individuals in Europe.

At the end of 2018, private lease represented more than 112K vehicles, i.e. 6.7% of total fleet, up 45% since the end of 2017, with two thirds of growth coming via our partners and the remainder direct. We are confident of achieving the target of 150K vehicles we have set ourselves for the end of 2019.

Strong growth in the private lease segment contributes to a fleet mix that corresponds better with the demand in the used car market.

ALD is actively promoting a move away from diesel and, where appropriate, encourages clients to opt for electric and hybrid vehicles. This policy is showing strong results: the share of diesel in the deliveries of passenger cars dropped to 53% in Q4 18, down significantly from 64% in Q4 17, while for the full year 2018 it stood at 58%, down from 67% in 2017. At the same time, the penetration of electric and hybrid vehicles continued to rise: they represented 15% of all deliveries in Q4 18, *vs.* 9% a year earlier. Within Total Fleet they represented more than 100K vehicles at the end of 2018, up by almost 50% in just one year.

ALD's traditional passenger car fleet is now almost entirely equipped with 'Euro 6' engines, respecting the latest European emission norms. The Group's remaining approximately 60K 'Euro 5' diesel powered passenger cars, representing less than 5% of its funded fleet, are coming off lease this year. The general shift away from diesel is continuing unabated, with the share of deliveries expected to fall by circa ten more percentage points in 2019.

9.2 SOLID OPERATING AND FINANCIAL RESULTS

RFA

ALD's Gross Operating Income rose to EUR 1,343.0 million, up 0.8% *vs.* 2017, with strong growth in Leasing Contract and Services Margins more than compensating for a lower Car Sales Result.

Leasing Contract Margin rose to EUR 623.8 million and Services Margin to EUR 616.7 million, up 8.6% and 4.0% respectively *vs.* 2017. When adjusted for Q1 17 one-off Italian anti-trust provisions and unwinding of equity swaps, margins rose 6.8% and 5.7% respectively.

Two factors put a damper on growth in margins, causing it to fall short of the 8-10% guidance provided at the start of the year:

- the Italian Stability law continued to exert a significant drag [(1)] on Services Margin progression. The reduction in Income tax expense generated by this law peaked in 2018 and this gain more than compensates for the lower Services Margin;
- ALD's progressive repricing of diesel residual values in a competitive commercial environment has put downward pressure on margins during 2018.

The contribution to Gross Operating Income from Car Sales Result continued to fall in 2018, reaching EUR 102.5 million in 2018, *vs.* EUR 165.3 million in the previous year.

Average sales margin for the year on used vehicles [(1)] came in at EUR 362 per vehicle, down from EUR 639 in 2017, but comfortably in the upper part of the EUR 200 to 400 guidance provided at the start of the year.

The number of used cars sold [(2)] in Q4 18 was 73 thousand bringing the total for 2017 to 283 [(1)] thousand, up 9.4% *vs.* 259 thousand in 2017, roughly in line with fleet growth.

Average stock turnover [(1)] remained stable throughout the year. The share of cars sold *via* electronic platforms [(1)] was stable at 60% of total cars sold in 2018.

Total Operating Expenses increased by just 3.3% to EUR 617.8 million, *vs.* EUR 598.0 million in 2017 (helped by the final quarter, which saw a slight fall). Within the total amount, Staff expenses increased by 4.8% in 2018, to EUR 397.2 million (*vs.* EUR 379.0 million in 2017), benefiting from process digitisation, economies of scale, staff synergies from acquisitions and strong fleet growth in South America, Africa & Asia, while General & Administrative expenses dropped 2.4% *vs.* 2017.

This controlled increase in Operating Expenses, three percentage points below that of Leasing contract and Services margins growth and despite ongoing investment in IT and digital innovations, reflects a cost discipline culture embedded throughout the organisation. It led to an improvement in the Cost/Income (excluding Car Sales Result) ratio to 49.8% in 2018, from 51.2% in 2017 and 53.0% in 2016, surpassing the 50% objective set at the start of the year.

Impairment charges on receivables reached EUR 11.1 million in Q4 18, slightly down from the previous quarter, bringing the total for the year to EUR 37.8 million, rising by 69.0% from the EUR 22.4 million recorded in 2017. The cost of risk [(3)] nevertheless remained contained at 21 bps in 2018, up from the exceptionally low level of 14 bps in 2017, but in line with preceding years.

The effective tax rate of 18.4% for 2018 was significantly below 2017's rate of 19.7%, notably reflecting the benefit of the Italian Stability law, which reached its maximum this year. This impact is expected to last until 2020, decreasing gradually.

(1) Estimated to lower growth in Leasing Contract & Services Margins by up to 1.5% in 2018 vs. 2017 (management information).
(2) Management information
(3) Cost of risk: Annualised ratio, calculated using impairment of customer receivables as the numerator and the arithmetic average of Average Earning Asssets at the start and end of the period.

ALD recorded a Net Income (Group Share) of EUR 555.6 in 2018, slightly down from EUR 567.6 million in 2017, as the impact of a lower Car Sales Result and higher cost of risk outweighed that of the Group's exceptionally strong fleet growth and improved operating efficiency.

Earning Assets rose 12.8% at the end of 2018 *vs.* the end of the previous year, reaching EUR 19.1 billion, underpinned by 10.1% on-balance sheet fleet growth. Financial debt rose 11.2% vs. end 2017.

Backed by strong long term ratings from Fitch Ratings (A-) and S&P Global Ratings (BBB+), ALD raised a record EUR 1.8 billion of new funding on public markets *via* its EMTN bond programme, including ALD's first Positive Impact bond. The Group also renewed private securitisations in the UK, the Netherlands and Belgium. As a result, total funding at the end of 2018 stood at EUR 16.8 billion *(vs.* EUR 15.1 billion at the end of 2017) of which 68% consisted of loans from Societe Generale, down from 72% at the end of 2017.

The Group's Total Equity to Total Assets ratio stood at 15.8% at the end of 2018, well inside the target range of 15-17%.

The Return on Average Earning Assets [(1)] in 2018 was 3.1% *(vs.* 3.6% in 2017), while ALD's ROE [(2)] was 15.9% *(vs.* 17.9% in the previous year).

Earnings Per Share [(3)] for 2018 amounts to EUR 1.37, *vs.* EUR 1.40 in 2017. The Board of Directors has decided to propose to the General Meeting of shareholders that a dividend of EUR 0.58 per share *(vs.* EUR 0.55 in 2017) be distributed in respect of the 2018 financial year, corresponding to a payout ratio of 42% (up from 39.2% last year). The dividend will be detached on 29 May 2019 and paid on 31 May 2019.

9.3 KEY STRATEGIC INITIATIVES AND OPERATIONAL DEVELOPMENTS

RFA

9.3.1 Acquisition of Reflex Alquiler Flexible de Vehículos in Spain

On 29 June 2018, ALD signed an agreement to acquire Reflex Alquiler Flexible de Vehículos, an independent Spanish flexible renting provider with a fleet of c. 2,000 vehicles rented to SMEs. This acquisition, which is expected to strengthen ALD's product offering in Spain while expanding the commercial reach of its solutions to SMEs, forms part of ALD's development strategy and is an example of ALD's focus on targeted and value accretive bolt-on acquisitions.

9.3.2 Partnership with AXA France

On 21 June 2018, ALD launched, together with its partner AXA France, an "All in One" offer, including Full Damage Waiver, aimed at both BtoB and BtoC markets. This packaged offer is commercialised through the AXA France network, and is aimed at enlarging ALD's client base in France, particularly on the SMEs and private lease markets.

9.3.3 Pilot agreement with MaaS Global

On 27 June 2018, ALD signed a pilot agreement with MaaS Global, an international mobility operator based in Finland, to provide car sharing services through Whim, the Company's Mobility-as-a-Service app, in Helsinki. This agreement fully supports ALD's distribution strategy to partner up with innovative players in order to broaden the Company's offering and extend the reach of its services.

(1) Return on Average Earning Assets: Annualised ratio, calculated using Net income group share as the numerator and the arithmetic average of Average Earning Asssets at the start and end of the period.
(2) Return on Equity: Annualised ratio, calculated using Net income group share as the numerator and the arithmetic average Equity at the start and end of the period.
(3) Diluted earnings per share, calculated in accordance with IAS 33. Basic earnings per share EUR 1.38.

9.3.4 New partnership agreement with Mazda in the Netherlands

Since 1 June 2018, ALD provides white-labelled operational leasing services for Mazda's entire range of leasing products in the Netherlands. Mazda selected ALD in the Netherlands for its innovative offering and market leading expertise as a global distribution partner. This new agreement reinforces the existing successful partnership between the two companies, as ALD also provides Full Service Leasing services for Mazda through its dealership networks in Spain and Italy.

9.3.5 Launch of *Leasing Auto avec Boursorama Banque,* first 100% online private lease e-shop for Boursorama clients

In October 2018, ALD, in partnership with Boursorama, launched *Leasing Auto avec Boursorama Banque*. This e-shop offers Boursorama clients a 100% online experience to subscribe and manage their private lease contract.

9.3.6 Signing of strategic partnership and development agreement with Vinli

In October 2018, ALD signed a strategic partnership and development agreement with Vinli, a connected car platform provider, to benefit from its cloud-connected car and data intelligence platform for smart car data integration and processing, in addition to access to its connected car software development expertise.

9.3.7 Best Customer Service Award for ALD France, ALD Spain and ALD Morocco

For the 11th year in a row, ALD France was awarded "Best Customer Service Award" in the Full Service Leasing category. Commitment, training and digitisation were the key success factors highlighted. ALD Spain and ALD Morocco also received "Best Customer Service Award" in the same category, both for the second year.

9

9.3.8 Successful issuance of first ever Positive Impact Bond to finance electric and hybrid vehicles

On 5 October 2018, ALD successfully issued an inaugural Positive Impact Bond, a EUR 500 million 4-years fixed-rate senior note, demonstrating its commitment to finding innovative financial solutions to fund clean transportation and promote the transition to a low carbon future. The proceeds of the bond are aimed at financing eligible vehicles, *i.e.* electric vehicles (EV), hybrid electric vehicle (HEV) and plug-in hybrid vehicles (PHEV), across 13 countries in Europe.

9.3.9 Fitch Ratings assigned ALD a Long-Term Issuer Default Rating of A- with stable outlook

On 20 September 2018, Fitch Ratings assigned ALD a Long Term Rating of A- with stable outlook. Significant factors highlighted by the credit rating agency in its report are parental support from ALD's majority shareholder, Societe Generale, and ALD's sound stand-alone credit profile, underpinned by its well-established franchise in European car leasing and its well-articulated and soundly executed strategy and ordinary support from Societe Generale in its funding profile.

9.3.10 S&P Global Ratings upgraded ALD's Long Term issuer credit rating to BBB+ (stable outlook) from BBB

On 24 October, S&P Global Ratings raised its long-term credit rating on ALD to "BBB+" from "BBB", with stable outlook The agency underlined its business growth and strategic importance to Societe Generale. At the same time, S&P Global Ratings affirmed ALD's A-2 short-term issuer credit rating. In its report, S&P Global Ratings highlights that "ALD's scale and diversity have improved over the past four years", and cites ALD's "large scale as an advantage in an industry with high barriers to entry".

10

LIQUIDITY AND CAPITAL RESOURCES

10.1 SOURCES AND AMOUNT OF GROUP CASH FLOW

AFR

(in EUR million)	31 December 2018	31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAX EXCLUDING DISCONTINUED OPERATIONS	**689.1**	**713.6**
Adjustments for:		
• rental fleet	3,430.1	3,181.2
• other property and equipment	21.4	17.7
• intangible assets	9.7	7.3
• financial assets	-	0.0
• regulated prov., contingency and expenses provisions	3.7	11.8
Depreciation and amortisation	**3,464.9**	**3,217.9**
Fair value of derivative financial instruments	(6.2)	18.6
Interest Charges	234.1	229.6
Interest Income	(824.0)	(793.4)
NET INTEREST PAID	**(589.9)**	**(563.8)**
Others*	0.7	(0.6)
Amounts received for disposal of rental fleet	2,583.7	2,513.9
Amounts paid for acquisition of rental fleet	(8,233.3)	(7,698.3)
Change in working capital	(44.2)	(374.2)
Interest Paid	*(284.7)*	*(251.3)*
Interest Received	*853.7*	*821.6*
NET INTEREST PAID	**569.0**	**570.4**
Income taxes paid	(104.4)	(148.0)
CASH GENERATED FROM OPERATIONS (CONTINUING ACTIVITIES)	**(1,670.5)**	**(1,750.4)**
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**(1,670.5)**	**(1,750.4)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of other property and equipment	-	-
Disposal of other property and equipment	17.8	13.7
Acquisition of other property and equipment	(51.8)	(50.2)
Divestments of intangible assets	0.0	1.2
Acquisition of intangible assets	(17.7)	(14.3)
Proceeds from sale of financial assets	-	-
Acquisition of financial assets (non-consolidated securities)	(0.0)	-
Effect of change in Group structure	(9.2)	(125.1)
Dividends received	(0.0)	0.0
Long term investment	227.9	152.0
Loans and receivables from related parties	(64.8)	1.6
Other financial investment	(28.6)	(30.1)
CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUING ACTIVITIES)	**73.7**	**(51.3)**
Cash flows from investing activities (discontinued operations)	-	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**73.7**	**(51.3)**

(in EUR million)	31 December 2018	31 December 2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of borrowings from financial institutions	10,152.0	8,637.7
Repayment of borrowings from financial institutions	(10,011.3)	(7,020.7)
Proceeds from issued bonds	2,726.0	1,400.1
Repayment of issued bonds	(1,086.2)	(1,020.1)
Dividends paid to Company's shareholders	(222.3)	(155.6)
Dividends paid to minority interest	(4.6)	(5.8)
Increase/decrease in shareholders capital	(5.8)	-
Other	-	-
CASH FLOWS FROM FINANCING ACTIVITIES (CONTINUING ACTIVITIES)	**1,547.9**	**1,835.5**
Cash flows from financing activities (discontinued operations)	-	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**1,547.9**	**1,835.5**
Exchange gains/(losses) on cash and cash equivalents	**(8.7)**	**(2.3)**
Effect of change in accounting policies	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**(57.6)**	**31.5**
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**6.7**	**(24.8)**
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	**(50.9)**	**6.7**

* *Including mainly the unrealised foreign exchange gains or losses (note 7b).*

10.1.1 Net cash flows related to operating activities

Amounts received for disposal of rental fleet

Amounts received for disposal of rental fleet increased to EUR 2,583.6 million during the year ended 31 December 2018 compared to EUR 2,513.9 million during the year ended 31 December 2017, primarily as a result of a higher number of cars being disposed of in 2018 compared to 2017.

Amounts paid for acquisition of rental fleet

Amounts paid for acquisition of rental fleet increased to EUR 8,233.3 million during the year ended 31 December 2018 compared to EUR 7,698.3 million during the year ended 31 December 2017, primarily as a result of more vehicles being acquired in 2018 compared to 2017.

Change in working capital

Working capital (comprising short term assets and liabilities) changes resulted in a net contribution to decrease the cash generated from operating activities of EUR 44.2 million during the year ended 31 December 2018 compared to a net contribution to decrease the cash generated from operating activities of EUR 374.2 million during the year ended 31 December 2017. The main driver behind this lower working capital requirement was improved management of receivables.

Net interest paid

Net interest paid on funding remained virtually stable at EUR 569.0 million during the year ended 31 December 2018.

10.1.2 Net cash flows related to investment activities

Effect of change in group structure

Net cash outflows from the effect of change in group structure amounted to EUR 9.2 million during the year ended 31 December 2018 compared to a net cash outflow of EUR 125.1 million during the year ended 31 December 2017, down primarily as a result of a small number of acquisitions done at in 2018 compared to 2017.

Long term investment

Net cash inflows from long term investment amounted to EUR 227.9 million during the year ended 31 December 2018 compared to a net cash inflow of EUR 152.0 million during the year ended 31 December 2017, up primarily as a result of the fact that the Group is no longer renewing its long-term deposits.

10.1.3 Net cash flows related to financing activities

Proceeds of borrowings from financial institutions

Proceeds of borrowings from financial institutions decreased to EUR 10,152.0 million during the year ended 31 December 2018 compared to EUR 8,637.7 million during the year ended 31 December 2017, related to higher fleet growth in 2018 compared to 2017.

Repayment of borrowings from financial institutions

A higher repayment of borrowings from financial institutions of EUR 10,011.3 million occurred during the year ended 31 December 2018 compared to EUR 7,020.7 million repaid during the year ended 31 December 2017, linked to repayment of maturing loans.

Proceeds from issued bonds

Proceeds from issued bonds increased to EUR 2,726.0million during the year ended 31 December 2018 compared to EUR 1,400.1 million during the year ended 31 December 2017, primarily as a result of more bond issues during 2018.

Repayment of issued bonds

Repayment of issued bonds increased to EUR 1,086.2 million during the year ended 31 December 2018 compared to EUR 1,020.1 million during the year ended 31 December 2017, primarily as a result of more bonds maturing.

10.2 RENTAL FLEET

Rental fleet increased from EUR 16,336 million as at 31 December 2017 to EUR 18,424 million as at 31 December 2018. This increase is mainly driven by the growth in funded fleet but also a number of other factors such as the evolution of the fleet mix, the geographical distribution of the fleet and the embedded parameters of the leasing contracts.

At the 31 December 2018 and 31 December 2017 there were no impairments on the "Rental fleet". ALD continues to retain substantially all of the risks and rewards of the lease receivables, as in all asset-backed securitisation programs ALD has subscribed to the first class of notes, which will result in ALD bearing any realised losses. Therefore ALD continues to recognise the transferred lease receivables in their entirety for a present value of EUR 1,886 million and a net book value of EUR 1,859 million at 31 December 2018. The transferred lease receivables cannot be sold.

10.3 LIABILITIES

10.3.1 Equity

Information on the Group's equity is provided in section 20, note 24 "Shareholders' Equity" of this Registration Document.

10.3.2 Liabilities

(in EUR million)	2018	2017
Bank borrowings	7,955.8	7,660.9
NON-CURRENT BORROWINGS FROM FINANCIAL INSTITUTIONS	7,955.8	7,660.9
Bank overdrafts	209.8	187.9
Bank borrowings	3,751.3	4,000.7
CURRENT BORROWINGS FROM FINANCIAL INSTITUTIONS	3,961.2	4,188.6
TOTAL BORROWINGS FROM FINANCIAL INSTITUTIONS	**11,917.0**	**11,849.4**
Bonds and notes-originated from securitisation transactions	1,058.1	882.4
Bonds and notes-originated from EMTN program	3,404.2	1,400.0
Other non-current bonds issued	-	-
NON-CURRENT BONDS AND NOTES ISSUED	4,462.4	2,282.4
Bonds and notes-originated from securitisation transactions	251.9	491.9
Bonds and notes-originated from EMTN program	200.0	506.0
Other current bonds issued	-	-
CURRENT BONDS AND NOTES ISSUED	451.9	997.9
TOTAL BONDS AND NOTES ISSUED	**4,914.3**	**3,280.3**
Total borrowings from financial institutions and bonds	**16,831.3**	**15,129.8**

As part of its strategy to diversify its financing, the Group tapped the bond market four times in 2018: in February, for a 3-year senior bond issue of EUR 800 million, in June, for a 2-year private issue of EUR 400 million, in July for a 3-year senior issue of EUR 500 million and lastly, in October, for the first positive-impact issue of EUR 500 million with a 4-year maturity. These four issues are part of the EUR 6 billion program in place.

ALD is rated by Fitch and S&P Global Ratings. On 20 September 2018, Fitch assigned ALD an A- rating with a stable outlook. On 24 October 2018, S&P Global Ratings revised ALD's rating from BBB to BBB+ with a stable outlook.

Information on the Group's liabilities is provided in section 20, note 26 "Borrowing from financial institutions, bonds and notes issued" of this Registration Document.

10.4 RESTRICTION ON THE USE OF CAPITAL

Not applicable.

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

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

11

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 RESEARCH AND DEVELOPMENT

AFR

The Group is committed to innovating and offering value added solutions. Indeed, it continues to strive to develop new products and new expertise. A dedicated team within ALD, represented at local level by a team of Innovation leaders, and an Innovation Committee, aim to share, prioritise and step up innovation initiatives.

As a pioneer in mobility solutions, the Group regularly reviews its product offer and innovates to be able to provide the best products to its customers, to support fleet managers in their daily work and to provide drivers with the solutions that best fit their needs.

The Group's innovation portfolio notably includes the development of a private leasing offering already in place in 23 countries, as well as the on-going roll-out of car-sharing in Western Europe and ALD France's electric offering, "ALD Switch", in other European countries, plus a platform for connected vehicles in partnership with Vinli for all countries. The Group is also planning to upgrade its current rental platform with a view to transforming it into an e-commerce platform for digital customers.

The Group has developed driver portals and mobile applications. Drivers and fleet managers have access to portals in all countries *via* the website (ALD Net/My ALD) and a mobile version (My ALD).

In 2016, ALD created the ALD Way program. The purpose of this program is to develop talent across the Group and promote the diffusion of an innovation culture within the Group.

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

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

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

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

  Trademark assignment with a view to transferring ownership to ALD of trademarks that do not contain any elements of the Societe Generale trademark could not be validly registered in South Africa, Brazil, Canada or Mexico. To avoid any confusion for consumers, the competent authorities in these countries have refused to allow related rights, with or without logo, to be held by different parties.

  The Group has registered domain names in the countries where it operates. The Group centrally registers its ownership of various domain names (including Aldautomotive, Aldcars, Aldcarmarket, Aldmobile and Aldnet), mostly through the external company CSC.

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

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

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

12

TREND INFORMATION AFR

12.1 BUSINESS TRENDS

Detailed descriptions of the Group's results for the year ended 31 December 2018, and of the principal factors affecting the Group's results of operations are contained in Chapter 9 "Operating and Financial Review" of this Registration Document.

12.2 MEDIUM-TERM OBJECTIVES

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

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

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

12.3 2019 OUTLOOK

12.3.1 Total Fleet Growth

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

For 2019, the Group expects annual organic growth in Total Fleet to be between 5% and 7%, plus targeted bolt-on acquisitions as opportunities arise. Given strong growth in 2017 and 2018, the implied average annual growth rate of Total Fleet for 2016-2019 is expected to be in line with previous indications.

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

- the continuing trend of corporate clients to outsource their mobility needs, so that they can focus on their core business and benefit from the scale of operations and investments in technology of specialist players such as ALD. The Group expects this trend to underpin continued strong organic growth of its corporate fleet, in line with its performance of recent years;
- an increasing SME penetration, especially through further development of our existing partnerships with car manufacturers, banks, insurers, energy suppliers and mobility platforms;
- the development of the Group's Private Lease offering through the launch of additional B2C products and development of existing and new partnerships. The segment should grow in a sustained manner thanks to the shift from car ownership to usership, more demand for flexible use, new transport alternatives and a collaborative economy; and increases in environmental regulation and awareness;

- high levels of growth in emerging markets from current low levels of Full Service Leasing penetration, in a context of economic growth and growing car sales volumes; and the increasing trends for corporates to outsource non-core activities to leasing specialists. In mature markets, tax benefits on lease cars remain stable and should not impact the growing share of operating lease within the corporate segment;
- selected bolt-on acquisitions allowing the Group to acquire leasing portfolios to integrate within its existing operations, as consolidation trends in the Full Service Leasing market continue.

12.3.2 Gross Operating Income

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

The average annual growth rate of Leasing Contract & Services margins for 2016-2019 is now expected to be below the previously indicated range of 8-10%, as a result of a larger than expected impact of the Italian Stability law. However this increased impact is more than compensated for at the bottom line by the corresponding reduction in Net Income Tax.

With concerns around Diesel putting downward pressure on the sales price of Diesel cars since 2017 and increased focus by the investment community on the subject of used car price trends, the Group has provided detailed annual guidance to the market regarding the trend in average unit Car Sales Result for 2018 (EUR 200 to EUR 400) and 2019 (EUR 100 to EUR 300). This guidance is in line with the Group's expectation for the Car Sales Result within Gross Operating Income to decrease in 2019, when compared to 2016.

12.3.3 Operating Expenses

For 2019, the Group expects a further improvement in its cost/income ratio to around 49%. This guidance underlines the importance to the Group of Operating Expenses control, to keep their growth significantly below that of Leasing Contract and Services margins.

12.3.4 Net Income

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

The average annual growth rate of Net Income for 2016-2019 is now expected to be significantly below the previously indicated rate of 7%. This shortfall is attributable principally to the steeper than anticipated decrease in Car Sales Result over the 2016-2019 period. For the same reason the Return on Average Earning Assets is also expected to be significantly below the targeted minimum level of 3.5% in 2019.

12.3.5 Capital and Dividend Policy

The Group intends to maintain its leverage and shareholder return ratios at levels consistent with capital generation and total assets growth. In 2019, the Group expects to maintain its pay-out ratio at between 40% and 50% and maintain its total equity to total assets ratio between 15% and 17%, it being specified that the dividend policy of the Group will take into account the Group's results and financial situation, the implementation of its strategy and the achievement of its objectives.

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

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PROFIT FORECASTS AFR

None.

14

ADMINISTRATIVE, MANAGEMENT AND CONTROL BODIES AND STATUTORY CORPORATE OFFICERS

14.1 COMPOSITION OF MANAGEMENT AND CONTROL BODIES

AFR

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

14.1.1 Board of Directors

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

Personal information					Experience	Position within the Board				
Identity of Directors	**Age**	**Gender**	**Nationality**	**Number of shares**	**Number of mandates in listed companies**	**Indepen-dence**	**Initial date of appointments**	**Term of the mandate (General Meeting)**	**Seniority on the Board *(in years)***	**Participation in the Board's Committees**
Didier HAUGUEL (Chairman of the Board of Directors)	59	m	French	1,000	1	no	30/06/2009	2021	9	_
Michael MASTERSON (CEO)	58	m	British	11,100	-	no	28/02/2006	2019	13	_
Karine DESTRE-BOHN	48	f	French	250	-	no	15/11/2011	2019	7	CACIR
Bernardo SANCHEZ-INCERA	59	m	Spanish	-	1	no	01/08/2018	2021	0	COREM
Xavier DURAND (Chairman of CACIR)	55	m	French	1,100	-	yes	16/06/2017	2021	1	CACIR
Patricia LACOSTE (Chair of COREM)	57	f	French	1,600	-	yes	16/06/2017	2019	1	COREM
Nathalie LEBOUCHER	52	f	French	1,000	-	yes	16/06/2017	2020	1	CACIR
Giovanni Luca SOMA	58	m	Italian	-	2	no	06/02/2008	2019	11	_
Christophe PERILLAT	53	m	French	1,000	-	yes	16/06/2017	2020	1	COREM
Laura CARRERE	42	f	French	-	-	no	07/11/2018	2021	0	_

Note 1: the subsidiaries of ALD are not mentioned in the data below and companies followed by (*) belong to the Société Generale Group.

Note 2: the number of ALD shares held by each director is current as of 31 December 2018.

Date of birth:
14 December 1959

Year of first appointment:
30 June 2009

Term of the mandate:
Shareholder Meeting approving the 2020 financial statements in 2021

Holds:
1,000 ALD shares

Professional address:
Tours Societe Generale
75886 Paris Cedex 18

DIDIER HAUGUEL

Chairman of the Board
Director
Chief Country Officer for Russia for Societe Generale

Biographical information:
Didier HAUGUEL has been a member of the Board of Directors of ALD since 2009. He has served as Chairman of the Board from 2009 to 2011 and again since 2017. Member of Societe Generale Management Committee since 2000, he is Country Officer for Russia since 2012. Member of the Societe Generale Executive Committee from 2007 to 2017, he had been Co-Head of International Banking and Financial Services from 2013 to 2017 and held several positions in Societe Generale as Head of Specialised Financial Services and Insurance from 2009 to 2013 and Chief Risk Officer from 2000 until 2009. After having been Head of Central Risk Control at Societe Generale from 1991 to 1995, he was appointed Deputy Chief Executive Officer of Societe Generale in New York (USA) from 1995 to 1998, then Director of Resources and Risk for the Americas Regional Division from 1998 to 2000. He joined the General Inspection Department of Societe Generale in 1984. Didier HAUGUEL has graduated from the Institut d'Etudes Politiques (IEP) de Paris and holds a Bachelor's degree in Public law.

Other offices held currently:

Within French unlisted companies:
- La Banque Postale Financement* – Vice-Chairman and Member of the Supervisory Board
- Sogecap * – Chairman and Board Member
- SGEF SA * – Chairman and Board Member

In foreign unlisted companies:
- GEFA Bank GmbH* – Germany – Chairman and Board member
- CB DeltaCredit* – Russia – Chairman and Board member
- LLC Rusfinance* – Russia – Chairman and Board member

In foreign listed companies:
- PJSC Rosbank* – Russia – Chairman and Board member

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

Within French unlisted companies:
- Franfinance* – Board member
- Sogessur* – Board member
- SG Consumer Finance* – Chairman and Board member
- Compagnie Générale de Location d'Equipements* - Board member
- Franfinance* – Chairman and Board Member

In foreign unlisted companies:
- Banco Cacique SA* – Brazil – Board Member
- Rusfinance SAS* - Russia - Chairman and Board member
- SG Equipment Finance Czech Republic SRO* – Czech Republic - Chairman and Board Member
- Gefa Leasing GmbH* – Germany – Chairman and Board member
- SG Equipment Finance USA Corp.* – Board member
- Fiditalia Spa* – Italia – Board member
- Eqdom* – Morocco – Board member
- Euro Bank* - Poland – Vice Chairman and Board Member

Date of birth:
17 December 1960
Year of first appointment:
28 February 2006
Term of the mandate:
Shareholder Meeting approving the 2018 financial statements in 2019
Holds:
11,100 ALD shares
Professional address:
1-3 rue Eugène et Armand Peugeot
92500 Rueil-Malmaison

MICHAEL MASTERSON

Director
Chief Executive Officer

Biographical information:
Michael MASTERSON has been CEO of ALD and member of Societe Generale's group Management Committee since 2011. He was CFO of ALD from 2003 until 2011 and, from 1988, active at Hertz Lease Group (which was acquired by ALD in 2003). Michael MASTERSON was Chief Financial and IT Officer at Hertz Lease Group from 1997 to 2003, having worked as Financial Controller from 1995 to 1997. He began his career as Senior Auditor, Business Analyst, Finance and Administration Manager for Hertz Europe from 1988 to 1995. Michael. MASTERSON holds an Upper Second Class Degree in Economics from Nottingham University and has been a Chartered Accountant since 1988.

Other offices held currently:

- None.

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

- None.

KARINE DESTRE-BOHN

Date of birth:

20 January 1971

Year of first appointment:

15 November 2011

Term of office expires in:

Shareholder Meeting approving the 2018 financial statements in 2019

Holds:

250 ALD shares

Professional address:

Tours Societe Generale

75886 Paris Cedex 18

Director, Member of the Audit, Internal Control and Risk Committee
Head of Customer Relationship Transformation in Societe Generale Assurances

Biographical information:

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

Other offices held currently:

- None.

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

- SFS Holding Hellas* – Greece – Chairman and Board Member
- SFS Hellasfinance Société Anonyme of Car Lease and Trade* – Greece – Chairman and Board Member
- SFS Hellasfinance Consumer Société Anonyme for Granting Credit* - Greece - Chairman and Board Member
- LLC Rusfinance* - Russia - Board member
- Rusfinance SAS* - Russia - Board member
- SKB Banka - Slovenia - Board member
- Mobiasbanca* – Moldova – Vice Chairman and Board member

Date of birth:
27 April 1964
Year of first appointment:
16 June 2017
Term of office expires in:
Shareholder Meeting approving the 2020 financial statements in 2021
Holds:
1,100 ALD shares
Professional address:
Place Costes et Bellonte
92270 Bois-Colombes

XAVIER DURAND

Independent Director, Chairman of the Audit, Internal Control and Risk Committee
Chief Executive Officer of the Insurance group Coface

Biographical information:
Xavier DURAND has been Chief Executive Officer of the Insurance group Coface since February 2016. Previously, Xavier DURAND had an extensive international career within the financial activities of the General Electric Company where, prior of being Head of Strategy & Growth for GE Capital International based in London (2013-2015), he was CEO of GE Capital Asia Pacific (2011-2013) based in Tokyo, CEO of the Europe and Russia banking activities of GE Capital (2005-2011), Chairman and CEO of GE Money France (2000-2005) and Head of Strategy and New Partnerships of GE Capital Auto Financial Services based in Chicago (1996-2000). Earlier, Xavier DURAND was Deputy General Manager of Banque Sovac Immobilier in France from 1994 to 1996. Engineer of Ponts et Chaussées corps, Xavier DURAND graduated from the Ecole Polytechnique and the Ecole des Ponts ParisTech. He started his career in 1987 in consulting (Gemini Group), strategy and project management (GMF, 1991-1993).

Other offices held currently:

Within COFACE Group in French and foreign unlisted companies:
- Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE) Chairman and Chief Executive Officer
- Coface North America Holding Company

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

Unlisted French and foreign companies:
- AXA France Vie France Board Member
- AXA France Iard (France) – Board Member
- Wizink Bank (Banco Popular et Varde) Spain Independent Board Member
- GE Capital International UK Head of Strategy and Development
- GE Capital Asia Pacific Japan Chairman and Chief Executive Officer
- Hyundai Capital Cards South-Korea Board Member and Chairman of the Compliance Committee

In foreign listed companies:
- Krungsri Group Thailand Board Member & Chairman of Compliance Committee

Date of birth:

9 March 1960

Year of first appointment:

1 August 2018

Term of the mandate:

Shareholder Meeting approving the 2020 financial statements in 2021

Holds:

no ALD shares

Professional address:

44 Rue Saint Placide
75006 Paris

BERNARDO SANCHEZ-INCERA

Director, member of the Nomination and Compensation Committee

Biographical information:

A Spanish national, Bernardo SANCHEZ-INCERA joined Societe Generale in 2009 before occupying the position of Deputy Chief Executive Officer of Societe Generale from January 2010 to May 2018. Previously he was Chief Executive Officer France of the Monoprix group from 2004 to 2009, Chief Executive Officer France of Vivarte from 2003 to 2004, Chairman of LVMH Mode et Maroquinerie Europe between 2001 and 2003 and International Director of the Inditex group from 1999 to 2001. Mr. SANCHEZ-INCERA also exercised the functions of Chief Executive Officer of Zara France from 1996 to 1999, after having been Chief Executive Officer of Banca Jover Spain from 1994 to 1996 and both Director and Board Member of Crédit Lyonnais in Belgium from 1992 to 1994. He started his career as business operator and Deputy Director of the La Défense business centre at Crédit Lyonnais in Paris from 1984 to 1992. Holder of an MBA from INSEAD, Bernardo SANCHEZ-INCERA is a graduate of the Institut d'Etudes Politiques de Paris and has a master's degree and a DESS in Economics.

Other offices held currently:

Within French unlisted companies:
- Boursorama* - Director
- Compagnie Financière Richelieu – Director
- Banque Richelieu France – Member of the Supervisory Board

Within French listed companies:
- PJSC Rosbank* - Russia - Member of the Supervisory Board
- Komercni Banka*- Czech Republic – Member of the Supervisory Board
- BRD* - Romania - Board Member

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

Listed French companies:
- Societe Generale - France - Deputy Chief Executive Officer*

Within French unlisted companies:
- Crédit du Nord* - Chairman of the Board of Directors
- Boursorama* - Chairman of the Board of Directors
- Franfinance* - Board Member (from 2010 to 2014)
- Compagnie Générale de Location d'Equipements* - Board Member
- Sogecap* - Board Member

In foreign unlisted companies:
- SGMB* - Morocco – Member of the Supervisory Board
- SGBS* - Senegal - Board Member
- SGBC* - Cameroon - Board Member
- SGBCI* - Ivory Coast - Board Member

*** Coopted 01.08.2018 subject to approval at the next General Meeting*

Date of birth:
5 December 1961

Year of first appointment:
16 June 2017

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

Holds:
1,600 ALD shares

Professional address:
19 rue d'Aumale
75009 Paris

PATRICIA LACOSTE

Independent Director, Chairwoman of the Nomination and Compensation Committee
Chairman and Chief Executive Officer of the Insurance group Prévoir

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

Other offices held currently:

Within Prévoir group – in French and foreign unlisted companies:
- Société Centrale PREVOIR – Chairman and Chief Executive Officer
- PREVOIR-Vie – Chairman and Chief Executive Officer
- PREVOIR- Risques Divers - – Chairman and Chief Executive Officer
- Société de Gestion PREVOIR – Legal representative of Société Centrale PREVOIR – Board Member
- PREVOIR Vietnam – Legal Representative of PREVOIR-Vie – Board Member
- PKMI (PREVOIR Kampuchea Micro Life Insurance) – Legal representative of PREVOIR-Vie – Board Member
- SARGEP – Board Member
- Fondation PREVOIR – Board Member

Outside Prévoir group – in French unlisted companies:
- SNCF Réseau – Board Member
- Lloyd Vie Tunisie – Legal Representative of Prévoir Vie, Board Member
- Fédération Française d'Assurance – Member of Executive Committee

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

Within French unlisted companies:
- RFF (Réseau Ferré de France) – Board Member

Date of birth:

24 July 1966

Year of first appointment:

16 June 2017

Term of office expires in:

Shareholder Meeting approving the 2019 financial statements in 2020

Holds:

1,000 ALD shares

Professional address:

40 rue du Louvre

75001 Paris

NATHALIE LEBOUCHER

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

General Manager of Kapsch TrafficCom France & Senior Vice President of Kapsch TrafficCom AG for North Africa, West Africa and the Middle East.

Biographical information:

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

Other offices held currently:

Within French unlisted companies:

- Moka SAS, Board Member

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

- Within French unlisted companies:
- RATP Dev – Board member
- Ixxi, Telcité/Naxos – Board member
- RATP I – Board member
- Systra – Board member
- M2OCity – Board member

Date of birth:

21 August 1960

Year of first appointment:

6 February 2008

Term of office expires in:

Shareholder Meeting approving the 2018 financial statements in 2019

Holds:

none ALD shares

Professional address:

Tours Societe Generale
75886 Paris Cedex 18

GIOVANNI LUCA SOMA

Director
Head of the Retail European Banking Business Unit of Societe Generale

Biographical information:

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

Other offices held currently:

Within French unlisted companies:
- Compagnie Générale de Location d'Equipements* - Chairman and Board member

In foreign unlisted companies:
- SG Express Bank* - Bulgaria – Board member
- Hanseatic Bank GmbH & Co KG* - Germany – Chairman and Board member
- Fiditalia SpA* - Italy – Vice Chairman and Board member
- Euro Bank SA* - Poland – Chairman and Board member
- SG Banka Srbija*– Serbia – Board member
- CGI North America* – United States – Board member

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

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

Within French unlisted companies:
- SG Consumer Finance* - France – Chief Executive Officer and Board member
- Sogessur* – France – Board member
- Franfinance* – France – Board member

Within French unlisted companies:
- SG Splitska Banka* - Croatia – Board member
- Ohridska Banka AD Skopje* – Macedonia – Chairman and Board member
- LLC Rusfinance Bank – Russia – Board member
- Capital Credit Comradeship Bank* – Russia – Board member
- Banco Pecunia SA* – Brazil – Chairman and Board member
- Banco Cacique SA* – Brazil – Chairman and Board member
- Banco SG Brasil SA* – Brazil – Board member
- Essox sro – Czech Republic – Chairman and Board Member
- SG Viet Finance Company Ltd – Vietnam – Chairman
- SKB Banka* – Slovenia – Deputy Chairman and Board member

CHRISTOPHE PERILLAT

Independent Director, Member of the Audit, Internal Control and Risk Committee
General Manager of Valeo Group

Date of birth:

12 September 1965

Year of first appointment:

16 June 2017

Term of office expires in:

Shareholder Meeting approving the 2019 financial statements in 2020

Holds:

1,000 ALD shares

Professional address:

43 rue Bayen

75848 Paris Cedex 17

Biographical information:

Christophe PERILLAT has been Chief Operating Officer of the Valeo Group since 2011. Previously, Christophe PERILLAT occupied several managerial positions in the Valeo Group, notably Head of the Business group "Comfort and Driving Assistance Systems" from 2009 to 2011, Head of the Branch "Switches and Detection Systems" from 2003 to 2009, and Head of a Division of the "Electronics and Connective Systems" Branch from 2001 to 2002. Prior to that, Christophe PERILLAT worked in the aerospace industry for the Labinal Group, as Head of Labinal Aero & Defense North America from 1996 to 2000 and Head of a production site in Toulouse from 1993 to 1995. Christophe PERILLAT is a graduate of l'Ecole Polytechnique and from l'Ecole des Mines.

Other offices held currently:

Unlisted French and foreign companies:

- Valeo Service – France – Chairman
- Valeo Service Espana SAU – Spain – Board member
- Valeo North America, Inc – USA – Chairman and Board member
- Valeo (UK) Limited – UK – Chairman and Board member
- Valeo SpA. – Italy – Chairman and Board member

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

Unlisted French and foreign companies:

- Valeo Interior Controls (Shenzhen) Co., Ltd – China – Board member

LAURA CARRERE

Director
Head of the "Family Office" activity, SG Corporate & Investment Banking

Date of birth:
22 March 1977

Year of first appointment:
7 November 2018

Term of the mandate:
Shareholder Meeting approving the 2020 financial statements in 2021

Holds:
no ALD shares

Professional address:
Tours Societe Generale
75886 Paris Cedex 18

Biographical information:
Laura CARRERE is currently global Head of the Family Offices franchise and of the Family Holdings for Societe Generale Corporate and Investment Banking. In Societe Generale, which she joined in 2003, Ms. CARRERE worked on the origination of strategic transactions on shares from 2014 to 2018 as Director, then Managing Director, after having been responsible for structured finance for the Media & Telecoms sector from 2003 to 2007. Previously, she was an analyst for the Strategy Department of Canal + from 2002 to 2003. Ms. CARRERE is a graduate of the Ecole Polytechnique and the Ecole Nationale des Ponts et Chaussées.

Other offices held currently:

- None.

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

- None.

14.1.1.1 Independence of Board Members

Four independent Board members sit on the Board of Directors. Their independence was assessed by taking into account the criteria set out in article 8.5 of the AFEP-MEDEF Code, and in particular information relating to their professional careers, past and current mandates, and the business relationships of their employers with Societe Generale.

The table below summarises the evaluation of the independence of Board Members pursuant to such criteria:

Criteria	Didier HAUGUEL	Michael MASTERSON	Karine DESTRE-BOHN	Xavier DURAND	Bernardo SANCHEZ-INCERA	Patricia LACOSTE	Nathalie LEBOUCHER	Giovanni Luca SOMA	Christophe PÉRILLAT	Laura CARRERE
Salaried corporate officer during the previous 5 years (1)				✓		✓	✓		✓	
Cross-directorships (2)			✓	✓	✓	✓	✓	✓	✓	✓
Significant business relationships (3)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Family connection (4)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Statutory auditor (5)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Term of office greater than 12 years (6)	✓		✓	✓	✓	✓	✓	✓	✓	✓
Status of non-executive corporate officer (7)				✓	✓	✓	✓		✓	
Status of significant shareholder (8)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

(1) Not being or not having been, during the previous five years:
- *salaried employee or executive corporate officer of the company;*
- *salaried employee, executive corporate officer or director of a company consolidated by the company;*
- *salaried employee, executive corporate officer or director of the company's parent company or a company consolidated by this parent company.*

(2) Not being an executive corporate officer of a company in which the Company directly or indirectly holds a directorship or in which an employee designated as such or an executive corporate officer of the Company (current or having been one within the past five years) holds a directorship.

(3) Not being a customer, supplier, investment banker, commercial banker or consultant:
- *significant for the company or its group;*
- *or for which the company or its group represents a significant share of business.*

Assessment of whether or not the relationship with the company or its group is significant is debated by the Board and the qualitative and quantitative criteria leading to this assessment (continuity, economic dependency, exclusivity, etc.) are explained in the annual report.

(4) No family ties.

(5) Not having been statutory auditor of the Company during the previous 5 years.

(6) Not having been a director of the Company for more than 12 years. The loss of capacity of director.

(7) A non-executive corporate officer cannot be considered as independent if he/she receives variable remuneration in cash or in securities or any remuneration related to the performance of the company or the group.

(8) Directors representing large shareholders of the company or its parent company may be considered as independent as long as these shareholders do not take part in the control of the company. However, beyond a threshold of 10% in capital or voting rights, the Board, after a report from the Nomination Committee, always queries the qualification of independent, taking into account the composition of the capital of the company and the existence of a potential conflict of interest.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS IN 2018

	Departure		Appointment		Renewal of term of office
Director	Board of Directors	Committees	Board of Directors	Committees	
Sylvie RÉMOND	Resignation of directorship with effect from 30 June 2018.	Resignation of mandate as member of COREM.			
Jean-Louis KLEIN	Resignation of directorship with effect from 1 August 2018.				
Bernardo SANCHEZ-INCERA			Co-opted on 1 August 2018 by the Board of Directors to replace Mr. Jean-Louis KLEIN for the remaining period of his directorship.	Replaces Ms. Sylvie REMOND on the COREM.	
Laura CARRERE			Co-opted on 7 November 2018 by the Board of Directors to replace Ms. Sylvie REMOND for the remaining period of her directorship.		

14.1.1.2 Balance in the composition of the Board of Directors

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

As shown by the tables in 14.1.1.1 and 14.1.1.3, composition of the Board of Directors is currently diverse in terms of the age, gender, nationality, qualifications and professional experience of Board members. The Board of Directors discussed its composition and deemed this to be balanced and appropriate in view of the diversity of the profiles and skills.

14.1.1.3 Board Members' Expertise

The table below summarises the directors' main area of expertise and skills.

Director	Leasing, mobility	Finance	Other business	International	Sector
Didier HAUGUEL	✓	✓	✓	✓	International Banking and Financial Services Risk
Michael MASTERSON	✓	✓		✓	Leasing industry
Giovanni Luca SOMA	✓	✓		✓	International Banking and Financial Services
Laura CARRERE		✓			Media investment bank
Bernardo SANCHEZ-INCERA		✓	✓	✓	International Banking and Financial Services Distribution
Karine DESTRE-BOHN	✓	✓	✓	✓	International Banking and Financial Services Insurance Leasing
Xavier DURAND	✓	✓	✓	✓	Insurance
Nathalie LEBOUCHER	✓	✓		✓	Mobility industry
Patricia LACOSTE	✓	✓	✓		Insurance
Christophe PERILLAT	✓		✓	✓	Automotive and aerospace industry

14.1.1.4 Attendance of Board Members

In 2018, Didier HAUGUEL chaired all Board Meetings. The directors' attendance rates at Board and Committee Meetings are very high.

	Board of Directors			CACIR		COREM	
Presence over the period of the 2018 financial year	**Total number of meetings**	**Attendance**	**Average attendance rate** (in %)	**Nb of meetings**	**Average attendance rate** (in %)	**Nb of meetings**	**Average attendance rate** (in %)
Didier HAUGUEL	6	6	100%				
Michael MASTERSON	6	6	100%				
Karine DESTRE-BOHN	6	5	83%	5	83%		
Xavier DURAND	6	6	100%	6	100%		
Bernardo SANCHEZ-INCERA	2	2	100%			4	100%
Patricia LACOSTE	6	5	83%			4	100%
Nathalie LEBOUCHER	6	6	100%	6	100%		
Giovanni Luca SOMA	6	3	50%				
Christophe PERILLAT	6	6	100%			4	100%
Laura CARRERE	2	2	100%				
Sylvie REMOND	3	3	100%			4	100%
Jean-Louis KLEIN	4	2	50%				

14.1.2 Statutory Corporate Officers

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

General management is separate from the chairmanship of the Board of Directors. Thanks to this separation, in addition to the benefit of specialised skills for each of these functions, the Board has more independence when it comes to control of the Company's executive body.

14.1.3 The Chairman

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

He chairs every Board Meeting, and attends the meetings of the specialised committees.

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

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

With the help of the Chief Executive Officers, meetings have also been organised with the directors aside of the Board Meetings themselves, to favour informal exchanges within the college of directors and to make the directors more familiar with the activity of the Company.

14.1.4 The Executive Committee

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

The Group's Executive Committee comprises the Group's main operational and functional executives presented below:

Date of birth:
17 December 1960
Nationality:
British
Holds:
11,100 ALD shares

MICHAEL MASTERSON

Chief Executive Officer

Michael MASTERSON has been Chief Executive Officer since 2011. He has 30 years of sector experience.

Biographical information:
See section 14.1.1 "Board of Directors"

Other offices held currently:

- None.

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

In foreign unlisted companies:
- None.

Date of birth:
9 February 1963
Nationality:
Danish
Holds:
7,460 ALD shares

TIM ALBERTSEN

Deputy Chief Executive Officer

Tim ALBERTSEN has been Deputy Chief Executive Officer since 2011. He has 27 years of sector experience.

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

Other offices held currently:

In foreign unlisted companies:
- Mil-tekUS – USA - Board Member

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

In foreign unlisted companies:
- CarTime Technologies – Denmark – Board member

Date of birth:
23 February 1965
Nationality:
French
Holds:
1,700 ALD shares

GILLES BELLEMERE

Deputy Chief Executive Officer

Gilles BELLEMERE has been Deputy Chief Executive Officer since 2017. He has 14 years of sector experience.

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

Other offices held currently:
- None.

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

Date of birth:
25 December 1972
Nationality:
French

GILLES MOMPER

Chief Financial Officer

Gilles MOMPER has been Chief Financial Officer since 2012. He has 24 years of automotive and car rental experience.

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

Other offices held currently:
- None.

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

Date of birth:
3 June 1972
Nationality:
British

JOHN SAFFRETT

Chief Operating Officer

John SAFFRETT has been Chief Operating Officer since 2017. He has 13 years of sector experience.

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

Other offices held currently:
- None.

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

14.1.5 Statements regarding Board members and Statutory Corporate Officers

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

To the knowledge of Board Members, over the past five years: (I) none of the aforementioned have been convicted of fraud; (ii) none of the aforementioned have been associated with bankruptcy, administration or liquidation; (iii) there has been no accusation or official public sanction pronounced against the aforementioned by public or supervisory authorities (including the competent professional bodies); and none of the aforementioned have been prohibited by a court from being member of a management body, director or Supervisory Board member of a company, or participating in the management of, or carrying out activities within, any company.

14.2 CONFLICTS OF INTEREST

As of the date of this Registration Document and to the Board of Director's knowledge, there are no potential conflicts of interest between the duties of the members of the Board of Directors and Statutory Corporate Officers of the Company and their private interests.

There is no service contract between the members of the Board of Directors, the Executive Committee of the Company and a subsidiary.

In line with article 13.5 of the Board's internal rules (https://www.aldautomotive.com/), each year the Secretary of the Board has also individually solicited all the directors and Statutory Corporate Officers, who have explicitly declared the absence of conflict of interest with the Company for the exercise of their mandate/function.

15

COMPENSATION AND BENEFITS

15.1 COMPENSATION AND BENEFITS OF STATUTORY CORPORATE OFFICERS AND COMPANY OFFICERS

Further to the listing of the Company's shares on Euronext Paris, the Company follows the AFEP-MEDEF Code.

The tables below summarises the compensation and benefits of all kinds paid to Statutory Corporate Officers and Board members by: (i) the Company; (ii) companies controlled by the Company; (iii) companies controlled by entities that exercise control over the Company, within the meaning of article L. 233-16 of the French Commercial Code applicable in France; and (iv) entities that exercise any control over the Company.

The CEO and the Deputy CEOs were previously employees of Societe Generale. Their employment agreements with Societe Generale were suspended after the listing of the Company's shares on Euronext Paris or their appointment where this took place at a later date.

15.1.1 Compensation principles in respect of 2018

The compensation policy of the Statutory Corporate Officers was validated by the meeting of the Board of Directors on 29 March 2018 and by the Shareholder Meeting of 22 May 2018.

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

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

15.1.1.1 Compensation of the Chairman

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

15.1.1.2 Compensation of executive officers

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

- fixed remuneration: which rewards experience and responsibilities, and takes into account market practices;
- annual variable remuneration: which rewards the contribution of the CEO and the Deputy CEOs to the Company's performance, and takes into account market practices.

15.1.1.2.1 Fixed Compensation

The annual fixed compensation amounts at the end of 2018 are the following:

- Mr. Michael MASTERSON, Chief Executive Officer: EUR 375,0000;
- Mr. Tim ALBERTSEN, Deputy Chief Executive Officer: EUR 280,000;
- Mr. Gilles BELLEMERE, Deputy Chief Executive Officer: EUR 220,000.

Each annual fixed compensation amount has been approved as part of the ALD compensation policy.

15.1.1.2.2 Variable compensation

Main principle

The validated target bonus amounts of the variable compensation related to the 2018 performance were the following:

- Michael MASTERSON: EUR 650,000;
- Tim ALBERTSEN: EUR 380,000;
- Gilles BELLEMERE: EUR 180,000.

On 29 March 2018 the Board of Directors defined the components of variable compensation for 2018, which were approved by the Shareholder Meeting on 22 May 2018. The annual variable compensation is evaluated through quantitative criteria for 60% and qualitative criteria for 40%.

If the performance objectives are exceeded, the quantitative component is capped at 130% of the share of variable compensation assessed according to the quantitative criteria. The qualitative component is capped at 100% of the share of the variable compensation assessed according to the qualitative criteria. In accordance with the CRD4 Directive, variable compensation may not exceed 200% of annual fixed compensation, even if the objectives are exceeded.

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

- EUR 507,000 for Mr. Michael MASTERSON (130% of 60% of the target bonus amount of EUR 650,000);
- EUR 296,400 for Mr. Tim ALBERTSEN: (130% of 60% of the target bonus amount of EUR 380,000);
- EUR 140,400 for Mr. Gilles BELLEMERE (130% of 60% of the target bonus amount of EUR 180,000).

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

- EUR 260,000 for Mr. Michael MASTERSON (40% of the target bonus amount of EUR 650,0000);
- EUR 152,000 for Mr. Tim ALBERTSEN (40% of the target bonus amount of EUR 380,000);
- EUR 72,000 for Mr. Gilles BELLEMERE (40% of the target bonus amount of EUR 180,000).

Quantitative part

The quantitative portion is being assessed on the basis of four indicators as follows:

- the annual growth of the fleet;
- the growth of the Service and Leasing Contract Margin;
- the Cost/Income ratio excluding used car sales; and
- the earnings per share.

For 2018, the achievement rate for the quantitative part is 59.47 (on a 60 basis) as described as follows:

Indicators	weight	achievement rate
Annual growth in the fleet (2018 *vs.* 2017)	10%	12.68%
Growth of the service and Leasing Contract Margin	10%	7.96%
Cost/Income ratio excluding used car sales	10%	10.66%
Earnings per share	30%	28.16%
TOTAL	60%	**59.47%**

The level of achievement for these quantitative criteria was established precisely by the Compensation Committee (COREM) and validated by the Board Committee but is not made public for reasons of confidentiality.

Qualitative part

The qualitative portion is determined on innovation, client satisfaction, CSR indicators, employee barometer, quality of risk management of residual value, managerial development, operational efficiency, internal control and other operational objectives specific to the Company.

The weights of collective and individual objectives are equal *i.e.* 50% for both in the qualitative portion.

Based on the 2018 evaluation, the achievement rate of the qualitative part is 40% for Mr. Michael MASTERSON, Mr. Tim ALBERTSEN and Mr. Gilles BELLEMERE.

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

Amounts in respect of 2018

Based on the evaluation of the quantitative and qualitative indicators (global achievement rate of 99.47%), the variable compensation amounts are the following:

- Michael MASTERSON: EUR 646,523;
- Tim ALBERTSEN: EUR 377,967;
- Gilles BELLEMERE: EUR 179,037.

These amounts are subject to the final validation of the Annual General Shareholder Meeting on the 22 May 2019. No payment will be made early.

Vesting procedure for global variable compensation

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

- a deferred portion subject to a condition of presence in the Company and a performance condition, vesting in equal instalments of one-fourth over a five-year period with a minimum deferral rate of 40%;
- at least 50% is indexed to the ALD share price (share equivalents), resulting in 50% of the vested portion and a minimum of 50% of the unvested portion;
- additionally, the amount of the variable portion immediately granted in cash shall not exceed 30%.

The deferred portion is vested subject to:

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

In view of projected structural trends in used-car markets, the performance-related payment condition on Return on Average Earned Assets (ROAEA) on the last tranche of the deferred portion has been modified (subject to approval of the 2018 Compensation Resolution).

This portion will only vest in full if the ALD RoA (defined as Return on Average Earning Assets – RoAEA) is on average above 2.5% during the vesting period. No share or share equivalent will be acquired if the average RoA over the period is below 2%. If the RoA is between 2% and 2.5%, the Compensation Committee will offer the Board of Directors a percentage of the amount.

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

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

15.1.1.2.3 Other benefits

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

15.1.1.2.4 Recording of the performance condition for the acquisition of pension rights

Messrs. Michael MASTERSON, Tim ALBERTSEN and Gilles BELLEMERE benefit from the pension regimes described below. The regimes were applicable to them as employees until the suspension of their employment contracts:

- supplementary pension allocation plan for Societe Generale directors;
- *Institution de Prévoyance Valmy* Plan for Societe Generale employees.

In accordance with the law, the annual increase in additional pension rights conditional upon the beneficiary ending his/her career in the Company is subject to the following performance condition: rights to potential income in respect of a given year will only be acquired if at least 50% of the performance conditions for variable compensation for this same year are met. If performance fails to meet this condition, no increase in the income will be applied.

As this performance condition has been met, the rights to potential income in respect of 2018 are acquired for Messrs. Michael MASTERSON, Tim ALBERTSEN and Gilles BELLEMERE.

15.1.2 Compensation principles in respect of 2019

The compensation policy of the Statutory Corporate Officers was validated by the Board of Directors on 28 March 2019. This policy is subject to the approval of the Shareholder's Meeting of 22 May 2019 (*ex-ante* vote).

The Board of Directos on 28 March 2019 decided to appoint Mr. John SAFFRETT as Deputy Chief Executive Officer in April 2019.

The compensation principles remain unchanged *vs*. 2018.

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

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

In accordance with article L. 225-37-2II of the French Commercial Code, no variable, annual or exceptional compensation in respect of 2019 will be paid to Statutory Corporate Officers without the prior approval of shareholders.

15.1.2.1 Compensation of the Chairman

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

15.1.2.2 Compensation of executive officers

For 2019, the compensation of the CEO and the Deputy CEOs is broken down into two components:

- fixed remuneration: which rewards experience and responsibilities, and takes into account market practices;
- annual variable remuneration: which rewards the contribution of the CEO and the Deputy CEOs to the success of the Company, and takes into account market practices.

15.1.2.2.1 Fixed compensation

The annual fixed compensation proposed for 2019 for the approval of the Shareholder's Meeting of 22 May 2019 is as follows:

- Michael MASTERSON, Chief Executive Officer: compensation changed from EUR 375,000 to EUR 400,000;
- Tim ALBERTSEN, Deputy Chief Executive Officer: compensation changed from EUR 280,000 to EUR 300,000;
- Gilles BELLEMERE, Deputy Chief Executive Officer: compensation changed from EUR 220,000 to EUR 240,000;
- John SAFFRETT Deputy Chief Executive Officer: compensation proposed at EUR 300,000.

15.1.2.2.2 Variable compensation

Target amounts 2019

Subject to the approval of the Shareholder's Meeting of 22 May 2019, the proposed target amounts of variable compensation in respect of 2019 performance are the following:

- Michael MASTERSON: EUR 650,000;
- Tim ALBERTSEN: EUR 400,000;
- Gilles BELLEMERE: EUR 200,000;
- John SAFFRETT: EUR 400,000.

Main principles

On 28 March 2019 the Board of Directors defined the components of variable compensation for 2019, which were submitted to the Shareholder Meeting on 22 May 2019. The annual variable compensation is evaluated through quantitative criteria for 60% and qualitative criteria for 40%.

If the performance objectives are exceeded, the quantitative component is capped at 130% of the share of variable compensation assessed according to the quantitative criteria. The qualitative component is capped at 100% of the share of the variable compensation assessed according to the qualitative criteria. In accordance with the CRD4 Directive, variable compensation may not exceed 200% of annual fixed compensation, even if the objectives are exceeded.

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

- EUR 507,000 for Mr. Michael MASTERSON (130% of 60% of the target bonus amount of EUR 650,000);
- EUR 312,000 for Mr. Tim ALBERTSEN: (130% of 60% of the target bonus amount of EUR 400,000);
- EUR 156,000 for Mr. Gilles BELLEMERE (130% of 60% of the target bonus amount of EUR 200,000);
- EUR 312,000 for Mr. John SAFFRETT (130% of 60% of the target bonus amount of EUR 400,000).

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

- EUR 260,000 for Mr. Michael MASTERSON (40% of the target bonus amount of EUR 650,000);
- EUR 160,000 for Mr. Tim ALBERTSEN (40% of the target bonus amount of EUR 400,000);
- EUR 80,000 for Mr. Gilles BELLEMERE (40% of the target bonus amount of EUR 200,000);
- EUR 160,000 for Mr. John SAFFRETT (40% of the target bonus amount of EUR 400,000).

Quantitative part

The quantitative portion (60%) is assessed on the basis of four indicators as follows:

- the annual growth of the fleet (2019 *vs.* 2018) - Weight: 10%;
- the growth of the service and Leasing Contract Margin - Weight: 10%;
- the Cost/Income ratio excluding used car sales - Weight: 10%; and
- the earnings per share (EPS) - Weight: 30%.

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

Qualitative part

The qualitative portion (40%) is determined on innovation, client satisfaction, CSR indicators, employee barometer, quality of risk management of residual value, managerial development and operational efficiency including compliance and internal control, and other operational objectives specific to the Company. The weights of collective and individual objectives are equal *i.e.* 50% for both in the qualitative portion.

Vesting procedure for global variable compensation

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

- a deferred portion subject to a condition of presence in the Company and a performance condition, vesting in equal instalments of one-fifth over a five-year period with a minimum deferral rate of 40%;
- at least 50% is indexed to the ALD share price (share equivalents), resulting in 50% of the vested portion and a minimum of 50% of the unvested portion;
- additionally, the amount of the variable portion immediately granted in cash shall not exceed 30%.

The deferred portion is vested subject to:

- a presence condition;
- a malus condition in case of significant deterioration of financial performance or in case of misconduct;
- a profitability condition based on positive net result of ALD (arithmetic average) over the vesting period.
- The deferred portion is also subject to a clawback clause valid for five years, which can be activated in the event of acts or behaviour deemed rash in terms of risk-taking, subject to applicability within the relevant legal and regulatory framework.

Payment of the last tranche of the deferred part at the end of five years is also conditional on the Return on Average Earning Assets excluding used car sales (RoAEA excluding used car sales). The full amount will only be paid if the RoAEA is above (arithmetic average) 2.3% during the acquisition period. Below 1.8%, no amount is paid. If the RoAEA is between 1.8% and 2.3%, the Compensation Committee will propose a percentage vesting to the Board of Directors. If either the condition of presence or the performance condition is not met, the unvested portion may be reduced or even cancelled in whole.

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

15.1.3 Draft resolutions on the principles and criteria for the determination, distribution and attribution of the fixed, variable and exceptional components of total compensation and benefits in kind, attributable to the Chairman, executive officers or Deputy Chief Executive Officers in respect of their functions

Ex-post resolutions relating to the 2019 compensation of corporate officers

TENTH RESOLUTION (Approval of compensation for Mr Michael MASTERSON, Chief Executive Officer, paid or attributed in respect of the year ended 31 December 2018 - in application of article L. 225-100 of the French Commercial Code)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report, in application of article L.225-100 of the French Commercial Code, approves the components of the total compensation and benefits in kind paid or attributed to Mr Michael MASTERSON, Chief Executive Officer, in respect of the year ended 31 December 2018, as presented in the corporate governance report prepared in application of article L.225-37 of the French Commercial Code.

ELEVENTH RESOLUTION (Approval of compensation for Mr Tim ALBERTSEN, Deputy Chief Executive Officer, paid or attributed in respect of the year ended 31 December 2018 - in application of article L. 225-100 of the French Commercial Code)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report, in application of article L.225-100 of the French Commercial Code, approves the components of the total compensation and benefits in kind paid or attributed to Mr Tim ALBERTSEN, Deputy Chief Executive Officer, in respect of the year ended 31 December 2018, as presented in the corporate governance report prepared in application of article L.225-37 of the French Commercial Code.

TWELFTH RESOLUTION (Approval of compensation for Mr Gilles BELLEMERE, Deputy Chief Executive Officer, paid or attributed in respect of the year ended 31 December 2018 - in application of article L. 225-100 of the French Commercial Code)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report, in application of article L.225-100 of the French Commercial Code, approves the components of the total compensation and benefits in kind paid or attributed to Mr Gilles BELLEMERE, Deputy Chief Executive Officer, in respect of the year ended 31 December 2018, as presented in the corporate governance report prepared in application of article L.225-37 of the French Commercial Code.

Ex-ante resolutions on the 2019 compensation of corporate officers

THIRTEENTH RESOLUTION (Approval of the principles and criteria for the determination, distribution and attribution of the components of compensation and benefits in kind attributable to Mr Michael MASTERSON, Chief Executive Officer, in respect of the year ended 31 December 2019 - in application of article L.225-37-2 of the French Commercial Code)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report, in application of article L.225-37-2 of the French Commercial Code, approves the compensation policy of Michael MASTERSON, Chief Executive Officer, in respect of the year ended 31 December 2019 as presented in the corporate governance report prepared in application of article L.225-37 of the French Commercial Code.

FOURTEENTH RESOLUTION (Approval of the principles and criteria for the determination, distribution and attribution of the components of compensation and benefits in kind attributable to Mr Tim ALBERTSEN, Deputy Chief Executive Officer, in respect of the year ended 31 December 2019 - in application of article L.225-37-2 of the French Commercial Code)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report, in application of article L.225-37-2 of the French Commercial Code, approves the compensation policy of Tim ALBERTSEN, Deputy Chief Executive Officer, in respect of the year ended 31 December 2019 as presented in the corporate governance report prepared in application of article L. 225-37 of the French Commercial Code.

FIFTEENTH RESOLUTION (Approval of the principles and criteria for the determination, distribution and attribution of the components of compensation and benefits in kind attributable to Mr Gilles BELLEMERE, Deputy Chief Executive Officer, in respect of the year ended 31 December 2019 - in application of article L. 225-37-2 of the French Commercial Code)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report, in application of article L.225-37-2 of the French Commercial Code, approves the compensation policy of Gilles BELLEMERE, Deputy Chief Executive Officer, in respect of the year ended 31 December 2019 as presented in the corporate governance report prepared in application of article L. 225-37 of the French Commercial Code.

SIXTEENTH RESOLUTION (Approval of the principles and criteria for the determination, distribution and attribution of the components of compensation and benefits in kind attributable to Mr John SAFFRETT, Deputy Chief Executive Officer, in respect of the year ended 31 December 2019 - in application of article L. 225-37-2 of the French Commercial Code)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report, in application of article L.225-37-2 of the French Commercial Code, approves the compensation policy of John SAFFRETT, Deputy Chief Executive Officer, in respect of the year ended 31 December 2019 as presented in the corporate governance report prepared in application of article L.225-37 of the French Commercial Code.

Amendments to regulated agreements and commitments

SEVENTEENTH RESOLUTION (Regulated agreements and commitments to Mr Michael Masterson)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report and the special Auditors' report on regulated agreements and commitments in application of article L.225-42-1 of the French Commercial Code:

- Approves the amendment of:
  - the "pension" commitment subject to the performance conditions authorised by the Board of Directors at its meeting of 4 April 2017 and amended, with effect from 1 January 2019, by the Board of Directors' meeting of 28 March 2019 for the benefit of Mr Michael Masterson. The new system has the effect of reducing the Company's expenses for supplementary pension plans;
  - the "severance pay" commitment, with amendments to make it more demanding, subject to the performance conditions authorised by the Board of Directors at its meeting of 4 April 2017 and amended at the Board of Directors' meeting of 28 March 2019 for the benefit of Mr Michael Masterson;
  - the "non-compete clause", with amendments to make it more demanding, authorised by the Board of Directors at its meeting of 4 April 2017 and amended at the Board of Directors' meeting of 28 March 2019 for the benefit of Mr Michael Masterson.

EIGHTEENTH RESOLUTION (regulated agreements and commitments for the benefit of Mr Tim Albertsen)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report and the special Auditors' report on regulated agreements and commitments in application of article L.225-42-1 of the French Commercial Code:

- Approves the amendment of:
  - the "pension" commitment subject to the performance conditions authorised by the Board of Directors at its meeting of 3 May 2018 and amended, with effect from 1 January 2019, by the Board of Directors' meeting of 28 March 2019 for the benefit of Mr Tim Albertsen. The new system has the effect of reducing the Company's expenses for supplementary pension plans;
  - the "severance pay" commitment, with amendments to make it more demanding, subject to the performance conditions authorised by the Board of Directors at its meeting of 4 April 2017 and amended at the Board of Directors' meeting of 28 March 2019 for the benefit of Mr Tim Albertsen;
  - the "non-compete clause", with amendments to make it more demanding, authorised by the Board of Directors at its meeting of 4 April 2017 and amended at the Board of Directors' meeting of 28 March 2019 for the benefit of Mr Tim Albertsen.

NINETEENTH RESOLUTION (regulated agreements and commitments for the benefit of Mr Gilles Bellemere)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report and the special Auditors' report on regulated agreements and commitments in application of article L.225-42-1 of the French Commercial Code:

- Approves the amendment of:
  - the "pension" commitment subject to the performance conditions authorised by the Board of Directors at its meeting of 3 May 2018 and amended, with effect from 1 January 2019, by the Board of Directors' meeting of 28 March 2019 for the benefit of Mr Gilles Bellemere. The new system has the effect of reducing the Company's expenses for supplementary pension plans;
  - the "severance pay" commitment, with amendments to make it more demanding, subject to the performance conditions authorised by the Board of Directors at its meeting of 4 April 2017 and amended at the Board of Directors' meeting of 28 March 2019 for the benefit of Mr Gilles Bellemere;
  - the "non-compete clause", with amendments to make it more demanding, authorised by the Board of Directors at its meeting of 4 April 2017 and amended at the Board of Directors' meeting of 28 March 2019 for the benefit of Mr Gilles Bellemere.

TWENTIETH RESOLUTION (regulated agreements and commitments for the benefit of Mr John Saffrett)

The General Shareholder Meeting, acting in accordance with the quorum and majority conditions required for ordinary general meetings, having read the Board of Directors' report and the special Auditors' report on regulated agreements and commitments in application of article L.225-42-1 of the French Commercial Code:

- Approves the implementation of:
  - the "pension" commitment subject to performance conditions authorised by the Board of Directors at its meeting of 28 March 2019, by the Board of Directors for the benefit of Mr John Saffrett;
  - the "severance pay" subject to performance conditions authorised by the Board of Directors at its meeting of 28 March 2019, for the benefit of Mr John Saffrett;
  - the "non-compete clause" authorised by the Board of Directors at its meeting of 28 March 2019, for the benefit of Mr John Saffrett.

15.1.4 Summary table of compensation, options and performance shares (in EUR) granted to each Statutory Corporate Officer for the fiscal years ended 31 December 2017 and 2018 (see AFEP-MEDEF Code Table 1)

Giovanni Luca SOMA (Chairman of the Board of Directors until 2 March 2017, Board member)	2017*	2018
Compensation due for the year	49,750	
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
TOTAL	**49,750**	

Didier HAUGUEL (Chairman of the Board of Directors since 2 March 2017, Board member)	2017	2018
Compensation due for the year	1,188,260	1,178,472
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
TOTAL	**1,188,260**	**1,178,472**

Michael MASTERSON (Chief Executive Officer, Board Member)	2017	2018
Compensation due for the year	1,233,058	1,051,103
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
TOTAL	**1,233,058**	**1,051,103**

Tim ALBERTSEN (Deputy Chief Executive Officer)	2017	2018
Compensation due for the year	715,124	669,819
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
TOTAL	**715,124**	**669,819**

Gilles BELLEMERE (Deputy Chief Executive Officer)	2017	2018
Compensation due for the year	338,955	386,915
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
TOTAL	**338,955**	**386,915**

Pascal SERRES (Deputy Chief Executive Officer until 15 March 2017)	2017*	2018
Compensation due for the year	56,187	
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-
Valuation of options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
TOTAL	**56,187**	

* *Compensation for the period from 1 January until 15 March 2017 in respect of the 2017 financial year.*

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15.1.5 Compensation (in EUR) received by Statutory Corporate Officers and Company officers (AFEP-MEDEF Code Table 2)

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

Giovanni Luca SOMA (Chairman of the Board of Directors until 2 March 2017, Board member)	2017 (1)		2018	
	Amount due in respect of 2017	Amount paid in 2017	Amount due in respect of 2018	Amount paid in 2018
Fixed Compensation	45,680	45,680		
Variable compensation	-	-		
Of which				
Deferred variable compensation	-	-		
Non-deferred variable compensation	-	-		
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-		
Exceptional Compensation	-	-		
Directors' Fees	-	-		
Benefits in kind (2)	4,070	4,070		
TOTAL	**49,750**	**49,750**		

(1) Compensation for the period from 1 January until 2 March 2017, for the fiscal year.
(2) This amount corresponds to the car and housing benefits.

Didier HAUGUEL (Chairman of the Board of Directors since 2 March 2017, Board member)	2017		2018	
	Amount due in respect of 2017	Amount paid in 2017	Amount due in respect of 2018	Amount paid in 2018
Fixed Compensation	384,457	384,457	393,750	393,750
Variable compensation	800,000	704,458	780,000	546,811
Of which				
Deferred variable compensation	640,000	549,958	622,000	386,811
Non-deferred variable compensation	160,000	154,500	158,000	160,000
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-	-	-
Exceptional Compensation	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in kind (1)	3,803	3,803	4,722	4,722
TOTAL	**1,188,260**	**1,092,718**	**1,178,472**	**945,283**

(1) This amount corresponds to the car and housing benefits.

	2017		2018	
Michael MASTERSON (Chief Executive Officer, Board Member)	**Amount due in respect of 2017** [1]	**Amount paid in 2017**	**Amount due in respect of 2018**	**Amount paid in 2018**
Fixed Compensation	308,750	308,750	365,139	365,139
Variable compensation [2]	864,432	438,805	646,523	529,255
Of which				
Deferred variable compensation	697,989	308,805	501,871	362,812
Non-deferred variable compensation	166,443	130,000	144,652	166,443
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-		
Exceptional Compensation	-	-		
Directors' Fees	-	-		
Benefits in kind [3]	59,896	59,896	39,441	39,441
TOTAL	**1,233,078**	**807,451**	**1,051,103**	**933,835**

(1) Variable compensation for 2018 is subject to approval by the Shareholder's Meeting of 22 May 2019.
(2) Including exceptional premium in 2017 of EUR 300,000 for the IPO.
(3) This amount corresponds to the car and housing benefits.

	2017		2018	
Tim ALBERTSEN (Deputy Chief Executive Officer)	**Amount due in respect of 2017** [1]	**Amount paid in 2017**	**Amount due in respect of 2018**	**Amount paid in 2018**
Fixed Compensation	214,167	214,167	268,167	268,167
Variable compensation [2]	459,184	253,109	377,967	338,384
Of which				
Deferred variable compensation	337,347	167,609	272,374	216,547
Non-deferred variable compensation	121,837	85,500	105,593	121,837
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-	-	-
Exceptional Compensation	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in kind [3]	41,773	41,773	23,685	23,685
TOTAL	**715,124**	**509,049**	**669,819**	**630,236**

(1) Variable compensation for 2018 is subject to approval by the Shareholder's Meeting of 22 May 2019.
(2) Including exceptional premium in 2017 of EUR 100,000 for the IPO.
(3) This amount corresponds to the car and housing benefits.

Gilles BELLEMERE (Deputy Chief Executive Officer)	**2017**		**2018**	
	Amount due in respect of 2017 [(1)]	**Amount paid in 2017**	**Amount due in respect of 2018** [(1)]	**Amount paid in 2018**
Fixed Compensation	135,417	135,417	204,222	204,222
Variable compensation [(2)]	202,624	45,000	179,037	136,594
Of which				
Deferred variable compensation	141,837	-	125,326	75,807
Non-deferred variable compensation	60,787	45,000	53,711	60,78
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-		
Exceptional Compensation	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in kind [(3)]	914	914	3,656	3,656
TOTAL	338,955	**181,331**	**386,915**	**344,472**

(1) Variable compensation for 2018 is subject to approval by the Shareholder's Meeting of 22 May 2019.
(2) Including exceptional premium in 2017 of EUR 100,000 for the IPO.
(3) This amount corresponds to the car benefit.

Pascal SERRES (Deputy Chief Executive Officer until 15 March 2017)	**2017**[(1)]		**2018**	
	Amount due in respect of 2017	**Amount paid in 2017**	**Amount due in respect of 2018**	**Amount paid in 2018**
Fixed Compensation	33,333	33,333		
Variable compensation	22,475	43,608		
Of which				
Deferred variable compensation	-	21,133		
Non-deferred variable compensation	22,475	22,475		
Valuation of multi-year variable compensation granted in the course of the fiscal year	-	-		
Exceptional Compensation	-	-		
Directors' Fees	-	-	-	-
Benefits in kind [(2)]	378	378		
TOTAL	**56,187**	**77,320**		

(1) Compensation for the period from 1 January to 15 March 2017, for the fiscal year
(2) This amount corresponds to the car and housing benefits.

15.1.6 Directors' attendance fees and other compensation (in EUR) received by members of the Board of Directors (AFEP-MEDEF Code Table 3)

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

	2017 (paid in Feb. 2018 for 2017)	2018 (paid in July 2018 for H1 2018)
Giovanni Luca SOMA (Chairman of the Board until 2 March 2017, Board Member)		
Directors' Fees	-	-
Other compensation		-
Didier HAUGUEL (Chairman of the Board from 2 March 2017, Board Member)		
Directors' Fees	-	-
Other compensation		-
Societe Generale represented by Anne MASCLE-ALLEMAND (Board member until 16 June 2017)		
Directors' Fees	-	-
Other compensation	-	-
Karine DESTRE-BOHN (Board Member)		
Directors' Fees	-	-
Other compensation	-	-
Bernardo SANCHEZ INCERA (Board Member)		
Directors' Fees	-	-
Other compensation	-	-
Laura CARRERE (Board Member)		
Directors' Fees	-	-
Other compensation	-	-
Xavier DURAND (Board Member)		
Directors' Fees	36,000	27,000
Other compensation	-	-
Christophe PERILLAT (Board Member)		
Directors' Fees	18,000	18,000
Other compensation	-	-
Nathalie LEBOUCHER (Board Member)		
Directors' Fees	22,000	18,000
Other compensation	-	-
Patricia LACOSTE (Board Member)		
Directors' Fees	30,000	24,000
Other compensation	-	-

The rules governing the allocation of directors' fees paid to Independent Directors were approved by the Board of Directors on February 7, 2018, in accordance with the budget set by the Annual Shareholder Meeting of April 20, 2017. In accordance with the recommendations of the AFEP-MEDEF Code, this includes a fixed pro-rata component to reward the long-term commitment and responsibilities related to the director's mandate, and a variable component, slightly more than the first, to reward director attendance and participation in the various meetings of the Board of Directors and the Specialised Committees. In both cases, Chairpersons of Specialised Committees receive 50% more than Committee members because of the greater level of personal investment required.

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

For the 2017 and previous fiscal years, the long-term incentive plans indicated below involve the allocation of Societe Generale shares.

From 2018 onwards, performance share plans for employees working in the ALD Group involve the allocation of ALD shares.

STOCK SUBSCRIPTION OR PURCHASE OPTIONS ALLOCATED DURING THE YEAR TO EACH EXECUTIVE OFFICER BY THE ISSUER OR BY ANY GROUP COMPANY (SEE AFEP-MEDEF TABLE 4)

Name of the executive officer	Plan No. and date	Option type (subscription or purchase)	Valuation of the options using the method used for the consolidated financial statements	Number of options allocated during the financial year	Exercise price	Exercise period
None	None	None	None	None	None	None

STOCK SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE YEAR BY EACH EXECUTIVE OFFICER (SEE AFEP-MEDEF TABLE 5)

In fiscal year 2018, no stock subscription or purchase options were exercisable.

Name of the executive officer	Plan No. and date	Option type (subscription or purchase)	Number of options allocated during the financial year	Exercise price
None	None	None	None	None

HISTORY OF ALLOCATION OF STOCK SUBSCRIPTION OR PURCHASE OPTIONS. INFORMATION ON THE STOCK SUBSCRIPTION OR PURCHASE OPTIONS (SEE AFEP-MEDEF TABLE 8)

In fiscal year 2018, no stock subscription or purchase options were granted.

In fiscal year 2018, no stock subscription or purchase options were exercisable.

15.1.7.1 Stock subscription or purchase options granted to the top ten non-Statutory Corporate Officers employees who received the largest number of options exercised by such employees (Table 9 of Position-Recommendation no. 2009-16 of the AMF)

In fiscal year 2018, no stock subscription or purchase options were granted.

In fiscal year 2018, no stock subscription or purchase options were exercisable.

15.1.7.2 Performance shares

PERFORMANCE SHARES AWARDED DURING THE FISCAL YEAR BY EACH CHIEF EXECUTIVE OFFICER (SEE AFEP-MEDEF TABLE 6)

Michael MASTERSON, Tim ALBERTSEN and Gilles BELLEMERE were not eligible to benefit from for the ALD performance share plan in 2018, as was the case for the Chairman of the Board of Directors, Didier HAUGUEL.

Performance shares granted during the fiscal year to each chief executive officer	Grant date (board date)	Number of shares granted during the fiscal year	Valuation of shares according to the method used for the consolidated financial statements (IFRS 2)	Vesting date	Availability date	Performance conditions
Didier HAUGUEL	None	None	None	None	None	None
Michael MASTERSON	None	None	None	None	None	None
Tim ALBERTSEN	None	None	None	None	None	None
Gilles BELLEMÈRE	None	None	None	None	None	None

However, Didier Hauguel was a beneficiary of the Societe Generale performance share plan for his duties performed for Societe Generale.

2018 ALLOCATION OF SOCIETE GENERALE SHARES FOR THE 2017 FISCAL YEAR

Performance shares granted during the fiscal year to each chief executive officer	Grant date (board date)	Number of shares granted during the fiscal year	Valuation of shares according to the method used for the consolidated financial statements (IFRS 2)	Vesting date	Availability date	Performance conditions
Didier HAUGUEL	14/03/2018	2,079	80,229	March 21	Oct 21	REX IBFS 2020>0
		4,158	162,869	March 23	Oct 23	TSR between 2017 and 2022

PERFORMANCE SHARES RECEIVED DURING THE FISCAL YEAR BY EACH STATUTORY CORPORATE OFFICER (SEE AFEP-MEDEF CODE TABLE 7)

No ALD performance shares were available in the 2018 financial year.

Performance shares received during the fiscal year by each Chief Executive Officer	Number of shares and date of allocation (date of Board Meeting)	Number of shares received during the fiscal year	Vesting conditions
None	None	None	None

Similarly, no Societe Generale performance shares were available in 2018.

RECORD OF PERFORMANCE SHARES AWARDED (SEE AFEP-MEDEF TABLE 10)

For the 2017 and previous fiscal years, long-term incentive plans provided for the allocation of Societe Generale shares.

For the first time, a performance share plan in ALD shares was introduced in 2018 for employees working within the ALD Group.

Information on Societe Generale performance shares awarded in 2017 to ALD corporate officers in office in 2018 and 2017 is given below. Michael MASTERSON, Tim ALBERTSEN and Gilles BELLEMERE were not eligible to benefit from the ALD performance share plan in 2018, as was the case for the Chairman of the Board of Directors, Didier HAUGUEL.

HISTORY OF ALLOCATION OF STOCK SUBSCRIPTION OR PURCHASE OPTIONS. INFORMATION ON THE STOCK SUBSCRIPTION OR PURCHASE OPTIONS (SEE AFEP-MEDEF TABLE 8)

Information on performance shares	Plan 2018	Plan 2017	Plan 2016	Plan 2015	Plan 2014
Date of General Shareholder Meeting	18 May 2016	18 May 2016	18 May 2016	20 May 2014	22 May 2012
Date of Board Meeting	14 March 2018	15 May 2017	18 May 2016	12 March 2015	13 March 2014
Total number of Societe Generale shares granted	8,922	31,327	35,962	26,580	23,121
Of which number of shares granted to Chief Executive Officers					
Giovanni Luca SOMA [(1)]	2,685	2,482	2,825	-	-
Didier HAUGUEL [(2)]	6,237	5,931			
Michael MASTERSON	-	-	-	-	-
Gilles BELLEMERE [(3)]	-	589			
Tim ALBERTSEN	-	1,723	2,186	-	-
Pascal SERRES	-	1,088	1,296	-	-
Vesting date	See table below	See table below	See table below	31 March 2017	31 March 2016
Holding period end date	See table below	See table below	See table below	31 March 2019	31 March 2018
Number of shares vested at 31 December 2018	-	-	1,741	5,169	20,813
Total number of cancelled or lapsed shares	-	2,373	2,265	3,567	2,308
Remaining performance shares at year-end	8,922	28,956	31,956	17,844	

(1) Its AGAs should not have been included in the total number last year because they were not allocated by ALD.

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

(3) Appointed Statutory Corporate Officer on 2 March 2017. The options were awarded as part of his previous duties as a Regional director in Societe Generale French retail network. The number of options granted to Gilles BELLEMERE is therefore not included in the total number of options granted to ALD employees.

ATTRIBUTIONS OF PERFORMANCE SHARES 2018 DETAILED

Date of General Shareholder Meeting				18 May 2016
Date of Board Meeting				14 March 2017
Total number of Societe Generale shares granted				8,922
Of which number of shares granted to Chief Executive Officers				
Giovanni Luca SOMA	1,342			1,343
Didier HAUGUEL	2,079	-	-	4,158
Michael MASTERSON				-
Gilles BELLEMERE	-	-	-	-
Tim ALBERTSEN	-	-	-	-
Pascal SERRES	-	-	-	
Share vesting date				
	29 March 2020 (1st tranche)	31 March 2021	31 March 2022 (1st tranche)	31 March 2023
	31 March 2021 (2nd tranche)		31 March 2022 (2nd tranche)	
Holding period end date	1 October 2020 1 October 2021	N/A	1 April 2023 1 April 2025	1 October 2023

ATTRIBUTIONS OF PERFORMANCE SHARES 2017 DETAILED

Date of General Shareholder Meeting				18 May 2016
Date of Board Meeting				15 March 2017
Total number of Societe Generale shares granted				31,327
O*f which number of shares granted to Chief Executive Officers*				
Giovanni Luca SOMA	1,241	-	-	1,241
Didier HAUGUEL	1,977	-	-	3,954
Michael MASTERSON	-	-	-	-
Gilles BELLEMERE	589	-	-	-
Tim ALBERTSEN	1,723	-	-	-
Pascal SERRES	1,088	-	-	-
Share vesting date				
	29 March 2019 (1st tranche)	31 March 2020	31 March 2021 (1st tranche)	31 March 2022
	31 March 2020 (2nd tranche)		31 March 2023 (2nd tranche)	
Holding period end date	30 September 20192 October 2020	N/A	1 April 2022 1 April 2024	2 October 2022

ATTRIBUTIONS OF PERFORMANCE SHARES 2016 DETAILED

Date of General Shareholder Meeting				18 May 2016
Date of Board Meeting				18 May 2016
Total number of Societe Generale shares granted				35,962
Of which number of shares granted to Chief Executive Officers				
Giovanni Luca SOMA	1,412	-	-	1,413
Michael MASTERSON		-	-	-
Tim ALBERTSEN	2,186	-	-	-
Pascal SERRES	1,296	-	-	-
Vesting date				
	29 March 2018 (1st tranche)	29 March 2019	31 March 2020	31 March 2021
	29 March 2019 (2nd tranche)		31 March 2022 (2nd tranche)	
Holding period end date	30 September 2018 30 September 2019	N/A	1 April 2021 1 April 2023	2 October 2021

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

SUPPLEMENTARY PENSION ALLOCATION PLAN

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

This supplementary plan was introduced in 1991. Conforming to the provisions of article L. 137-11 of the French Social Security Code, it provides senior executives appointed as of this date, upon claiming their French Social Security pension, with a total pension equal to the product of the following two terms:

- the average, over the last ten years of the career, of the proportion of fixed compensation exceeding "Tranche B" of the AGIRC pension increased by a variable part limited to 5% of the fixed compensation; and
- the rate equal to the number of years of professional service at Societe Generale divided by 60, corresponding to an acquisition of potential rights of 1.67% a year, provided that the years of service taken into account cannot exceed 42.

The AGIRC "Tranche C" pension acquired in respect of their professional service at Societe Generale was deducted from this total pension. The supplementary amount covered by Societe Generale was increased for beneficiaries who have raised at least three children, as well as for those who retired after the legal retirement age set by Social Security. It could not be below one-third of the value of full-time service for AGIRC "Tranche B" points acquired by the interested party since their appointment to the "Outside Classification" (senior) category of Societe Generale.

This regime was revised on 17 January 2019 and the potential future rights were frozen as at 31 December 2017 on the basis of length of service and AGIRC Tranche B and C points recorded at this date, and of the average, over the last three fiscal years, fixed compensation exceeding Tranche B of the AGIRC, plus the variable compensation up to 5% of the fixed compensation. Only minimum rights, defined previously as one-third of the AGIRC "Tranche B" points acquired since the appointment to the "Outside Classification" category of Societe Generale, were conserved from 1 January 2019 onward, in the form of annual income rights equal to 0.4% of the share of gross annual compensation between 1 and 4 annual Social Security caps.

The amount of rights acquired at the time of retirement will consist of the sum of the rights frozen at 31 December 2018 and of the new rights constituted from 1 January 2019. The claiming of rights will continue to be conditional on the beneficiary ending his/her career within Societe Generale.

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

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

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

IP VALMY SUPPLEMENTARY PENSION FUND

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

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

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

For 2018, the overall achievement rate of indicators used to determine the amount of variable compensation was 99.47%. As a consequence, the rights in respect of fiscal year 2018 due under the supplementary pension allocation plan and the IP Valmy pension fund are vested.

SUPPLEMENTARY PENSION PLAN FOR SOCIETE GENERALE MANAGEMENT COMMITTEE (CODIR) MEMBERS (ART. 82)

Following the revision of the supplementary pension allocation plan as at 31 December 2018, and notably the removal of the differential part of this regime beyond four annual Social Security caps, a defined contribution supplementary pension plan (Art. 82) has been put in place for Societe Generale Management Committee members, including Mr. Michael MASTERSON, taking effect on 1 January 2019. This regime involves the payment of an annual contribution by the Company to an individual Art. 82 pension account opened in the name of the eligible employee, on the share of their fixed compensation exceeding four annual Social Security caps. The rights acquired will be paid at the earliest on the date that the pension of the national retirement plan is claimed.

For 2019, the Company rate has been set at 8%.

This new regime, which comes under the regulated agreements, will be subject to specific resolutions which will be voted on by shareholders during the next Shareholder Meeting.

In accordance with the law, employer contributions relating to a given year will only be paid in full if at least 50% of the performance conditions for the variable compensation component for the same year have been met.

NON-COMPETE CLAUSE

Mr. Michael MASTERSON, Mr. Tim ALBERTSEN, Mr. Gilles BELLEMERE and, subject to approval at the Board of Directors' meeting of March 28, Mr. John SAFFRETT, will be subject to a non-compete obligation for a period of 24 months as from the termination date of their Statutory Corporate Officers' duties and departure date from Societe Generale and compensated in the amount of their fixed salary.

Following the update of the AFEP-MEDEF Code in June 2018, the corresponding clauses for Chief Executive Officers have been amended in order to officially confirm the principle of non-payment of the clause in the event of retirement and beyond the age of 65.

These clauses, which come under the regulated agreements, will be subject to specific resolutions which will be voted on by shareholders during the next Shareholder Meeting.

SEVERANCE PAY

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

The amount of the indemnity is set at two years of fixed compensation, minus any indemnity owed for the termination of the employment contract.

Following the update of the AFEP-MEDEF Code in June 2018, the corresponding clauses have been amended in order to:

- officially confirm the principle of non-payment of severance pay to a Statutory Corporate Officer if they are able to claim their pension rights;
- specify the performance conditions governing payment of the severance pay; this must be verified over the three fiscal years prior to the termination of the mandate or the previous fiscal years for a mandate of less than three years.

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

	Employment Agreement		Supplemental pension plan		Severance or other benefits due or likely to become due as a result of termination or change of office		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Giovanni Luca SOMA (Chairman of the Board, director) Mandate from 27/09/10 to 02/03/17	x(1)		x		x		x	
Didier HAUGUEL (Chairman of the Board of Directors) Mandate from 02/03/17 to 31/12/20	x(1)		x		x		x	
Michael MASTERSON (Chief Executive Officer) Mandate from 11/05/2011 to 31/12/2018	x(1) (2)		x		x		x	
Tim ALBERTSEN (Deputy Chief Executive Officer) Mandate from 11/05/11 to 31/12/18	x (1) (2)		x		x		X	
Gilles BELLEMERE (Deputy Chief Executive Officer) Mandate from 02/03/17 to 31/12/18	x(1) (2)		x		x		x	
John SAFFRETT (Deputy Chief Executive Officer) Mandate from 01/04/2019 (3)	x		x		x		x	
Pascal SERRES (Deputy Chief Executive Officer) Mandate from 02/10/02 to 02/03/17	x(1)		x		x		x	

(1) Employment agreements with Societe Generale.
(2) Employment agreements suspended following flotation of the Company's shares on Euronext Paris.
(3) Following approval of appointment at the Board of Directors' meeting of March 28, 2019.

15.3 AMOUNT OF PROVISIONS CONSTITUTED OR ENTERED BY THE COMPANY OR ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT AND OTHER BENEFITS

The Company did not make any provisions for the payment of pensions and other similar benefits to Statutory Corporate Officers, other than the provisions to cover post-employment benefits; "Retirement benefit obligations and long-term benefits", "Related parties" included in the Group consolidated financial statements for the fiscal year ended 31 December 2018.

15.4 ALD SHARE OWNERSHIP AND HOLDING OBLIGATIONS

Since the initial public offer, in line with the AMF's recommendations and in order to align the Chief Executive Officers' interests with those of the Company, the Chief Executive Officers have been required to hold a certain minimum number of ALD shares. On 28 June 2017, the Board of Directors thus defined the following obligations:

- 28,000 shares for the Chief Executive Officer, Mr. Michael MASTERSON;
- 18,500 shares for the Deputy Chief Executive Officer, Mr. Tim ALBERTSEN;
- 8,500 shares for the Deputy Chief Executive Officer, Mr. Gilles BELLEMERE.

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

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

Further to the nomination of John SAFFRETT as Deputy Chief Executive Officer, the Board of Directors, on 28 March 2019, defined the following obligation:

- 18,500 shares for the Deputy Chief Executive Officer, Mr. John SAFFRETT.

Due to:

- the fact that ALD is part of Societe Generale; and
- the previous Societe Generale share ownership and holding obligations applicable to Michael MASTERSON.

The Board of Directors of 28 June 2017, has allowed a partial substitution of ALD shares by Societe Generale shares. The parity was fixed for 2017 as 1 Societe Generale share for 3 ALD share. This parity was reviewed and confirmed in 2018. In any case, ALD shares should represent 50% minimum of shares held.

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

15.5 APPOINTMENT OF A NEW STATUTORY CORPORATE OFFICER

In general terms, the compensation components and structure described in this compensation policy will also be applied to any new Statutory Corporate Officer appointed during the period that this policy is in force, taking account of their scope of responsibility and professional experience. This principle will also apply to other benefits offered to Statutory Corporate Officers (supplementary pension, provident policy, etc.).

It will be the responsibility of the Board of Directors to set the level of fixed compensation corresponding to these characteristics, consistent with that of the current Statutory Corporate Officers and the practices of comparable European financial establishments.

Finally, if the new Statutory Corporate Officers has not come from a Societe Generale entity, they may benefit from a commencement allowance as compensation, where applicable, for the remuneration they forgo when they leave their previous employer. The acquisition of this compensation would be deferred over time and subject to the achievement of performance conditions similar to those applied to the deferred variable compensation of the Statutory Corporate Officers.

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RULES APPLICABLE TO CORPORATE AND MANAGEMENT BODIES

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

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

In accordance with article 13.3 of the Company's Bylaws, the directors' term of office was set at four-years as of the Shareholder Meeting on 20 April 2017, without modifying the terms of ongoing mandates at that date. By way of exception, the Shareholder Meeting of 20 April 2017 appointed four new independent directors for terms of two, three and four years, to enable the staggered renewal of directors' terms.

The term of office of co-opted directors is equivalent to the remainder of their predecessor's term pursuant to article L. 225-24 of the French Commercial Code.

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

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

Likewise, according to information at the Company's disposal, other than the benefits conferred by the Company as described in Chapter 15, no contracts were concluded between the Officers of the Company and the Company or any of its subsidiaries for the purposes of granting benefits.

16.3 INTERNAL REGULATIONS OF THE BOARD OF DIRECTORS

The purpose of the rules of procedure of the Board of Directors (the "Internal Regulations") is to define and specify the conditions of the Board's organisation and functioning, as well as the rights and obligations of its members in addition to the applicable law and the Bylaws.

The Internal Regulations contain the principal provisions described below.

The Internal Regulations are available on the Company's website https://www.aldautomotive.com/

16.3.1 Participation in the Board of Directors Meetings, videoconferencing and telecommunications

Members of the Board of Directors who cannot physically attend the meetings of the Board of Directors can inform the Chairman of their intent to participate in the meeting by means of videoconference or any other means of telecommunication, provided that such means satisfies technical requirements ensuring the effective participation of each director in the Board of Directors Meeting. These provisions are not applicable in instances where the law excludes the possibility of participating in Board of Directors Meetings *via* videoconferencing or other means of communication (notably for Board Meetings convened to approve the annual financial statements and management report). Such resources shall transmit at least the participants' voices, and provide technical features allowing a continuous and simultaneous transmission.

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

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16.3.2 Decisions requiring the Board's approval

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

- any organic growth transactions of an amount over EUR 30 million in equity or overheads and not yet approved as part of the annual budget or strategic plan;
- all external growth transactions of a unit amount greater than 3% of the Group's consolidated equity at carrying amount, or greater than 1.50% of the Group's consolidated accountable equity, in the event these transactions are not among the growth priorities approved in the strategic plan;
- any sales transaction of an amount over 1.50% of the Group's consolidated accountable equity; and
- all partnership transactions entailing a balancing adjustment of an amount over 1.50% of the Group's consolidated accountable equity.

16.3.3 Activities and evaluation of the work performed by the Board of Directors

In fiscal 2018, the Board of Directors met six times, on:

- 7 February 2018, to review the full-year results for 2017 and to assess Management's achievement of objectives (ex-post vision);
- 29 March 2018, to approve the full-year financial statements, pay a dividend and all the documents relating to the 2017 financial year, as well as to convene the Shareholder Meeting, and endorse the details of the Management's 2018 objectives (based on *ex-ante* estimates);
- 3 May 2018, to approve the Group's Q1 2018 financial statements;
- 1 August 2018, to approve the Group's interim financial statements and report;
- 7 November 2018, to approve the Group's Q3 2018 financial statements;
- 18 December 2018, to approve the 2019 budget.

Meetings of the Board of Directors carried out under the responsibility of its Chairman and in accordance with the Internal Regulations, are also the occasion to:

- present the work of the Audit, Internal Control and Risk Committee ("CACIR"), which systematically reviews the different risks inherent to the Group's business, as well as the latest available information in terms of Internal Control;
- present the work carried out by the Nomination and Compensation Committee ("COREM") and approve the principal HR aspects (notably the co-optation of new directors and the granting of long-term Company share-based incentive plans);
- present and approve some specific powers that are given to the executive officers (regarding bond issuance, the delivery of guarantees to third parties, etc.).

Some *ad hoc* issues were also addressed in the course of the year:

- a review of the situation concerning the shareholding structure, as well as the liquidity contract and share performance;
- presentation of the Company's risks and actions in terms of Corporate Social Responsibility;
- validation of the risk assessment framework mechanism in place to ensure Company risk monitoring and governance in accordance with the plan required by the Banking Supervision applicable to the Societe Generale;
- information regarding the ECB mission carried out on the leasing activities of Societe Generale, including the ALD Group;
- deliberations concerning external growth transactions in the Group's different operating regions;
- conditions of the assessment procedure of the Board and its committees.

Statutory Auditors systematically attend the Board Meetings on the intermediary and annual financial statements and provide independent opinion on the accounts.

Opinions from Audit, Internal Control and Risk Committee and the Nomination and Compensation Committee (the "Nomination and Compensation Committee") Chairpersons are consistently solicited prior to any Risk or HR decision.

A process including presentations and discussions has been set up in order for the Board of Directors to be involved in the Company's strategy.

The representative of the Work's Council - DUP (*Délégation Unique du Personnel*) is invited to all meetings of the Board of Directors.

Assessment of the Board of Directors and its Committees

Every year, the Board of Directors devotes a part of one of its sessions to discuss the Board's functioning, either on the basis of an assessment carried out every 3 years by a specialized external consultant, or, for the other years, on the basis of interviews and questionnaires validated by the COREM. In both cases, the answers are presented anonymously in a summary document which serves as a basis for the Board's debates.

For the 2018 fiscal year, the Board decided to use assessments conducted by the Chairman of the Board of Directors and the Chairman of the COREM, based on interviews conducted individually with each director. This assessment concerned both the collective functioning of the Board and the individual assessment of each director. For the individual assessment, each director was invited to give his or her point of view on the individual contributions of the other directors.

The individual assessments were then returned to the directors concerned by the Chairman of the Board of Directors.

The collective assessment was discussed at the Board meeting of February 6, 2019. Overall, beyond the breaking-in phase following the implementation of the Company's new governance at the time of the IPO, directors expressed their general satisfaction with the current functioning and dynamics of the Board.

The composition is considered balanced and adapted to the exercise of the Board's mission by the diversity of director skill profiles. The integration of the different members was carried out efficiently and, following the action taken by the Chairman, everyone can express themselves and participate in the debates.

In general, work related to legal and regulatory aspects (statements of accounts, governance of corporate officer compensation, risk monitoring, etc.) seems to be well covered. In particular, the assessment of reports of the specialized committees to the Board was very positive.

Furthermore, the Board would like more time to be devoted to strategic and commercial aspects in the future. More generally, the Board of Directors would like to receive more general information on the sector.

A training program, initiated at a specific Board meeting on January 23, 2019, will be completed later this year.

In addition, the Board underscored the availability of, and the excellent relations with General Management and the members of the Executive Committee. For the future, the Board suggested meetings with the people in charge of the Operating Board, to gain a better understanding the Company's corporate culture and to get to know the managers of the Company's main entities.

16.4 COMMITTEES OF THE BOARD OF DIRECTORS

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Pursuant to article 10 of the internal regulations and the recommendations of the AFEP-MEDEF Code, the Board of Directors has two committees charged with examining questions submitted to them by the Board of Directors or its Chairman, the CACIR and the COREM.

For more details about the committees, see section 14.1 "Composition of management and control bodies".

16.4.1 Audit, Internal Control and Risk Committee (CACIR)

16.4.1.1 Composition and meetings

The Audit, Internal Control and Risk Committee is comprised of 3 members, two-thirds (66.7%) of whom are independent members, and none of whom hold Management positions in the Group. The members of the Audit, Internal Control and Risk Committee have appropriate accounting and financial skills.

The composition of the Audit, Internal Control and Risk Committee is as follows: Xavier DURAND (independent director), Nathalie LEBOUCHER (independent director) and Karine DESTRE-BOHN.

The Audit, Internal Control and Risk Committee may hear, in addition to the directors, the Statutory Auditors as well as the executives in charge of internal control and risk management, and compliance.

16.4.1.2 Duties

The Audit, Internal Control and Risk Committee, acting under the responsibility of the Board of Directors, has notably the following duties:

- to review the financial statements prior to their submission to the Board of Directors and to ensure the relevance and consistency of the accounting principles and methods applied to establish consolidated accounts;
- to monitor the process for the preparation of the financial information, and in particular its quality and reliability, to make any proposal for its improvement and to ensure that any corrective actions have been implemented in the event of malfunction in the process;
- to issue a recommendation regarding the Statutory Auditors to be appointed by the General Shareholder Meeting; to issue recommendations to the Board of Directors for the reappointment of the Statutory Auditors, as well as for their fees;
- to review the working program of the Company's Statutory Auditors, and more generally, to supervise the legal audit of the statutory and consolidated financial statements by the Company's Statutory Auditors;
- to ensure compliance by the Statutory Auditors with the conditions of independence provided by the French Commercial Code, and in particular through the review of their fees granted by the Group as well as any network to which they may belong and by the prior approval of any duty which does not strictly fall within the statutory audit of the financial statements;
- to monitor the effectiveness and consistency of the internal control and risk management systems, and if necessary suggest complementary actions; and
- to report to the Board of Directors.

16.4.1.3 Activities carried out during the 2018 fiscal year

The Audit, Internal Control and Risk Committee met six times in 2018. On one occasion, one member was absent, making for an overall attendance rate of 94%.

The Chairman of the Board of Directors attends the meetings of the Audit, Internal Control and Risk Committee, as well as the Statutory Auditors (who also meet with the members of the Audit, Internal Control and Risk Committee without the presence of the members of the Management, notably before the closing of the annual financial statements).

Within the context of its work plan, the Audit, Internal Control and Risk Committee systematically:

- reviews the financial statements of each period, at the financial level, ensuring that they are consistent with the Group's draft communications to the market;
- analyses the different risks inherent in the Company's business, as well as the way in which they are dealt with (credit risks, residual value management risks, operational risks, structural financial risks, compliance and reputational risks);
- with regard to internal controls, analyses permanent and periodic control mechanisms (organisation, resources and methodologies, etc.), regularly reviews the progress of the audit plan, as well as the results of missions, the stock of recommendations, and exchanges with the Societe Generale teams in charge of periodic controls, notably concerning which missions should be retained for the 2019 audit plan.

In addition to these activities, in 2018, the Audit, Internal Control and Risk Committee expressed its views on the monitoring and risk governance mechanism set-up under the Societe Generale's banking supervision ("Risk Assessment Framework"), and received regular updates on the progress and conclusions of the ECB's (European Central Bank) mission on Societe Generale's leasing activities including the ALD Group.

These in-depth working sessions enable the Audit, Internal Control and Risk Committee to guide Board discussions on technical aspects relating to accounts, risks, or internal control.

16.4.2 Nomination and Compensation Committee (COREM)

16.4.2.1 Composition and meetings

The Nomination and Compensation Committee is comprised of 3 members, two-thirds (66.7%) of whom are independent members, and none of whom hold management positions.

The Nomination and Compensation Committee comprises the following members: Patricia LACOSTE (independent director), Christophe PERILLAT (independent director) and Bernardo SANCHEZ-INCERA (who succeeds Sylvie REMOND as of June 2018 following the latter's resignation).

16.4.2.2 Duties

The Nomination and Compensation Committee is a specialized committee of the Board of Directors whose principal duty is to help the Board of Directors in the composition of the Management bodies of the Company and the Group and in determining and regularly evaluating the compensation and benefits of the executives of the Group (including all deferred benefits and/or compensation for voluntary or involuntary departures from the Group).

In this context and in accordance with AFEP-MEDEF Code, the Nomination and Compensation Committee, under the responsibility of the Board of Directors has the following duties, among others:

- to identify and to make proposals to the Board of Directors in relation to the appointment of members of the Board of Directors;
- to suggest nominations to the Board of Directors with a defined objective to ensure balanced representation of men and women within the Board of Directors, and to draft a policy for achieving that objective;
- to periodically perform an evaluation of the structure, size, and composition of the Board and the effectiveness of the Board's work; and
- to prepare the proposals and opinions on compensation to be sent to the Board of Directors, and in particular, regarding the compensation granted to the executive directors and to perform an annual evaluation of the principles of the compensation and benefit policy.

16.4.2.3 Activities carried out during the 2018 fiscal year

In 2018, the Nomination and Compensation Committee met four times; all members were present at each meeting.

The Chairman of the Board of Directors attends the Compensation and Nomination Committee Meetings, as well as ALD's CEO (who, however, leaves the session whenever his personal situation is discussed) and representatives of ALD and SG Human Resources function (to provide notably the data needed by the committee – such as remuneration benchmarks, etc.).

The Committee reviews the following issues:

- the remuneration of the Company's Chief Executive Officers, as well as the detailed objectives and corresponding regulatory reports;
- the modalities of various incentive schemes for different populations within the Company (notably premiums to reward the extra work done for the IPO, as well as long-term incentives);
- the situation regarding gender balance for ALD Group, as well as the actions in progress to promote female staff to executive positions;
- the succession plans for Statutory Corporate Officers;
- the procedures for implementing the Board's self-assessment process.

The Nomination and Compensation Committee also examined new candidates for appointment (two renewals of non-independent directors in the year, as a result of incompatibilities arising from changes in their respective professional situations).

16.5 STATEMENT RELATING TO CORPORATE GOVERNANCE

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Since the listing of the Company's shares on Euronext Paris, the Company has followed the recommendations of the AFEP-MEDEF Code, which is regularly amended. The table below lists the recommendations of the AFEP-MEDEF Code for which the Company considers it important to provide explanations regarding its compliance.

The AFEP-MEDEF Code to which the Company follows may be consulted on the Internet at the following address: http://www.afep.com

Recommendations of AFEP-MEDEF	Company's position and justification
Recommendation relating to the meetings of the Board of Directors (Article 10.3): "*It is recommended that a meeting be set up each year without the senior executive Company officers in attendance.*"	Directors have the option of meeting without the Chairman & CEO's attendance both during and outside Board of Directors and Committee Meetings.
Recommendation relating to training sessions for the directors (Article 12)	Strategic discussions were carried out in 2018 (notably on 22 May and 7 November). A training session, including a visit to ALD France's operational facilities, was organized for 23 January 2019.
Recommendation relating to term of directors (articles 13.1 and 13.2): It is recommended that "*the term of office of the directors, set by the Bylaws, must not exceed four years so that shareholders are invited to vote with sufficient frequency on their term of office.*" It is recommended that "*the term of office should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of directors*".	For historical reasons related to the shareholding structure of the Company before the IPO, the terms of offices of the directors were not staggered and their term of office was set at six years. The new Bylaws applicable since the IPO provide that the term of office of directors is set at four years as from the Mixed General Shareholder Meeting of 20 April 2017, with no change in the term of office of current directors at that date. As an exception, the Shareholder Meeting of 20 April 2017 appointed four new independent directors for terms of two, three and four years respectively, in order to partially introduce a staggering of the directors' terms of office.
Recommendation relating to the holding of ALD shares by the directors who come from the Societe Generale (Article 19)	This recommendation only applies to independent directors.
Recommendation relating to the presence of a director representing employees on the Nomination and Compensation Committee (paragraph 17.1): "*It is recommended [...] that an employee-director be a member of it.*"	Societe Generale, our parent company, applies this recommendation. Pursuant to article L. 225-27-1 of the French Commercial Code, the Company is obliged to have at least one director Representing Employees on the Board, insofar as the parent company, Societe Generale, has such directors on its own Board. The Board of Directors took account of this decision on November 7, 2018 (resolution 9).

16.6 INTERNAL CONTROL

The internal control systems implemented by the Group are described in detail in section 4.5 “Operational risks” and the section 16.4.1 “Audit, Internal Control and Risk Committee” of this Registration Document.

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EMPLOYEES RFA

17.1 DESCRIPTION OF THE WORKFORCE

17.1.1 Evolution of the Workforce

17.1.1.1 Workforce by geographical zone

The table below shows the evolution of the workforce over the last three years. All employees, whether with full-time or part-time work contracts, are counted as 1 in the workforce. It excludes the external workforce such as trainees, service providers and consultants.

	31 December 2016 (1)	31 December 2017	31 December 2018
France	1,445	1,346	1,408
Europe (outside France)	3,758	4,154	4,346
Outside Europe	715	806	793
TOTAL	**5,918**	**6,306**	**6,547**

17.1.1.2 Hires on permanent contracts

The table below presents the total number of employees hired on permanent contracts over the last three years.

	2016 (1)		2017		2018	
	Women	Men	Women	Men	Women	Men
France	82	134	79	86	110	102
Europe (outside France)	243	289	313	368	352	402
Outside Europe	73	110	64	99	90	130
TOTAL	**398**	**533**	**456**	**553**	**552**	**634**

17.1.1.3 Hires on temporary contracts

The table below presents the total number of employees hired on temporary contracts over the last three years.

	2016 (1)		2017		2018	
	Women	Men	Women	Men	Women	Men
France	74	79	69	61	58	58
Europe (outside France)	119	62	100	81	109	97
Outside Europe	33	29	41	48	13	13
TOTAL	**226**	**170**	**210**	**190**	**180**	**168**

17.1.1.4 Total departures

The table below shows the total number of departures (including voluntary and involuntary departures, dismissals for cause and termination by mutual consent) from the Group over the last three years.

	2016	2017	2018
France	313	208	278
Europe (outside France)	513	633	779
Outside Europe	146	175	179
TOTAL	**972**	**1,016**	**1,236**

(1) New methodology. Old data:
- total workforce in 2016: 5,920;
- total new hires in 2016: 1,329.

17.1.2 Breakdown of the workforce

17.1.2.1 Breakdown by country

As of 31 December 2018, the breakdown of the Group's workforce by country was as follows:

	31 December 2018
Western EUROPE	4,297
o/w	
Belgium	248
France	1,408
Germany	524
Italy	607
Spain	479
United Kingdom	552
Northern Europe	424
Central and Eastern Europe	1,033
South America, Africa, Asia	669
TOTAL	**6,547**

17.1.2.2 Breakdown by type of employment contract

The table below shows the proportion of employees on temporary employment contracts over the last three years.

	31 December 2016	31 December 2017	31 December 2018	
	Temporary contracts/ Workforce	Temporary contracts/ Workforce	Temporary contracts/ Workforce	*share of women*
France	9%	10%	8%	45%
Europe (outside France)	5%	5%	5%	50%
Outside Europe	18%	17%	2%	47%
TOTAL	**7%**	**7%**	**7%**	**48%**

17.1.2.3 Breakdown by socio-professional category

The table below shows the proportion of salaried managers in the workforce over the last three years.

	31 December 2016	31 December 2017	31 December 2018	
	Managers/Workforce	Managers/Workforce	Managers/Workforce	*share of women*
France	17%	17%	*19%*	*33%*
Europe (outside France)	18%	19%	*19%*	*38%*
Outside Europe	20%	19%	*19%*	*33%*
TOTAL	**18%**	**19%**	**19%**	**36%**

17.1.2.4 Breakdown by gender

The table below presents the breakdown of the Group's workforce by gender over the last three years.

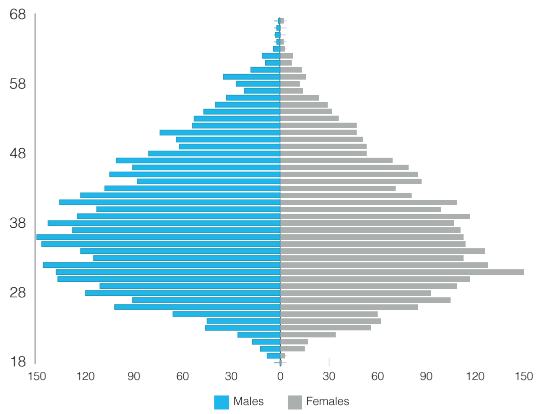
	31 December 2016		31 December 2017		31 December 2018	
	Women	**Men**	**Women**	**Men**	**Women**	**Men**
France	611	834	611	735	650	758
Europe (outside France)	1,735	2,023	1,929	2,225	2,010	2,336
Outside Europe	280	435	318	488	308	485
Total	**2,626**	**3,292**	**2,858**	**3,448**	**2,968**	**3,579**

17.1.2.5 Breakdown by age category

The table below presents the breakdown of the Group's workforce by age bracket over the last three years.

	2016	2017	2018
< 25	4.6%	4.7%	5.3%
Between 25 and 35 years old	33.9%	35.1%	34.6%
Between 35 and 45 years old	36.9%	35.7%	35.1%
Between 45 and 55 years old	19.5%	19.4%	19.9%
> 55 years old	5.1%	5.1%	5.2%
Total	**100.0%**	**100.0%**	**100.0%**

AGE PYRAMID AS OF 31 DECEMBER 2018 BY GENDER



- The average age at ALD is 38
- The average age of women is 37.4
- The average age of men is 38.5

17.1.3 Human resources policy

The mission of the Human Resources Department is to support the Group's growth, in all of its human and functional components. The Group's human resources policy enables each employee to find the best fit in terms of job assignment and skills corresponding to the business needs. Therefore, the Group puts the development of individual and collective talent at the centre of its responsibility as an employer. The Group's human resources policy focuses on two key goals:

- providing a fulfiling work environment; and
- promoting employee integration.

17.1.3.1 Professional equality

(i) Measures to support equality between women and men

The policy of promoting professional equality at work between women and men is an important one for ALD, which has always paid close attention to this.

In spite of the fact that the Company works in an automotive environment and has a workforce that is predominantly male, it is committed to ensuring that the gender breakdown is as balanced as possible, a source of social equilibrium and economic efficiency.

ALD therefore wants to carry out this policy of professional equality between men and women over the long term.

To do so, until 2017, ALD produced a single Company annual report, in which the comparative situation of women and men in the Company was highlighted.

This report was based on quantified elements and provided an annual summary of this topic in terms of hiring, training, qualification, working conditions, effective remuneration and the work-life balance in the Company. This report has been replaced by an official document describing ALD SA's social framework, which is presented to the representatives of the work force for comments.

Both enabled ALD to objectively assess the situation in terms of equality between women and men in the Company and define avenues for improvement.

Professional equality means women and men must be treated equally in terms of access to employment, professional training, qualification, promotion, classification, compensation, working conditions, health and safety and work-life balance.

Over the last few years, ALD has developed, particularly through action plans in accordance with the provisions of Article L. 2242-3 of the French Labour Code, actions and practices aiming to promote equality between men and women in several areas.

Encouraged by the results, the Company reaffirms its intention to continue the policy of professional equality between women and men.

In particular, ALD undertakes to make commitments and take measures in the following three areas:

- effective compensation;
- work-life balance;
- professional training.

The commitments made are designed to achieve, through concrete actions, the following objectives: monitoring the gender balance at recruitment, continuing access to professional training, adapt working conditions and time, reconcile the work-life balance and respect the principle of salary equality.

ALD France entered into an agreement with the representatives of the trade union relating to professional equality between men and women in January 2007. ALD France renews this agreement every three years to focus its efforts on effective remuneration, balance between professional life and exercise of family responsibilities and training.

(ii) Measures to promote employment and integration of persons with disabilities

The wealth of ALD resides in the diversity of men or women which compose it.

From this conviction stems a strong determination in the company to have measures for total inclusion, notably by hiring people with disabilities into the world of work.

This is why, ALD France concluded an initial agreement with trade union representatives in 2008 to promote the employment and integration of persons with disabilities. The same year ALD France established its Mission Handicap.

Since then, many actions have been completed to recruit, support or train workers. The proportion of disabled workers has exceeded the legal requirement as from 2012.

At end 2017, a 4th agreement was signed and, in this context, the Company intends to go further in its efforts to raise awareness and its efforts in training its workforce.

ALD France continues to play a role in society and disability policy is an integral part of its CSR policy.

(iii) Measures to promote the fight against discrimination

Legal obligations introduced by a French law dated 1 March 2013 provided the Group with the opportunity to go further in terms of hiring youth and seniors. After conducting an in-depth review of its workforce, especially in terms of age structure, the Company's aim is threefold: sustainable hiring of young co-workers, hiring, and retaining seniors, transmitting knowledge and skills.

To promote the employment of young people, the Group has established anti-discrimination policies, drafted and distributed a special welcome program for young hires and developed its apprenticeship offers. To hire and retain seniors, the Company established anti-discrimination policies in all its internal and external hiring processes as well as along the career path. It also initiated flexibility in terms of working hours for seniors. To promote the transmission of knowledge and skills from one generation to the next, the Group set up educational workshops to help seniors transmit their knowledge.

17.1.3.2 Compensation policy

The Group conducts a compensation policy which complies with the standards and regulations in force in each country in which it does business. This policy is intended to ensure that employee compensation is in line with the compensation recorded on the market by valuing an overall envelope that combines monetary compensation and benefits. The monetary compensation includes a fixed compensation which rewards the ability to hold a position satisfactorily through the mastery of skills, to which is added where appropriate a variable compensation which is intended to acknowledge the collective and individual performance, and which depends on the results obtained with regard to objectives defined at the beginning of the year and appreciated according to the context, but also according to the behaviours implemented to achieve them.

As part of the additional compensation, the Group benefits from the long-term incentive program put in place by Societe Generale, which helps to keep and motivate certain categories of employees, in particular key executives and strategic talents.

From 2018, certain employees of the ALD Group have benefited from a long-term incentive program in the form of ALD shares:

- based on the resolution voted by the General Assembly of shareholders of April 2017 for a period of 38 months and a maximum of 0.3% of ALD capital (at the date of the General Assembly) including shares provided within the deferred variable remuneration scheme for executives and regulated staff according to CRDIV regulation;
- subject to a presence condition and a performance condition validated by the Board of Directors of ALD.

This compensation policy is based on global principles which are applied in each country, taking into account their economic, social and competitive context, as well as the legal and regulatory requirements in force, in particular with regards to minimum wages.

All the Group entities respect their social and tax obligations on compensation paid and benefits to employees. Due to the high degree of internationalisation of the Group, the variety of living standards encountered and the large number of foreign currencies involved, averages covering multiple countries are not meaningful.

The performance share plans proposed for the first time by ALD to key employees of the Group (plan 1) and to senior managers whose variable compensation is determined in accordance with the CRD IV regulation (plan 2 A and 2 B) have the following characteristics:

PLAN 1

Date of General Meeting	20 April 2017
Date of Board Meeting	29 March 2018
Number of shares allocated	276,980
of which number of shares granted to Chief Executive Officers	-
Total number of beneficiaries	195
Vesting date	31 March 2021
Holding period end date	No retention period
Performance conditions	yes
Fair value *(in EUR)*	11.31
Number of shares vested at 31 December 2018	-
Total number of cancelled or lapsed shares	5,984
Performance shares outstanding at year-end	270,996

Minimum performance conditions

For all beneficiaries, the vesting of performance shares is subject to the realisation of performance conditions validated by the Board of Directors of ALD at the date of allocation.

The minimum performance condition is the following:

ALD Group Net Income (hereafter "GNI") condition

The performance condition is based on the profitability of the ALD Group, measured over the entire vesting period. The criterion adopted is the average positive ALD Group Net Income (arithmetic mean), excluding own debt, measured over three years of vesting (namely the years 2018, 2019 and 2020).

- If the average GNI over the three financial years preceding the vesting is greater than zero, all shares are acquired.
- If the average GNI over the three financial years preceding the vesting is equal to or less than zero, the performance condition is not satisfied and all of the shares are lost.

To measure this performance condition, the GNI is the published GNI.

Realisation of the performance condition defined above will be ascertained by the Board of Directors of ALD no later than 30 March 2021.

PLAN 2 – A

Date of General Meeting	20 April 2017
Date of Board Meeting	29 March 2018
Number of shares allocated	12,907
of which number of shares granted to Chief Executive Officers	-
Total number of beneficiaries	4
Vesting date	31 March 2020
Holding period end date	30 September 2020
Performance conditions	yes
Fair value *(in EUR)*	11.31
Number of shares vested at 31 December 2018	-
Total number of cancelled or lapsed shares	-
Performance shares outstanding at year-end	12,907

PLAN 2 - B

Date of General Meeting	20 April 2017
Date of Board Meeting	29 March 2018
Number of shares allocated	12,907
of which number of shares granted to Chief Executive Officers	-
Total number of beneficiaries	4
Vesting date	31 March 2021
Holding period end date	30 September 2021
Performance conditions	yes
Fair value *(in EUR)*	11.31
Number of shares vested at 31 December 2018	0
Total number of cancelled or lapsed shares	0
Performance shares outstanding at year-end	12,907

Minimum performance conditions

For all beneficiaries, the vesting of performance shares is subject to the realisation of performance conditions validated by the Board of Directors of ALD at the date of allocation.

The minimum performance condition is the following:

ALD Group Net Income (hereafter "GNI") condition

The performance condition is based on the profitability of the ALD Group, measured over the entire vesting period. The criterion adopted is the average positive ALD Group Net Income (arithmetic mean), excluding own debt, measured over the vesting periods:

- either pursuant to years 2018 and 2019 for half of the allocation vested on 31 March 2020;
- or pursuant to years 2018, 2019 and 2020 for the other half of the allocation vested on 31 March 2021.

- If the average GNI over the financial years preceding the vesting is greater than zero, all shares are acquired.
- If the average GNI over the financial years preceding the vesting is equal to or less than zero, the performance condition is not satisfied and all of the shares are lost.

To measure this performance condition, the GNI is the published GNI.

Realisation of the performance condition defined above will be ascertained by the Board of Directors of ALD no later than:

- 30 March 2020 for half of the allocation;
- 30 March 2021 for the other half of the allocation.

17.1.3.3 Absenteeism

The table below presents the rate of absenteeism over the last three years.

	31 December 2016	31 December 2017	31 December 2018
Rate of absenteeism	2.41%	2.54%	2.66%

17.1.3.4 Training

The Group invests heavily in training to enable its employees to evolve, to acquire new skills in line with the realities of the Company and their foreseeable professional evolution, and to offer each employee the opportunity to fulfil his or her potential.

NUMBER OF EMPLOYEES HAVING FOLLOWED AT LEAST ONE TRAINING COURSE DURING THE YEAR

	2017	2018
France	706	1,292
Europe (outside France)	3,713	3,954
Outside Europe	594	689
TOTAL	**5,013**	**5,935**

TOTAL NUMBER OF HOURS OF TRAINING

	2017	*of which distance training*	2018	*of which distance training*
France	15,386	*13%*	25,105	*30%*
Europe (outside France)	73,822	*20%*	79,754	*25%*
Outside Europe	10,341	*5%*	15,022	*18%*
TOTAL	**99,549**	***17%***	**119,881**	***25%***

17.2 SHAREHOLDINGS AND FREE SHARES

Until 2017, ALD was involved in free share plans granted by Societe Generale. These free shares plan (“AGA”) were granted to a limited number of managers, subject to attendance and performance conditions. As at 31 December 2018, 477 employees benefit from 137,331 shares.

Societe Generale grants rights to its equity instruments directly to its employees.

Therefore, in accordance with IFRS 2, Societe Generale shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and recognise a corresponding increase in its equity.

17.3 PROFIT-SHARING AGREEMENTS AND INCENTIVE SCHEMES

Employees based in France benefit from the following mechanisms that enable them, with respect to the first mechanism, to share in the Group's capital, and, with respect to the second mechanism, to share in the Societe Generale's profits:

17.3.1 Company savings plans and similar plans

Pursuant to Articles L. 3323-2 and L. 3323-3 of the French Labour Code, companies with profit-sharing plans are also required to maintain Company savings plans. A Group or Company savings plan is a collective savings system offering employees of the companies belonging to the plan the ability, with the help of their employers, to build investment portfolios. In particular, it can receive amounts under a profit-sharing or incentive agreement, as well as voluntary contributions. Amounts invested in a Company savings plan cannot be withdrawn for five years, except in the early-withdrawal cases provided for by law.

17.3.2 Profit-sharing agreements

Pursuant to Article L. 3322-2 of the French Labour Code, profit-sharing agreements are required in businesses with more than 50 employees and having a taxable profit of greater than a 5% Return on Equity.

The Group's French subsidiaries have distinct profit sharing agreements.

- Profit-sharing agreement at Societe Generale use a formula based on the gross operating income of BDDF (*Banque de détail en France*) minus the cost of risk.
- Profit-sharing at ALD SA and ALD France (Temsys SA) are based on a calculation including the net income minus equity divided by the value added.

17.3.3 Incentive plan

An incentive plan is an optional mechanism whose purpose is to enable a company to give employees, collectively, an interest in the Company's results of operations or performance through the payment of (immediately) cash bonuses pursuant to Article L. 3312-1 of the French Labour Code, defined using a calculation formula contingent on the Company's results or performance.

The Group's French subsidiaries have incentive plans except for ALD SA.

- Incentive plans at Societe Generale use a formula based on financial compensation and participation of the fiscal year; and
- Incentive plans at ALD France (Temsys SA) are based on a calculation including the operating income generated and the operating income budgeted.

18

MAJOR SHAREHOLDERS

18.1 SHAREHOLDERS

AFR

Shareholders	31 December 2018 (1) (2) Number of shares	% of share capital	Number of theoretical voting rights	% of theoretical voting rights
Societe Generale	322,542,852	79.82%	322,542,852	79.89%
Societe Generale Participations	50	-	50	-
Societe Generale Financial services	10	-	10	-
Various shareholders	81,171,675	20.09%	81,171,675	20.11%
Treasury shares	389,053	0.10%	-	-
TOTAL	**404,103,640**	**100.00%**	**403,714,587**	**100.00%**

(1) Number of theoretical voting rights is equal to number of exercisable voting rights in 2018.
(2) A liquidity contract has been entered into between Kepler Cheuvreux and ALD SA as at 1 December 2017. The General Shareholder Meeting of 22 May 2018 authorised a share buyback programme for a duration of 38 months. In accordance with article 223–11 of the AMF's General Regulation, the calculation of the total voting rights includes voting rights associated with share buybacks and treasury shares; however, these shares do not give the right to vote at General Meetings.

Shareholders	31 December 2017 (1) (2) Number of shares	% of share capital	Number of theoretical voting rights	% of theoretical voting rights
Societe Generale	322,542,852	79,82%	322,542,852	79.82,%
Societe Generale Participations	50	-	50	-
Societe Generale Financial services	10	-	10	-
Various shareholders	81,560,728	20,18%	81,560,728	20.18%
TOTAL	**404,103,640**	**100,00%**	**404,103,640**	**100.00%**

(1) Number of theoretical voting rights is equal to number of exercisable voting rights in 2017.
(2) A liquidity contract has been entered into between Kepler Cheuvreux and ALD SA as at 1 December 2017. At 31 December 2017, ALD SA held no treasury shares.

Shareholders	31 December 2016 (1) Number of shares	% of share capital	Number of theoretical voting rights	% of theoretical voting rights
Societe Generale	40,410,358	99.99%	40,410,358	99.99%
Societe Generale Participations	5	-	5	-
Societe Generale Financial services	1	-	1	-
TOTAL	**40,410,364**	**100.0%**	**40,410,364**	**100.0%**

(1) Number theoretical voting rights is equal to number of exercisable voting rights over 2015, 2016 and 2017.

To the best of the Company's knowledge, there were no shareholders with direct or indirect holdings of 5% or more of the Company's share capital or voting rights as of the date of this Registration Document, other than Societe Generale, Societe Generale Participations and Societe Generale Financial services.

Societe Generale held, directly or indirectly, 322,542,852 shares, representing 79.82% of the capital and 78.89% of voting rights of the Company.

18.2 RIGHTS, PRIVILEGES AND RESTRICTIONS ATTACHED TO SHARES (ARTICLE 8 OF THE BYLAWS)

Each share gives entitlement to a share in the ownership of the Company, a share in the profits and in the liquidation surplus, in proportion to the number of existing shares, taking into account, if applicable, amortised and non-amortised capital, paid-up or otherwise, the nominal amount of shares and rights attached to the different classes of shares. Furthermore, it gives entitlement to vote at and be represented in Shareholder Meetings, under the legal and statutory conditions.

Each share gives the right to one vote. The double voting right provided for by Article L. 225-123 of the French Commercial Code is expressly excluded.

Every time it is necessary to possess several shares to exercise any right, the shares of a lower number than that required give no rights to their owners against the Company, with the shareholders being responsible, in this case, for grouping together the necessary number of shares.

18.3 CONTROL OF THE COMPANY

AFR

As of the date of this Registration Document, the Company is controlled by Societe Generale.

In accordance with the recommendations of the AFEP-MEDEF Code, at least one-third of the members of the Board of Directors are independent directors. Its committees have a high proportion of independent directors in order to protect the interests of minority shareholders.

The management and board of the ALD group is entirely dedicated to the interests of the group and to the fulfillment of the corporate purpose. The absence of unbalanced agreements between ALD and Societe Generale, the presence of independent directors and the separation of the functions of the Chairman of the Board and Chief Executive Officer allow us to state that the de jure control exercised by Societe Generale is not likely to lead to an undue use of majority powers.

18.3.1 Crossing of legal and regulatory thresholds

From 1 January to 31 December 2018, three declarations of crossing of legal and regulatory thresholds had been declared to the Company:

- Mawer Investment Management Ltd. passed 3% of the capital on 20 September 2018 holding at that date 12,171,896 shares;
- Sycomore Asset Management fell below 1.5% of the capital on 18 June 2018 holding at that date 6,028,988 shares.
- AFFM SA passed 1.5% of the share capital on 15 January 2018 and held 6,706,457 shares at this date.

18.4 SHAREHOLDERS' AGREEMENTS

To the Company's knowledge, there is no shareholders' agreement as of the date of this Registration Document.

18.5 AGREEMENTS LIKELY TO LEAD TO A CHANGE OF CONTROL

To the Company's knowledge, there is no agreement as of the date of this Registration Document the implementation of which might lead to a change of control.

18.6 FACTORS THAT COULD COME INTO PLAY IN THE EVENT OF A TAKEOVER BID

AFR

Legislative or regulatory reference	Elements liable to have an incidence in the event of a public offering	Chapters/sections of the Registration Document
L. 225-37-5 of the French Commercial Code	The structure of the Company's capital;	18.1 "Shareholder structure"
	Statutory restrictions on the exercise of voting rights and share transfers or clauses of agreements provided for in the constitution brought to the Company's attention pursuant to Article L. 233-11 of the French Commercial Code	18.2 "Voting rights" 21.2.3 "Rights, privileges and restrictions attached to shares" (Articles 8, 11 and 12 of the Bylaws)
	Direct and indirect holdings in the Company's capital of which it is aware, pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code	18.1 "Shareholder structure"
	A list of holders of any share comprising special rights of control and description of these shares	N/A
	The control mechanisms provided for any employee shareholding system when the control rights are not exercised by employees	N/A
	Shareholder agreements of which the Company is aware and that could restrict share transfers and the exercise of voting rights	N/A
	The rules applicable to the appointment and replacement of members of the Board of Directors and to the amendment of the Company's Bylaws	18.3 "Control of the Company" 21.2. "Internal rules of the Board of Directors" 21.2.4 "Shareholder Meetings" (Article 18 of the Bylaws)
	The powers of the Board of Directors, in particular, share issues or buybacks	21.1.1 "Subscribed share capital but not paid up"
	The agreements concluded by the Company which end in the event of change of control of the Company, except if this disclosure, apart from cases of mandatory disclosure under the law, would be adversely affect its interests	21.2.6 "Control of the Company" In addition, the Company is party to a number of agreements containing change of control provisions, including in particular customer agreements (International Commitment Agreement), a licensing agreement with Societe Generale covering the ALD Automotive trademark associated with the red and black SG logo, partnership agreements and joint venture agreements
	The agreements providing for compensation to members of the Board of Directors or employees if they resign or are dismissed without due and genuine cause or if their employment ends on account of a takeover bid	15.1.3 "Compensation of the CEO and the Deputy CEOs" 15.2 "Employment contracts, supplementary pension schemes and departure compensation of Executive Corporate Officers"

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RELATED-PARTY TRANSACTIONS

19.1 PRINCIPAL RELATED-PARTY TRANSACTIONS

There are no related-party transactions within the meaning of article L. 225-38 of the French Commercial Code for the fiscal years 2016, 2017 and 2018.

For more information on agreements entered into between the Group and Societe Generale, see Section 20.1.5, note 33 "Related parties" of this Registration Document.

The related-party transactions within the meaning of IFRS are described in note 33 to the Group's consolidated financial statements which are included in Section 20.1 "The Group's audited consolidated financial statements for year ended 31 December 2018" of this Registration Document. These transactions relate mainly to key management compensation, sales of goods and services, information technology services, premises, brokerage, insurance policy, corporate services, loans, tax consolidation.

19.2 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

General Meeting of Shareholders to approve the financial statements for the year ended 31st December 2018

To the Shareholders' Meeting of ALD,

As statutory auditors of your company, we hereby present our report on regulated agreements and commitments.

Our responsibility is to inform you, based on the information given to us, on the main terms and conditions and the reasons justifying the interest for the Company of the agreements and commitments of which we have been informed or which we may have discovered during our audit works. We do not have to express an opinion on their usefulness and validity or to seek the existence of other agreements and commitments. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to assess the benefits arising from these agreements and commitments with a view to their approval.

In addition, it is our responsibility, if necessary, to inform you of the information provided for in Article R. 225-31 of the French Commercial Code relating to the performance, during the past financial year, of agreements and commitments already approved by the general meeting.

We performed the procedures that we considered mandatory in accordance with professional standards applicable in France. These procedures involved to verify the consistency of the information provided with the underlying documents.

Agreements and commitments submitted to the general meeting for approval

Agreements and commitments authorized and concluded during the past financial year

We inform you that we have not been informed of any agreements or commitments subject to approval during the past financial year.

Agreements and commitments authorized since the year end

We have been informed of the following agreements and commitments, authorized since the end of the previous financial year, which were authorized in advance by your Board of Directors on 28 March 2019.

1- With Mr. Michael Masterson, Chief Executive Officer

a) Nature and purpose

Severance payment.

Terms and Conditions

Your Board of Directors authorized the severance package for Mr. Michael Masterson on April 4, 2017.

At its meeting of 28 March 2019, the Board of Directors decided to adapt the provisions of the commitment relating to compensation in the event of termination of the mandate.

Severance payment has the following characteristics:

- The severance payment would only be due if the ALD appointment and the Société Generale employment contract terminate simultaneously.
- The amount of the severance payment will be equivalent to two years of fixed salary, from which will be deducted any amounts due as a result of the termination of the employment contract.
- No indemnity will be due in the event of resignation (except in case of a non-voluntary resignation, recognized as such by the Board of Directors), the non-renewal of Mr. Michael Masterson's appointment at his own initiative or serious misconduct *(faute grave).*

- The severance payment will be conditional upon achieving an overall realization rate for the variable compensation objectives of at least 50% on average over the three years prior to the termination of the mandate; this calculation of the realization rate will be carried out starting from the 2017 performance year.
- No indemnity will be payable in the event of departure within 6 months prior to the Social Security retirement date or in case of the possibility to benefit from a full-rate Social Security pension.
- Any decision in terms of severance payment is subject to examination by the Board of Directors of the situation of the Company and the performance of each Chief Executive Officer in order to justify that neither the Company, nor the Chief Executive Officer are in a situation of failure.
- Subject to changes in the regulatory framework, this compensation will be paid in accordance with the terms of the variable compensation, i.e. partly deferred over time, and combining payments in cash and shares or share equivalents.

In addition, the amount paid under this allowance may be reduced to comply with the overall limit of 200% of the fixed compensation applicable to the variable component allocated.

Reasons justifying the interest of the commitments for the company

Your Board of Directors has justified these commitments as follows: the amendments made in February 2019 are intended to incorporate the changes to article 24.5.1 of the revised AFEP MEDEF code and the severance pay clauses for Mr. Michael Masterson.

b) Nature and purpose

Non-compete clause.

Terms and Conditions

Your Board of Directors authorized the non-competition clause in favour of Mr. Michael Masterson on April 4, 2017.

This commitment was amended at the end of the Board of Directors' meeting of 28 March 2019 to take into account changes in the AFEP-MEDEF Code.

Mr. Michael Masterson will be subject to a non-compete obligation for a period of twenty-four months from the date of the termination of the corporate appointment and departure from the SG group. This clause prohibits Mr. Michael Masterson from establishing a business that competes either directly or indirectly with ALD or from performing executive functions in a full-service leasing, automotive fleet management or mobility solution company in continental Europe or in the United Kingdom. In return, you will receive a gross monthly lump sum equal to the last fixed gross monthly salary received, for a period of 24 months from the date of the effective termination of your appointment within the SG group.

The Board of Directors will have the right to unilaterally waive the enforcement of the non-compete clause within fifteen days as from the date on which the termination of the appointment occurs. In such case, Mr. Michael Masterson will be free of any obligation and no amount will be due to him in respect of this clause.

Any breach of the non-compete obligation will result in the immediate payment from Mr. Michael Masterson of an amount equal to 24 months of gross fixed compensation. In such case, ALD will be released from its obligation to pay the financial compensation mentioned in the first paragraph of this section and, moreover, will have the right to the return of any such financial compensation paid to Mr. Michael Masterson prior to the breach of the non-compete obligation.

No amount will be due to Mr. Michael Masterson in respect of this clause in case of departure within six months before claiming your pension or beyond 65 years of age.

In no case may the aggregate of the severance payment and the non-compete clause financial compensation exceed the limit recommended by the AFEP-MEDEF code of 2 years of fixed and variable compensation.

Reasons justifying the interest of the commitments for the company

Your Board of Directors has justified these agreements as follows: the amendments made in February 2019 are intended to incorporate the changes to Article 23.4 of the revised AFEP MEDEF Code.

c) Nature and purpose

Retirement commitment.

Terms and Conditions

Your Board of Directors authorized Mr. Michael Masterson's retirement benefit on April 4, 2017.

Following the revision of the supplementary retirement allowance scheme as at 31 December 2018, a supplementary defined contribution pension scheme (Article 82) was set up for Deputy Chief Executive Officers with effect from 1 January 2019.

This commitment was authorized by the Board on 28 March 2019 effective from 1 January 2019.

It was decided to maintain the annual increase of Mr. Michael Masterson's rights in the Retraite Valmy Pension Plan and the additional retirement allowance for Société Générale Executives Managers plan which rules were modified with effect as of January 1st, 2019.

Mr. Michael Masterson's will continue to benefit from the provisions of the additional retirement allowance pian, which rules were revised with effect as of January 1st, 2019.

The potential future rights were frozen at December 31st, 2018 based on seniority and the AGIRC "Tranches B and C" points observed at this date, and the average, over the three last financial years, of the fixed remuneration exceeding the AGIRC "Tranche B", increased by the variable remuneration within the limit of 5% of the fixed remuneration.

Only the minimum rights, formerly defined as a third of the AGIRC "Tranche B" points acquired since the appointment in the Société Générale "Outside Classification" category have been retained as of January 1st, 2019, in the form of annual rights equal to 0.4% of the portion of gross annual remuneration at between one and four annual French Social Security ceilings.

The rights for additional retirement allowance plan are subject to the arriving at the end of your career while with the company and the annual increase in of your rights remain subject to the performance condition. Thus, potential annuity rights for each year will only be awarded if at least 50% of the variable remuneration performance conditions for that year are met. For any performance below such threshold, no increase of rights will be applied for the year under consideration.

Reasons justifying the interest of the commitments for the company

Your Board has justified these commitments as follows: the amendments authorized by the Board of Directors on March 28, 2019, effective January 1, 2019, have the effect of reducing the Company's expenses for supplementary pension plans.

2- With Mr. Tim Albertsen, Deputy Chief Executive Officer

a) Nature and purpose

Severance payment.

Terms and Conditions

Your Board of Directors authorized the severance package for Mr. Tim Albertsen on April 4, 2017.

At its meeting of 28 March 2019, the Board of Directors decided to adapt the provisions of the commitment relating to compensation in the event of termination of the mandate.

Severance payment has the following characteristics:

- The severance payment would only be due if the ALD appointment and the Société Générale employment contract terminate simultaneously.
- The amount of the severance payment will be equivalent to two years of fixed salary, from which will be deducted any amounts due as a result of the termination of the employment contract.
- No indemnity will be due in the event of resignation (except in case of a non-voluntary resignation, recognized as such by the Board of Directors), the non-renewal of Mr. Tim Albertsen's appointment at his own initiative or serious misconduct *(faute grave).*
- The severance payment will be conditional upon achieving an overall realization rate for the variable compensation objectives of at least 50% on average over the three years prior to the termination of the mandate; this calculation of the realization rate will be carried out starting from the 2017 performance year.
- No indemnity will be payable in the event of departure within 6 months prior to the Social Security retirement date or in case of the possibility to benefit from a full-rate Social Security pension.
- Any decision in terms of severance payment is subject to examination by the Board of Directors of the situation of the Company and the performance of each Chief Executive Officer in order to justify that neither the Company, nor the Chief Executive Officer are in a situation of failure.

Subject to changes in the regulatory framework, this compensation will be paid in accordance with the terms of the variable compensation, i.e. partly deferred over time, and combining payments in cash and shares or share equivalents. In addition, the amount paid under this allowance may be reduced to comply with the overall limit of 200% of the fixed compensation applicable to the variable component allocated.

Reasons justifying the interest of the commitments for the company

Your Board of Directors has justified these commitments as follows: the amendments made in February 2019 are intended to incorporate the changes to article 24.5.1 of the revised AFEP MEDEF code and the severance pay clauses for Mr. Tim Albertsen's.

b) Nature and purpose

Non-compete clause.

Terms and Conditions

Your Board of Directors authorized the non-competition clause in favour of Mr. Tim Albertsen on April 4, 2017.

This commitment was amended at the end of the Board of Directors' meeting of 28 March 2019 to take into account changes in the AFEP-MEDEF Code.

Mr. Tim Albertsen will be subject to a non-compete obligation for a period of twenty-four months from the date of the termination of the corporate appointment and departure from the SG group. This clause prohibits Mr. Tim Albertsen from establishing a business that competes either directly or indirectly with ALD or from performing executive functions in a full-service leasing, automotive fleet management or mobility solution company in continental Europe or in the United Kingdom. In return, you will receive a gross monthly lump sum equal to the last fixed gross monthly salary received, for a period of 24 months from the date of the effective termination of your appointment within the SG group.

The Board of Directors will have the right to unilaterally waive the enforcement of the non-compete clause within fifteen days as from the date on which the termination of the appointment occurs. In such case, Mr. Tim Albertsen will be free of any obligation and no amount will be due to him in respect of this clause.

Any breach of the non-compete obligation will result in the immediate payment from Mr. Tim Albertsen of an amount equal to 24 months of gross fixed compensation. In such case, ALD will be released from its obligation to pay the financial compensation mentioned in the first paragraph of this section and, moreover, will have the right to the return of any such financial compensation paid to Mr. Tim Albertsen prior to the breach of the non-compete obligation.

No amount will be due to Mr. Tim Albertsen in respect of this clause in case of departure within six months before claiming your pension or beyond 65 years of age.

In no case may the aggregate of the severance payment and the non-compete clause financial compensation exceed the limit recommended by the AFEP-MEDEF code of 2 years of fixed and variable compensation.

Reasons justifying the interest of the commitments for the company

Your Board of Directors has justified these agreements as follows: the amendments made in February 2019 are intended to incorporate the changes to Article 23.4 of the revised AFEP MEDEF Code.

c) Nature and purpose

Retirement commitment

Terms and Conditions

Your Board of Directors authorized Mr. Tim Albertsen's retirement benefit on April 4, 2017.

Following the revision of the supplementary retirement allowance scheme as at 31 December 2018, a supplementary defined contribution pension scheme (Article 82) was set up for Deputy Chief Executive Officers with effect from 1 January 2019.

This commitment was authorized by the Board on 28 March 2019 effective from 1 January 2019.

It was decided to maintain the annual increase of Mr. Tim Albertsen's rights in the Retraite Valmy Pension Plan and the additional retirement allowance for Société Générale Executives Managers plan which rules were modified with effect as of January 1st, 2019.

Mr. Tim Albertsen's will continue to benefit from the provisions of the additional retirement allowance pian, which rules were revised with effect as of January 1st, 2019.

The potential future rights were frozen at December 31st, 2018 based on seniority and the AGIRC "Tranches B and C" points observed at this date, and the average, over the three last financial years, of the fixed remuneration exceeding the AGIRC "Tranche B", increased by the variable remuneration within the limit of 5% of the fixed remuneration.

Only the minimum rights, formerly defined as a third of the AGIRC "Tranche B" points acquired since the appointment in the Société Générale "Outside Classification" category have been retained as of January 1st, 2019, in the form of annual rights equal to 0.4% of the portion of gross annual remuneration at between one and four annual French Social Security ceilings.

The rights for additional retirement allowance plan are subject to the arriving at the end of your career while with the company and the annual increase in of your rights remain subject to the performance condition. Thus, potential annuity rights for each year will only be awarded if at least 50% of the variable remuneration performance conditions for that year are met. For any performance below such threshold, no increase of rights will be applied for the year under consideration.

Reasons justifying the interest of the commitments for the company

Your Board has justified these commitments as follows: the amendments authorized by the Board of Directors on March 28, 2019, effective January 1, 2019, have the effect of reducing the Company's expenses for supplementary pension plans.

3- With Mr. Gilles Bellemere, Deputy Chief Executive Officer

a) Nature and purpose

Severance payment.

Terms and Conditions

Your Board of Directors authorized the severance package for Mr. Gilles Bellemere on April 4, 2017.

At its meeting of 28 March 2019, the Board of Directors decided to adapt the provisions of the commitment relating to compensation in the event of termination of the mandate.

Severance payment has the following characteristics:

- The severance payment would only be due if the ALD appointment and the Société Generale employment contract terminate simultaneously.
- The amount of the severance payment will be equivalent to two years of fixed salary, from which will be deducted any amounts due as a result of the termination of the employment contract.
- No indemnity will be due in the event of resignation (except in case of a non-voluntary resignation, recognized as such by the Board of Directors), the non-renewal of Mr. Gilles Bellemere's appointment at his own initiative or serious misconduct *(faute grave).*
- The severance payment will be conditional upon achieving an overall realization rate for the variable compensation objectives of at least 50% on average over the three years prior to the termination of the mandate; this calculation of the realization rate will be carried out starting from the 2017 performance year.
- No indemnity will be payable in the event of departure within 6 months prior to the Social Security retirement date or in case of the possibility to benefit from a full-rate Social Security pension.
- Any decision in terms of severance payment is subject to examination by the Board of Directors of the situation of the Company and the performance of each Chief Executive Officer in order to justify that neither the Company, nor the Chief Executive Officer are in a situation of failure.

Subject to changes in the regulatory framework, this compensation will be paid in accordance with the terms of the variable compensation, i.e. partly deferred over time, and combining payments in cash and shares or share equivalents. In addition, the amount paid under this allowance may be reduced to comply with the overall limit of 200% of the fixed compensation applicable to the variable component allocated.

Reasons justifying the interest of the commitments for the company

Your Board of Directors has justified these commitments as follows: the amendments made in February 2019 are intended to incorporate the changes to article 24.5.1 of the revised AFEP MEDEF code and the severance pay clauses for Mr. Gilles Bellemere.

b) Nature and purpose

Non-compete clause.

Terms and Conditions

Your Board of Directors authorized the non-competition clause in favour of Mr. Gilles Bellemere on April 4, 2017.

This commitment was amended at the end of the Board of Directors' meeting of 28 March 2019 to take into account changes in the AFEP-MEDEF Code.

Mr. Gilles Bellemere will be subject to a non-compete obligation for a period of twenty-four months from the date of the termination of the corporate appointment and departure from the SG group. This clause prohibits Mr. Gilles Bellemere from establishing a business that competes either directly or indirectly with ALD or from performing executive functions in a full-service leasing, automotive fleet management or mobility solution company in continental Europe or in the United Kingdom. In return, you will receive a gross monthly lump sum equal to the last fixed gross monthly salary received, for a period of 24 months from the date of the effective termination of your appointment within the SG group.

The Board of Directors will have the right to unilaterally waive the enforcement of the non-compete clause within fifteen days as from the date on which the termination of the appointment occurs. In such case, Mr. Gilles Bellemere will be free of any obligation and no amount will be due to him in respect of this clause.

Any breach of the non-compete obligation will result in the immediate payment from Mr. Gilles Bellemere of an amount equal to 24 months of gross fixed compensation. In such case, ALD will be released from its obligation to pay the financial compensation mentioned in the first paragraph of this section and, moreover, will have the right to the return of any such financial compensation paid to Mr. Gilles Bellemere prior to the breach of the non-compete obligation.

No amount will be due to Mr. Gilles Bellemere in respect of this clause in case of departure within six months before claiming your pension or beyond 65 years of age.

In no case may the aggregate of the severance payment and the non-compete clause financial compensation exceed the limit recommended by the AFEP-MEDEF code of 2 years of fixed and variable compensation.

Reasons justifying the interest of the commitments for the company

Your Board of Directors has justified these agreements as follows: the amendments made in February 2019 are intended to incorporate the changes to Article 23.4 of the revised AFEP MEDEF Code.

c) Nature and purpose

Retirement commitment

Terms and Conditions

Your Board of Directors authorized Mr. Gilles Bellemere's retirement benefit on April 4, 2017.

Following the revision of the supplementary retirement allowance scheme as at 31 December 2018, a supplementary defined contribution pension scheme (Article 82) was set up for Deputy Chief Executive Officers with effect from 1 January 2019.

This commitment was authorized by the Board on 28 March 2019 effective from 1 January 2019.

It was decided to maintain the annual increase of Mr. Gilles Bellemere's rights in the Retraite Valmy Pension Plan and the additional retirement allowance for Société Générale Executives Managers plan which rules were modified with effect as of January 1st, 2019.

Mr. Gilles Bellemere's will continue to benefit from the provisions of the additional retirement allowance pian, which rules were revised with effect as of January 1st, 2019.

The potential future rights were frozen at December 31st, 2018 based on seniority and the AGIRC "Tranches B and C" points observed at this date, and the average, over the three last financial years, of the fixed remuneration exceeding the AGIRC "Tranche B", increased by the variable remuneration within the limit of 5% of the fixed remuneration.

Only the minimum rights, formerly defined as a third of the AGIRC "Tranche B" points acquired since the appointment in the Société Générale "Outside Classification" category have been retained as of January 1st, 2019, in the form of annual rights equal to 0.4% of the portion of gross annual remuneration at between one and four annual French Social Security ceilings.

The rights for additional retirement allowance plan are subject to the arriving at the end of your career while with the company and the annual increase in of your rights remain subject to the performance condition. Thus, potential annuity rights for each year will only be awarded if at least 50% of the variable remuneration performance conditions for that year are met. For any performance below such threshold, no increase of rights will be applied for the year under consideration.

Reasons justifying the interest of the commitments for the company

Your Board has justified these commitments as follows: the amendments authorized by the Board of Directors on March 28st, 2019, effective January 1st, 2019, have the effect of reducing the Company's expenses for supplementary pension plans.

4- With Mr. John Saffrett, Deputy Chief Executive Officer

a) Nature and purpose

Severance payment.

Terms and Conditions

Your Board of Directors authorized the severance package for Mr. John Saffrett on 28 March 2019.

Severance payment has the following characteristics:

- The severance payment would only be due if the ALD appointment and the Société Générale employment contract terminate simultaneously.
- The amount of the severance payment will be equivalent to two years of fixed salary, from which will be deducted any amounts due as a result of the termination of the employment contract.
- No indemnity will be due in the event of resignation (except in case of a non-voluntary resignation, recognized as such by the Board of Directors), the non-renewal of Mr. John Saffrett's appointment at his own initiative or serious misconduct *(faute grave).*
- The severance payment will be conditional upon achieving an overall realization rate for the variable compensation objectives of at least 50% on average over the three years prior to the termination of the mandate; this calculation of the realization rate will be carried out starting from the 2017 performance year.
- No indemnity will be payable in the event of departure within 6 months prior to the Social Security retirement date or in case of the possibility to benefit from a full-rate Social Security pension.
- Any decision in terms of severance payment is subject to examination by the Board of Directors of the situation of the Company and the performance of each Chief Executive Officer in order to justify that neither the Company, nor the Chief Executive Officer are in a situation of failure.

Subject to changes in the regulatory framework, this compensation will be paid in accordance with the terms of the variable compensation, i.e. partly deferred over time, and combining payments in cash and shares or share equivalents.

In addition, the amount paid under this allowance may be reduced to comply with the overall limit of 200% of the fixed compensation applicable to the variable component allocated.

Reasons justifying the interest of the commitments for the company

Your Board of Directors has justified these agreements as follows: they reflect the same post-employment benefits granted to ALD's Deputy Chief Executive Officers since 2017.

b) Nature and purpose

Non-compete clause.

Terms and Conditions

Your Board of Directors authorized the non-competition clause in favour of Mr. John Saffrett on March 28st, 2019.

Mr. John Saffrett will be subject to a non-compete obligation for a period of twenty-four months from the date of the termination of the corporate appointment and departure from the SG group. This clause prohibits Mr. John Saffrett from establishing a business that competes either directly or indirectly with ALD or from performing executive functions in a full-service leasing, automotive fleet management or mobility solution company in continental Europe or in the United Kingdom. In return, you will receive a gross monthly lump sum equal to the last fixed gross monthly salary received, for a period of 24 months from the date of the effective termination of your appointment within the SG group.

The Board of Directors will have the right to unilaterally waive the enforcement of the non-compete clause within fifteen days as from the date on which the termination of the appointment occurs. In such case, Mr. John Saffrett will be free of any obligation and no amount will be due to him in respect of this clause.

Any breach of the non-compete obligation will result in the immediate payment from Mr. John Saffrett of an amount equal to 24 months of gross fixed compensation. In such case, ALD will be released from its obligation to pay the financial compensation mentioned in the first paragraph of this section and, moreover, will have the right to the return of any such financial compensation paid to Mr. John Saffrett prior to the breach of the non-compete obligation.

No amount will be due to Mr. John Saffrett in respect of this clause in case of departure within six months before claiming your pension or beyond 65 years of age.

In no case may the aggregate of the severance payment and the non-compete clause financial compensation exceed the limit recommended by the AFEP-MEDEF code of 2 years of fixed and variable compensation.

Reasons justifying the interest of the commitments for the company

Your Board of Directors has justified these agreements as follows: they reflect the same post-employment benefits granted to ALD's Deputy Chief Executive Officers since 2017.

c) Nature and purpose

Retirement commitment

Terms and Conditions

Your Board of Directors authorized Mr. John Saffrett's retirement benefit on March 28st, 2019.

Following the revision of the supplementary retirement allowance scheme as at 31 December 2018, a supplementary defined contribution pension scheme (Article 82) was set up for Deputy Chief Executive Officers with effect from January 1st, 2019.

It was decided to maintain the annual increase of Mr. John Saffrett's rights in the Retraite Valmy Pension Plan and the additional retirement allowance for Société Générale Executives Managers plan which rules were modified with effect as of January 1st, 2019.

Mr. John Saffrett's will continue to benefit from the provisions of the additional retirement allowance pian, which rules were revised with effect as of January 1st, 2019.

The potential future rights were frozen at December 31st, 2018 based on seniority and the AGIRC "Tranches B and C" points observed at this date, and the average, over the three last financial years, of the fixed remuneration exceeding the AGIRC "Tranche B", increased by the variable remuneration within the limit of 5% of the fixed remuneration.

Only the minimum rights, formerly defined as a third of the AGIRC "Tranche B" points acquired since the appointment in the Société Générale "Outside Classification" category have been retained as of January 1st, 2019, in the form of annual rights equal to 0.4% of the portion of gross annual remuneration at between one and four annual French Social Security ceilings.

The rights for additional retirement allowance plan are subject to the arriving at the end of your career while with the company and the annual increase in of your rights remain subject to the performance condition. Thus, potential annuity rights for each year will only be awarded if at least 50% of the variable remuneration performance conditions for that year are met. For any performance below such threshold, no increase of rights will be applied for the year under consideration.

Reasons justifying the interest of the commitments for the company

Your Board has justified these agreements as follows: they reflect the same post-employment benefits granted to ALD's Deputy Chief Executive Officers since 2017.

Agreements and commitments already approved by the general meeting of Shareholders

We inform you that we have not been informed of any agreements or commitments already approved by the General Meeting that have continued to be performed during the past financial year.

Paris-La Défense et Neuilly-sur-Seine, on April, 19st 2019

Original report in French signed by statutory auditors

ERNST & YOUNG et Autres — DELOITTE & ASSOCIÉS

Micha MISSAKIAN — Jean-Marc MICKELER

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FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES AFR

20.1 CONSOLIDATED FINANCIAL STATEMENTS

AFR

In accordance with Article 28 of European Regulation No. 809/2004 dated 29 April 2004, the following information is incorporated by reference in this Registration Document:

- the consolidated financial statements and the Statutory Auditors' report for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 set out on pages 255 to 336, 337 to 368 of the Registration Document registered with the French financial markets authority (Autorité des marchés financiers – AMF) on 11 May 2017 under number I.17-042.
- the consolidated financial statements and the Statutory Auditors' report for the year ended 31 December 2017 set out on pages 158 to 241 of the Registration Document registered with the French financial markets authority (Autorité des marchés financiers – AMF) on 26 April 2018 under number R.18-014.

The chapters of the Registration Documents not mentioned above do not apply to investors or are covered inanother part of this Registration Document

20.1.1 Consolidated income statement and statement of comprehensive income

20.1.1.1 Consolidated income statement

		Year ended 31 December	
(in EUR million)	**Notes**	**2018**	**2017**
Leasing contract revenues	7a, 7d	4,170.6	3,910.3
Leasing contract costs - depreciation	7a	(3,332.0)	(3,094.9)
Leasing contract costs - financing	7a	(234.1)	(229.6)
Unrealised gains/losses on financial instruments	7a	19.4	(11.2)
Leasing contract margin		**623.8**	**574.5**
Services revenues	7b, 7d	1,987.2	1,807.1
Cost of services revenues	7b	(1,370.6)	(1,214.1)
Services margin		**616.7**	**593.0**
Proceeds of cars sold	7c, 7d	2,814.3	2,549.0
Cost of cars sold	7c	(2,711.9)	(2,383.8)
Car sales result		**102.5**	**165.3**
GROSS OPERATING INCOME		**1,343.0**	**1,332.8**
Staff expenses	9	(397.2)	(379.0)
General and administrative expenses	10	(189.2)	(193.8)
Depreciation and amortisation	11	(31.2)	(25.2)
TOTAL OPERATING EXPENSES		**(617.6)**	**(598.0)**
Impairment charges on receivables	8	(37.8)	(22.4)
Non-recurring income (expenses)		(0.0)	(0.0)
OPERATING RESULT		**687.6**	**712.4**
Share of profit of associates and jointly controlled entities		1.5	1.2
Profit before tax		**689.1**	**713.6**
Income tax expense	12	(126.8)	(140.4)
NET INCOME		**562.2**	**573.2**
Net income attributable to:			
Owners of the Company		**555.6**	**567.6**
Non-controlling interests		6.6	5.6
Earnings per share for net income attributable to the owners of the parent:			
Basic earnings per share *(in cents)*	31	1.38	1.40
Diluted earnings per share *(in cents)*	31	1.37	1.40

20.1.1.2 Consolidated statement of comprehensive income

		Year ended 31 December	
(in EUR million)	**Notes**	**2018**	**2017**
NET INCOME		**562.2**	**573.2**
Items that will not be reclassified subsequently to profit or loss		**0.3**	**0.7**
Changes in actuarial gain/(Loss) on retirement benefit, before tax		0.7	1.0
Deferred tax on actuarial gain/(Loss) on retirement benefit		(0.4)	(0.3)
Items that may be reclassified subsequently to profit or loss		**(43.6)**	**(27.2)**
Changes in cash flow hedges, before tax	17	(17.7)	(1.4)
Deferred tax on cash flow hedges		4.2	0.7
Currency translation differences		(30.1)	(26.5)
Other comprehensive income for the year, net of tax		**(43.3)**	**(26.6)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**518.9**	**546.7**
Attributable to			
Owners of the Company		512.5	541.8
Non-controlling interests		6.4	4.9
Total comprehensive income attributable to owners of the parent arises from:			
• continuing operations		512.5	541.8

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20.1.2 Consolidated balance sheet

(in EUR million)	Notes	Year ended 31 December 2018	2017
ASSETS			
Rental fleet	13	18,423.9	16,336.1
Other property and equipment	14	106.5	94.4
Goodwill	15	532.4	528.8
Other intangible assets	14	42.2	34.4
Investments in associates and jointly controlled entities	16	7.6	6.8
Derivative financial instruments	17	14.5	17.8
Deferred tax assets	12	171.3	142.4
Other non-current financial assets	18	601.5	830.5
NON-CURRENT ASSETS		**19,899.9**	**17,991.2**
Inventories	19	264.3	254.8
Receivables from clients and financial institutions	20	1,584.2	1,438.0
Current income tax receivable		104.3	111.2
Other receivables and prepayments	21	872.9	904.6
Derivative financial instruments	17	26.3	11.0
Other current financial assets	18	343.6	316.8
Cash and cash equivalents	22	158.9	194.6
CURRENT ASSETS		**3,354.3**	**3,230.9**
TOTAL ASSETS		**23,254.3**	**21,222.2**
EQUITY AND LIABILITIES			
Share capital		606.2	606.2
Share premium		367.0	375.1
Other equity		(5.8)	-
Retained earnings and other reserves		2,110.6	1,815.6
Net income		555.6	567.6
Equity attributable to owners of the parent		***3,633.7***	***3,364.5***
Non-controlling interests		34.2	33.8
TOTAL EQUITY	24	**3,667.9**	**3,398.2**
Borrowings from financial institutions	26	7,955.8	7,660.9
Bonds and notes issued	26	4,462.4	2,282.4
Derivative financial instruments	17	17.4	16.6
Deferred tax liabilities	12	293.5	242.2
Retirement benefit obligations and long term benefits	27	19.7	19.1
Provisions	28	105.9	96.5
NON-CURRENT LIABILITIES		**12,854.6**	**10,317.7**
Borrowings from financial institutions	26	3,961.2	4,188.6
Bonds and notes issued	26	451.9	997.9
Trade and other payables	29	2,088.1	2,061.2
Derivative financial instruments	17	8.9	9.8
Current income tax liabilities		70.1	90.1
Provisions	28	151.5	158.7
CURRENT LIABILITIES		**6,731.7**	**7,506.3**
TOTAL LIABILITIES		**19,586.4**	**17,823.9**
TOTAL EQUITY AND LIABILITIES		**23,254.3**	**21,222.2**

20.1.3 Consolidated statement of changes in equity

	Attributable to equity holders of the Company											
(in EUR million)	Share capital	Share premium	Other equity	Translation reserves	Hedging reserve	Actuarial gain/(loss) reserve	Other reserves	Retained earnings	Net income	Equity attributable to the owners of the parent	Non-controlling interests	Total equity
Balance As at 1 January 2017	**606.1**	**375.1**		**(85.3)**	**(11.8)**	**(4.4)**	**7.2**	**1,579.0**	**511.7**	**2,977.7**	**34.8**	**3,012.4**
Changes in cash flow hedges	-	-	-	-	(0.7)	-	-	-	-	(0.7)	-	**(0.7)**
Actuarial gain/(loss) on post-employment benefit obligations	-	-	-	-	-	0.7	-	-	-	0.7	-	**0.7**
Currency translation differences	0.0	-	-	(25.8)	-	-	-	-	-	(25.8)	(0.7)	**(26.5)**
Other comprehensive income	**0.0**	**-**	**-**	**(25.8)**	**(0.7)**	**0.7**	**-**	**-**	**-**	**(25.8)**	**(0.7)**	**(26.5)**
Net income	-	-	-	-	-	-	-	-	567.6	567.6	5.6	**573.2**
Total comprehensive income for the period	**0.0**	**-**	**-**	**(25.8)**	**(0.7)**	**0.7**	**-**	**-**	**567.6**	**541.8**	**4.9**	**546.7**
Proceeds from shares issued	-	-	-	-	-	-	-	-	-	-	-	**-**
Share-Based payments	-	-	-	-	-	-	0.5	-	-	0.5	-	**0.5**
Dividends	-	-	-	-	-	-	-	(155.6)	-	(155.6)	(5.8)	**(161.4)**
Scope changes	-	-	-	-	-	-	-	(0.0)	-	(0.0)	-	**(0.0)**
Appropriation of net income	-	-	-	-	-	-	-	511.7	(511.7)	-	-	**-**
Other	0.0	-	-	-	-	-	-	-	-	0.0	-	**0.0**
Balance as at 31 December 2017 as originally presented	**606.2**	**375.1**	**-**	**(111.1)**	**(12.5)**	**(3.7)**	**7.7**	**1,935.2**	**567.6**	**3,364.5**	**33.8**	**3,398.2**
Change in Accounting Policy*								**(17.1)**		**(17.1)**	**(0.2)**	**(17.3)**
Balance as at 1 January 2018 restated	**606.2**	**375.1**	**-**	**(111.1)**	**(12.5)**	**(3.7)**	**7.7**	**1,918.1**	**567.6**	**3,347.4**	**33.6**	**3,381.0**
Changes in cash flow hedges	-	-	-	-	(13.5)	-	-	-	-	(13.5)	-	**(13.5)**
Actuarial gain/(loss) on post-employment benefit obligations	-	-	-	-	-	0.3	-	-	-	0.3	-	**0.3**
Currency translation differences	-	-	-	(29.9)	-	-	-	-	-	(29.9)	(0.2)	**(30.1)**
Other comprehensive income	**-**	**-**	**-**	**(29.9)**	**(13.5)**	**0.3**	**-**	**-**	**-**	**(43.1)**	**(0.2)**	**(43.3)**
Net income	-	-	-	-	-	-	-	-	555.6	555.6	6.6	**562.2**
Total comprehensive income for the period	**-**	**-**	**-**	**(29.9)**	**(13.5)**	**0.3**	**-**	**-**	**555.6**	**512.5**	**6.4**	**518.9**
Proceeds from shares issued	-	-	-	-	-	-	-	-	-	-	-	**-**
Acquisition of treasury shares			(5.8)							(5.8)		**(5.8)**
Share-Based payments	-	-	-	-	-	-	1.7	-	-	1.7	-	**1.7**
Issue of treasury shares to employees												
Dividends	-	(8.1)		-	-	-	-	(214.2)	-	(222.3)	(4.6)	**(226.9)**
Scope changes	-	-	-	-	-	-	-	0.1	-	0.1	(1.1)	**(1.0)**
Appropriation of net income	-	-	-	-	-	-	-	567.6	(567.6)	-	-	**-**
Other	-	-	-	-	-	-	-		-	-		**-**
Balance as at 31 December 2018	**606.2**	**367.0**	**(5.8)**	**(141.0)**	**(26.0)**	**(3.4)**	**9.4**	**2,271.6**	**555.6**	**3,633.7**	**34.3**	**3,667.9**

* *The Impacts presented in this line arose solely from the IFRS 9 provisions related to credit risk.*

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20.1.4 Consolidated statement of cash flows

		Year ended 31 December	
(in EUR million)	**Notes**	**2018**	**2017***
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT BEFORE TAX EXCLUDING DISCONTINUED OPERATIONS		**689.1**	**713.6**
Adjustments for:			
• rental fleet	13	3,430.1	3,181.2
• other property and equipment	14	21.4	17.7
• intangible assets	14	9.7	7.3
• financial assets		-	0.0
• regulated prov., contingency and expenses provisions		3.7	11.8
Depreciation and provision		**3,464.9**	**3,217.9**
Fair value of derivative financial instruments		(6.2)	18.6
Interest Charges	7a	*234.1*	*229.6*
Interest Income		*(824.0)*	*(793.4)*
NET INTEREST INCOME	7A	**(589.9)**	**(563.8)**
Other**		0.7	(0.6)
Amounts received for disposal of rental fleet	13	2,583.7	2,513.9
Amounts paid for acquisition of rental fleet	13	(8,233.3)	(7.698.3)
Change in working capital		(44.2)	(374.2)
Interest paid		(284.7)	(251.3)
Interest received		*853.7*	*821.6*
Net interest paid		**569.0**	**570.4**
Income taxes paid		(104.4)	(148.0)
CASH GENERATED FROM OPERATIONS (CONTINUING ACTIVITIES)		**(1,670.5)**	**(1,750.4)**
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**(1,670.5)**	**(1,750.4)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of other property and equipment		-	-
Disposal of other property and equipment	14	17.8	13.7
Acquisition of other property and equipment	14	(51.8)	(50.2)
Disposal of intangible assets	14	0.0	1.2
Acquisition of intangible assets		(17.7)	(14.3)
Proceeds from sale of financial assets		-	-
Acquisition of financial assets (non-consolidated securities)		(0.0)	-
Effect of change in Group structure		(9.2)	(125.1)
Dividends received		(0.0)	0.0
Long term investment		227.9	152.0
Loans and receivables from related parties		(64.8)	1.6
Other financial investment		(28.6)	(30.1)
CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUING ACTIVITIES)		**73.7**	**(51.3)**
Cash flows from investing activities (discontinued operations)		-	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**73.7**	**(51.3)**

		Year ended 31 December	
(in EUR million)	**Notes**	**2018**	**2017***
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings from financial institutions		10,152.0	8,637.7
Repayment of borrowings from financial institutions		(10,011.3)	(7,020.7)
Proceeds from issued bonds		2,726.0	1,400.1
Repayment of issued bonds		(1,086.2)	(1,020.1)
Dividends paid to Company's shareholders	30	(222.3)	(155.6)
Dividends paid to minority interest		(4.6)	(5.8)
Increase/decrease in shareholders capital		-	-
Increase/decrease in treasury shares		(5.8)	-
Other		-	-
CASH FLOWS FROM FINANCING ACTIVITIES (CONTINUING ACTIVITIES)		**1,547.9**	**1,835.5**
Cash flows from financing activities (discontinued operations)		-	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**1,547.9**	**1,835.5**
Exchange gains/(losses) on cash and cash equivalents		**(8.7)**	**(2.3)**
Effect of change in accounting policies		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**(57.6)**	**31.5**
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	22	**6.7**	**(24.8)**
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	22	**(50.9)**	**6.7**

* *The format of our consolidated statement of cash flows ended December, 2017 has been changed to the new format to improve the understanding of the Group's operating and investing activities. This new format has been adopted for the first time in the Consolidated financial statements for the year ended 31 December, 2018 and the comparative period of year ended 31 December, 2017 has been restated accordingly to reflect the change in presentation.*

** *Including mainly the unrealised foreign exchange gains or losses (note 7.b).*

20.1.5 Notes to consolidated financial statements

NOTE 1 GENERAL INFORMATION

ALD ("the Company") and its subsidiaries (together "the Group") is a service leasing and vehicle Fleet Management group with a fleet of more than 1,663,000 vehicles. The Group provides financing and management services in 43 countries in the world including the following businesses:

- Full Service Leasing: Under a full-service lease, the client pays the leasing company a regular monthly lease payment to cover financing, depreciation of the vehicle and the cost of various services provided in relation to the use of the vehicle (such as maintenance, replacement car, tyre management, fuel cards and insurance);
- Fleet Management: Fleet Management services include the provision of outsourcing contracts to clients under which the vehicle is not owned by the Group but is managed by the Group and for which the client pays fees for the various Fleet Management services provided. These services are generally identical to those listed under the full-service leasing above, with the exception of the financing service, as the vehicle is owned by the client.

The Company is a French *Société Anonyme* incorporated in Societe Generale. Its registered office is located at 1-3 Rue Eugène et Armand Peugeot, Le Corosa, 92500 Rueil-Malmaison, France.

The Company is a subsidiary of Societe Generale (80% ownership).

The consolidated financial statements are presented in millions of Euros, which is the Group's presentation currency and values are rounded to the nearest million, unless otherwise indicated. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

These consolidated financial statements were authorised for issue by ALD SA's Board of Directors on 6 February 2019.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. All valuation methods are defined in the notes describing the relevant categories. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Presentation format of financial statements

The presentation of the consolidated statement of cash flows has been modified to a new format which is used to improve the understanding of the Group's operating and investing activities. Acquisitions and disposals of other property and equipment and intangible assets both form part of the Group's continuing investing activities and therefore should be presented alongside each other in the section cash flows from investing activities. This new format has been adopted for the first time in the consolidated financial statements for the year ended 31 December 2018 and the comparative period for the year ended 31 December 2017 has been restated accordingly to reflect this change in presentation.

2.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The standards comprise IFRS 1 to 13 and International Accounting Standards (IAS) 1 to 41, as well as the interpretations of these standards adopted by the European Union as at 31 December 2018.

2.3 Changes in accounting policies and disclosures

2.3.1 New and amended standards and Interpretations applicable as from 1 January 2018

The Group has adopted the following new standards, amendments and interpretations to published standards for the first time for the financial year beginning 1 January 2018:

Accounting standards, amendments or Interpretations	Note	Adoption dates by The European Union
IFRS 15 Revenue from Contracts with Customers	2.3.2	1 January 2018
IFRS 9 Financial Instruments	2.3.3	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advanced Considerations	2.3.4	1 January 2018
Amendments to IAS 40 Transfer of Investment Property	2.3.5	1 January 2018
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	2.3.6	1 January 2018
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	2.3.7	1 January 2018
Amendments to IAS 28 Investments in Associates and Joint Ventures	2.3.8	1 January 2018

The impact of the adoption of the standard IFRS 9 and the new accounting policies are disclosed in section 2.3.3.

The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2.3.2 Summary of IFRS 15 Accounting policy change

IFRS 15 "Revenue from contracts with customers" is applicable to reporting periods beginning on or after 1 January 2018.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

It sets out the requirements for recognising revenue that apply to all contracts with customers. To recognise revenue, the following five steps would be applied: identification of the contract with the customer, identification of the performance obligations in the contract, determination of the transaction price, allocation of the transaction price to each performance obligation and revenue recognition when a performance obligation is satisfied.

The Group has evaluated the impacts of this standard and assessed that the adoption of IFRS 15 does not impact its consolidated financial statements as revenue accounting was already in line with IFRS 15 before its application. Therefore the retrospective transition method will not require a restatement of the consolidated financial statements. Further details are explained in note 7 "Revenues and Cost of Revenues".

2.3.3 Summary of IFRS 9 Accounting policy change

The IASB has issued IFRS 9 to replace IAS 39 in its entirety. IFRS 9 includes the recognition, classification and measurement of financial assets and financial liabilities, the derecognition of financial assets and liabilities, the impairment of financial assets and general hedge accounting.

The adoption of IFRS 9 Financial instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are disclosed below as well as in note 2.10 and 2.19.

Classification and Measurement (Standard Phase 1)
Financial assets are required to be classified into three categories according to measurement methods to be applied (amortised cost, fair value through profit or loss and fair value through other comprehensive income). Classification will depend on the contractual cash flow characteristics of the instruments and the entity's business model for managing its financial instruments.

By default, derivative financial instruments will be classified as subsequently measured at fair value through profit or loss.

Debt instruments (loans, receivables and bonds) will be measured at amortised cost only if the objective of the entity (business model) is to collect the contractual cash-flows and if these cash flows consist solely of payments of principal and interest. Debt instruments will be measured at fair value through other comprehensive income (with cumulative gain or loss reclassified in profit or loss when the instruments are derecognised) if the objective of the entity (business model) is to collect the contractual cash-flows or to sell the instruments and if these contractual cash-flows consist solely of payments of principal and interest.

Equity instruments will be measured at fair value through profit or loss except in case of irrevocable election made at initial recognition for measurement at fair value through other comprehensive income (provided these financial assets are not held for trading purposes and not classified as such in financial assets measured at fair value through profit or loss) without subsequent reclassification in income.

Embedded derivatives will no longer be recognised separately when their host contracts are financial assets and the hybrid instrument in its entirety in most cases will then be measured at fair value through profit or loss.

Requirements for the classification and measurement of financial liabilities contained in IAS 39 have been incorporated into IFRS 9 without major modifications. Modification regarding financial liabilities designated at fair value through profit or loss (using fair value option) has been made where the amount of change in their fair value attributable to changes in credit risk will be recognised in other comprehensive income without subsequent reclassification into income.

Additionally, in accordance with the recommendations issued by the market authorities (ESMA and AMF), the Group elected to early apply, at 1 January 2018, the amendment to IFRS 9 "Prepayment features with negative compensation", published by the IASB on 12 October 2017 and adopted by the European Union on 22 March 2018.

According to this amendment, financial assets, having a clause of prepayment with negative compensation, can now be classified as SPPI and measured at amortised cost if the business model is hold to collect.

At 31 December 2018 ALD Group holds long-term deposits at Societe Generale in amount of EUR 710.5 million (2017: EUR 939 million) that according to the above amendment are classified as SPPI and measured at amortised cost instead of fair value.

IFRS 9 also lays down the principles for recognising renegotiations of financial liabilities that do not result in derecognition.

ALD has performed a business analysis on all relevant categories of financial assets and the conclusion is that there is no material impact of IFRS 9.

The majority of financial assets held by ALD are classified in the "Loans and receivables" category under IAS 39 (*e.g.* long-term investments, receivables under finance lease contracts, receivables from credit institutions, trade receivables and short-term deposits). These assets will be almost entirely reclassified in the IFRS 9 category of "Financial assets measured at amortised cost", in accordance with the business model under which they are held. Any exposures that do not pass the SPPI test will be an exception to the above rule, and will necessarily be reclassified in the portfolio of "Financial assets that must be measured at fair value through profit or loss".

The following table presents reconciliation from the carrying amount of financial assets and liabilities under IAS 39 to the carrying amount under IFRS 9 on 1 January 2018.

(In EUR million)	IAS 39 Carrying amount as at 31 December 2017	Reclassification	Revaluation	IFRS 9 Carrying amount as at 1 January 2018
Receivables from clients and financial institutions	1,438.0	-	(22.5)	1,415.4
Financial assets	-	-	-	-
TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST	**1,438.0**	**-**	**(22.5)**	**1,415.4**
Derivative financial instruments	28.8	-	-	28.8
Other financial assets	1,147.3	-	-	1,147.3
Cash and cash equivalents	194.6	-	-	194.6
TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,370.6**	**-**	**-**	**1,370.6**
Bank borrowings	11,849.4	-	-	11,849.4
Bonds issued	3,280.3	-	-	3,280.3
Trade payables	738.3	-	-	378.3
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**15,868.1**	**-**	**-**	**15,868.1**
Derivative financial instruments	26.4	-	-	26.4
TOTAL FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**26.4**	**-**	**-**	**26.4**

ALD Re DAC – Ireland, the Group's insurance subsidiary, is excluded from this analysis following the decision to postpone IFRS 9 application for insurance companies until 2021. This decision taken by Societe Generale is in line with European Commission regulation stipulating that "The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to report under the existing standard, International Accounting Standard (IAS) 39, Financial Instruments. The amendments to IFRS 4 also permit entities that implement IFRS 9 to remove from profit or loss some of the additional accounting mismatches and temporary volatility that could occur before IFRS 17 is implemented."

Credit risk (Standard Phase 2)

All debt instruments classified as financial assets measured at amortised cost or at fair value through other comprehensive income, as well as trade receivables, contract assets, lease receivables, loan commitments and issued financial guarantee contracts, are systematically subject to impairment or provision for expected credit losses (ECL) upon initial recognition of the financial asset or commitment, without waiting for objective evidence of impairment to occur.

The IFRS 9 general approach to recognising impairment is based on a three-stage process which is intended to reflect the deterioration in credit quality of a financial instrument.

There are two exceptions to the general approach:

- a simplified approach for trade receivables and lease receivables;
- a simplified approach for purchased or originated credit-impaired financial assets.

For trade receivables or lease receivables without a significant financing component the standard allows a simplified approach, where lifetime expected credit losses are recognised. If there is a significant financing component then there is an accounting policy choice for which model to use.

IFRS 9 does not prescribe how an entity should estimate lifetime expected credit losses when applying the simplified model, and permits the use of measures such as a 'provision matrix'.

For not in default trade receivables and finance lease receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, and is measured based on a provision matrix for receivables associated with Sound customers. The Group continues to apply the Basel II regulations for customer in default. Full disclosure of the methodology for default customer provisions can be found in note 3.1.1.

ALD has chosen to apply the simplified methodology, and uses lifetime expected credit loss measurement based on a provision matrix. The provision matrix is based on observed default rates over the life of the receivables (the average contract length in each entity). This process results in Probability of Default (PD), or provision, rates for each category of aged receivables. The PD rates are applied to the aged receivables each reporting period to arrive at a total provision. The provision matrix can be found in note 3.1.1.

The final provision is also adjusted to consider Loss Given Default (LGD) specific to the entity, and types of customer which have different risk profiles.

For the newly set-up or acquired subsidiaries, by definition, limited statistics are available, and the weight of the exposure of these new countries is not material. Therefore, PD rates of similar/neighbouring entities shall be applied.

ALD considers some specific receivable types, which have zero or almost no history of credit risk, as out of scope from the IFRS 9 calculation. These include receivables on used car sales and insurance receivables, which have been reviewed for credit losses and found to be of a different risk nature to the Group's main lease receivables. For this reason, trade receivables will not match the scope of receivables analysed in the IFRS 9 disclosures. These gaps will be identified where they exist. Analysis of receivables as defined by the simplified approach can be found in note 3.1.1.

Note 3.1.1 provides a reconciliation between IAS 39 and IFRS 9 and post transition disclosure notes.

Hedge accounting (Standard Phase 3)

Phase 3 of the new IFRS 9 standard will align hedge accounting more closely with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The standard extends the scope of non-derivative financial instruments that could be considered as hedging instruments. Similarly, the scope of items that could be considered as hedged items is increased to include components of non-financial items. The standard also amends the approach for assessing hedge effectiveness. Additional disclosures are required to explain both the effect that hedge accounting has had on the financial statements and the entity's risk management strategy.

The publication of IFRS 9 was accompanied with an update of IFRS 7 (financial instrument disclosures). Disclosures relating to hedging were significantly enriched.

The application of IFRS 9, Phases 1 and 2 are mandatory from 1 January 2018 and Phase 3 application is optional. ALD has elected not to apply hedge accounting in accordance with IFRS 9 Phase 3. Instead, it will continue to apply IAS 39 hedge accounting principles.

Further details are provided in note 17 "Derivative Financial Instruments".

Impact of IFRS 9 adoption

IFRS 9 is effective from 1 January 2018. This has not been applied to previous periods and ALD will not restate comparative figures for prior periods. Consequently, as far as financial instruments are concerned, comparative figures for 2017 that will be provided with figures related to 2018 in consolidated financial statements will remain as determined according to IAS 39. Any change in asset or liability value due to the first-time application of IFRS 9 at 1 January 2018 is recognised directly in equity on that date.

IFRS 9 provisions with respect to the changes in fair value of financial liabilities designated at fair value through profit or loss were not early adopted.

The market authorities (ESMA and AMF), issued recommendations to early apply, at 1 January 2018, the amendment to IFRS 9 “Prepayment features with negative compensation”, published by the IASB on 12 October 2017 and adopted by the European Union on 22 March 2018. According to this amendment, financial assets, having a clause of prepayment with negative compensation, can now be classified as SPPI and measured at amortised cost if the business model is hold to collect.

At 31 December 2018 ALD Group holds long-term deposits at Societe Generale in amount of EUR 710.5 million (2017: EUR 939 million) that according to the above amendment are classified as SPPI and measured at amortised cost instead of fair value.

2.3.3.1 Impact of IFRS 9 on the Balance Sheet as at 1 January 2018

The following information presents the Consolidated Balance Sheet impacts as at 1 January 2018. The impacts presented in this table arose solely from the IFRS 9 provisions related to credit risk. Please note, there have been changes to the amounts communicated as at 30 June 2018. The adjustments relate to additional provisioning on the remaining capital balances within finance lease receivables.

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(in EUR million)	Notes	31 December 2017	IFRS 9 First Time Application	1 January 2018
ASSETS				
Rental fleet		16,336.1	-	16,336.1
Other property and equipment		94.4	-	94.4
Goodwill		528.8	-	528.8
Other intangible assets		34.4	-	34.4
Investments in associates and jointly controlled entities		6.8	(0.6) (1)	6.1
Derivative financial instruments		17.8	-	17.8
Deferred tax assets		142.4	5.5 (2)	147.9
Other non-current financial assets		830.5	-	830.5
Non-current assets		**17,991.2**	**4.9**	**17,996.1**
Inventories		254.8	-	254.8
Receivables from clients and financial institutions	3.1.1, 20	1,438	(22.5) (3)	1,415.5
Current income tax receivable		111.2	-	111.2
Other receivables and prepayments		904.6	-	904.6
Derivative financial instruments		11.0	-	11.0
Other current financial assets		316.8	-	316.8
Cash and cash equivalents		194.6	-	194.6
Current assets		**3,230.9**	**(22.5)**	**3,208.4**
TOTAL ASSETS		**21,222.2**	**(17.6)**	**21,204.6**
EQUITY AND LIABILITIES				-
Share capital		606.2	-	606.2
Share premium		375.1	-	375.1
Retained earnings and other reserves		1,815.6	(17.1) (4)	1,798.5
Net income		567.6	-	567.6
Equity attributable to owners of the parent		**3,364.5**	**(17.1)**	**3,347.4**
Non-controlling interests		33.8	(0.2) (5)	33.6
Total equity		**3,398.2**	**(17.3)**	**3,381.0**
Borrowings from financial institutions		7,660.9	-	7,660.9
Bonds and notes issued		2,282.4	-	2,282.4
Derivative financial instruments		16.6	-	16.6
Deferred tax liabilities		242.2	(0.3) (6)	241.9
Retirement benefit obligations and long term benefits		19.1	-	19.1
Provisions		96.5	-	96.5
Non-current liabilities		**10,317.7**	**(0.3)**	**10,317.4**
Borrowings from financial institutions		4,188.6	-	4,188.6
Bonds and notes issued		997.9	-	997.9
Funds entrusted				-
Trade and other payables		2,061.2	-	2,061.2
Derivative financial instruments		9.8	-	9.8
Current income tax liabilities		90.1	-	90.1
Provisions		158.7	-	158.7
Current liabilities		**7,506.3**	**-**	**7,506.3**
TOTAL LIABILITIES		**17,823.9**	**(0.3)**	**17,823.6**
TOTAL EQUITY AND LIABILITIES		**21,222.2**	**(17.6)**	**21,204.6**

(1) Investments in associates and jointly controlled entities – the implementation of the impairment provision in line with IFRS 9 in the financial statements of the associates results in a reduction in investment in associates.

(2) Deferred tax assets – the implementation of the impairment provision in line with IFRS 9 generates an additional deferred tax asset.

(3) Receivables from clients and financial institutions – Impairment provision recognised in line with IFRS 9 for the first time application which adjusts the carrying amount of the receivables.

(4) Retained earnings and other reserves – Share of the net impact of the impairment provision and associated deferred tax attributed to the owners of the parent is recognised in the retained earnings for the first time application (as presented in the Interim Condensed Consolidated Statement of Changes in Equity).

(5) Non-controlling interests – Share of the net impact of the impairment provision and associated deferred tax attributed to the non-controlling interests (as presented in the Interim Condensed Consolidated Statement of Changes in Equity).

(6) Deferred tax liabilities – See footnote 2 above. In entities where there was no existing tax asset at 31 December 2017 the deferred tax liability is reduced for the first time application.

2.3.3.2 Reconciliation of the allowances for credit losses amounts established in accordance with IAS 39 as at 31 December 2017 with those established in accordance with IFRS 9 as at 1 January 2018

(In EUR million)	IAS 39 Carrying amount as at 31 December 2017	Revaluation	IFRS 9 Carrying amount as at 1 January 2018
Trade receivables and receivables from financial institutions held to maturity under IAS 39 / Financial assets at amortised cost under IFRS 9	1,438.0	(22.5)	1,415.4
TOTAL	**1,438.0**	**(22.5)**	**1,415.4**

Note 3.1.1 provides more details on the reconciliation between IAS 39 and IFRS 9 and post transition disclosure notes.

2.3.4 IFRIC Interpretation 22 Foreign currency transactions and advance considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The impact of the Interpretation is immaterial for the Group.

2.3.5. Amendments to IAS 40 Transfers of investment property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not apply for the Group.

2.3.6. Amendments to IFRS 2 Classification and measurement of share-based payment transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. These amendments do not apply for the Group.

2.3.7. Amendments to IFRS 4 Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The impact of the amendments is immaterial for the Group.

2.3.8. Amendments to IAS 28 Investments in associates and joint ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The impact of the amendments is immaterial for the Group.

2.3.9. Standards and Interpretations adopted by the IASB but not yet applicable at 31 December 2018

A number of new standards and amendments to standards and interpretations are non-effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

IFRS 16 "Leases", Applicable to annual reporting periods beginning on or after 1 January 2019

IFRS 16 was issued in January 2016. It specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.

The accounting for lessors will not significantly change.

As at the reporting date, the Group has non-cancellable operating lease commitments. Most of these commitments involve building leases contracted for the lease of commercial and office space. For a majority of such lease agreements, the Group will be required to recognise a right-of-use asset in its balance sheet representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The initial amount of the liability is equal to the discounted value of the rental payments that will be payable over the lease period. This lease liability is then measured at the amortised cost using the effective interest rate method: part of each rental payment will then be booked as interest expenses in the income statement, and part will be gradually deducted from the lease liability on the balance sheet. The amount of the lease liability may be adjusted later if the lease is amended, the lease period is re- estimated, or to account for contractual changes in the rental payments related to the application of indices or rates. Where applicable, the Group will also recognise a provision in its liabilities to cover the costs of restoring the leased asset that would be assumed when the lease ends.

The implicit contract rates are not generally known nor easily determined, specifically for building leases. Therefore, the Group has decided to use the lessees' incremental borrowing rate to discount the rental payments as well as the amount of lease liabilities. The incremental borrowing rate is set by the lessee entity, not by the Group, in consideration of the borrowing terms and that entity's credit risk. The discount rates to be used by the Group shall be set according to the currency and country of location of the lessee entities.

In its income statement, the Group will recognise the depreciation of the right-of-use assets (in operating expenses) and the interest expense on lease liabilities (in gross operating income).

The above mentioned commitments also include short-term leases and low value leases which will be both recognised on a straight line basis as expense in income statement. Short-term leases are those with the term of less than one year including renewal option. Low value leases include small equipment and items of office furniture. The Group will adhere to the IASB guideline thresholds in relation to low value leases. Furthermore, the Group has considered the possibility to exclude other lease agreements provided the effect of these exclusions will remain immaterial with regards to its financial statements.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Identification and analysis of the lease contracts were approved by the Group by 31 December 2018. The entry of outstanding leases at 1 January 2019 into the lease databases and their release into the calculation tool to determine the final amount of the lease liability and rights-to-use as of the first-time application date will be finalised during the first half of 2019.

At the date of approval of these consolidated financial statements by the Board of Directors, the Group estimates that the first application of IFRS 16 will lead to the recognition of a lease liability and a right-of-use asset for an amount which is below 1% of the Group's total assets.

The Group does not anticipate any significant accounting changes as a lessor.

IFRIC 23 – Uncertainty over income tax treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- it should be assumed that a tax authority will examine the uncertain tax treatments and have full knowledge of all related information;
- effect of the uncertainty in income tax accounting should be reflected when it is not probable that the tax authority will accept the treatment;
- the uncertainty should be measured using either the most likely amount or the expected value method, depending which method better predicts the resolution of the uncertainty;
- the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group is not required to make any new disclosures and will continue providing information about judgements and estimates in preparing the financial statements.

2.4 Consolidation

All Group entities are included within the scope, as described in note 36 “Scope of consolidation”. Changes to the scope are presented in note 6 “Change in the scope of consolidation in the year ended 31 December 2018”.

2.4.1 Subsidiaries

Subsidiaries are all entities over which the Group has a controlling interest. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the company acquired and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date in accordance with IFRS 3. The Group recognises any non-controlling interest in the company acquired on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group’s accounting policies.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognised directly in equity. Changes in the parent company’s ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

2.4.2 Associates

Associates are all entities over which the Company has significant influence, but not control. The Company accounts for its investment in associates using the equity method. The Company’s share of profits or losses of associates is recognised in the consolidated statement of income and its share of other comprehensive income (loss) of associates is included in other comprehensive income.

Unrealised gains on transactions between the Company and an associate are eliminated to the extent of the Company’s interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognised in the consolidated statement of income.

Further details are provided in note 16 “Investments in associates”.

2.4.3 Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures are modified where necessary to ensure consistency with the policies adopted by the Group.

2.4.4 Special purpose companies

The asset-backed securitisation programme (described in note 3 “Financial Risk Management”) involved the sale of future lease receivables and related residual value receivables to special purpose companies. Special purpose companies are companies created to accomplish a narrow and well-defined objective, such as the securitisation of leased assets.

The financial statements of special purpose companies are included in the Group’s consolidated financial statements where the substance of the relationship is that the Group continues to be exposed to risks and rewards from the securitised leased assets. The Group uses various legal entities, which have been incorporated specifically for the Group’s securitisation transactions, and these companies are therefore regarded as subsidiaries and included in the consolidated financial statements of the Group.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in millions of euros, which is the Group’s presentation currency and it has been rounded to the nearest million, unless otherwise indicated. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within “Interest income or charges”. All other foreign exchange gains and losses are presented in the income statement within “Leasing contract margin”.

2.5.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at weighted-average annual exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in comprehensive income.

The main exchange rates used in the consolidated financial statements for the years ended 31 December 2018 and 31 December 2017 are based on Paris stock exchange rates and are as follows:

	31 December 2018		31 December 2017	
	Period-end Rate	Average Rate	Period-end Rate	Average Rate
EUR/UK Pound	0.8945	0.8847	0.8872	0.8761
EUR/Danish Krone	7.4673	7.4532	7.4449	7.4387
EUR/Swedish Krona	10.2548	10.2569	9.8438	9.6369

2.6. Lease operations

2.6.1 Operating lease portfolio

Operating lease portfolio comprises cars leased under operating lease contracts. A lease is classified as an operating lease if the Group retains substantially all the risks and rewards incidental to ownership of the underlying asset.

The cost of the operating lease cars comprise their purchase price and any incremental and directly attributable costs of bringing the assets held for use in operating leases to working condition for its intended use. Import duties and non-refundable purchase taxes are included in the purchase price and any trade discounts are deducted when calculating the purchase price. Furthermore, lease incentives and volume bonuses are also taken into account and depreciated over the expected lease term. The carrying amount of the Operating lease portfolio is presented in the category ‘Rental Fleet’ on the balance sheet. The depreciation policy relating to these assets is detailed in section 2.7.2 “Property and equipment under operating lease and rental fleet”.

The operating lease instalments are fully recognised on a straight-line basis over the lease term, normally 3 to 4 years duration, with the exception of that portion considered to be service income. The instalments are classified and presented in the following categories in the income statement: (i) Leasing contract revenues; and (ii) Services revenues. Further details are provided in Note 2.7.2 “Property and equipment under operating lease and rental fleet”.

2.6.2 Finance lease portfolio

Car leases where substantially all the risks and rewards incident to ownership of an asset are transferred by the Group to the lessee are classified as finance lease receivables. These contracts are recognised as financial assets at an amount equal to the present value of the minimum lease payments (including guaranteed residual value) and the unguaranteed residual value accruing to the Group, after deduction of provisions deemed necessary in respect of bad and doubtful debts and any accumulated impairment losses. Initial direct costs are included in the initial measurement of the finance lease receivables. The assets are presented within the category “Receivables from clients and financial institutions” on the balance sheet.

The finance lease instalments can comprise various components each having its own revenue recognition. The instalments are classified and presented in the following categories in the income statement: (i) interest income from finance lease (the difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest method); and (ii) revenues (to the extent that services are included in the lease).

2.6.3 Fleet Management services

These services include arranging for vehicle delivery and administration of the title and registration process, as well as tax and insurance requirements, ensuring maintenance of the vehicle, pursuing warranty claims, providing fleet policy analysis and recommendations, benchmarking, and providing vehicle recommendations. Vehicles classified under this category are featured within the Off-Balance Sheet fleet and their related revenue is recognised within the Services revenue line.

2.7 Property and equipment

2.7.1 Other property and equipment

Other property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- property: 30-50 years;
- furniture and fixtures: 3-12 years;
- hardware: 3-5 years;
- Company cars: 3-4 years.

The Company allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognised when replaced. Residual values, method of amortisation and useful lives of the assets are reviewed annually and adjusted if appropriate. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

2.7.2 Property and equipment under operating lease and rental fleet

This asset category includes mainly vehicles leased to third parties, but also include other properties owned by the Group (although not significant).

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. Vehicles are capitalised based on (i) the acquisition price, (ii) all expenditures for items owned by the Company and considered a permanent addition to the vehicle (*e.g.* radios, anti-theft devices, etc.) at the time of contract commencement, (iii) initial external direct costs including commissions and legal fees and (iv) delivery cost where material.

The assets subject to operating leases are presented in the balance sheet according to the nature of the asset. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between 3 to 5 years.

The assets’ residual values are reviewed and adjusted, if appropriate, at each balance sheet date.

Upon termination of the lease or rental contract the relevant assets are reclassified to the caption “Inventories” at their carrying amount, as per IAS 16 paragraph 68A recommendations. The assets’ residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

2.8 Intangible assets

2.8.1 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquirer. Goodwill is measured at cost less any accumulated impairment losses. When the excess is negative (negative goodwill), it is recognised immediately in the statement of income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, which is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored as follows:

- at a subsidiary level for all significant and independent countries; In these countries, the activity of the subsidiary is driven independently, either because the market is specific or because the organisation has been built in order to drive the business on a standalone basis, helped with the technical support of the central functions of the headquarter; this is the case for most of the large subsidiaries in Europe (such as France, UK and Germany) and some medium and small subsidiaries in Asia;
- at an aggregated level ("hubs") when internal management reporting is organised to measure performance (and prepare business plans) at a higher level (group of CGUs). The Group identified the 7 following hubs:
  - Benelux Hub: Belgium, Luxembourg, Netherlands,
  - Nordics Hub: Denmark, Finland, Norway, Sweden,
  - Central Europe Hub: Austria, Croatia, Czech Republic, Hungary, Serbia, Slovenia, Slovakia, Switzerland,
  - North Eastern Europe Hub: Estonia, Latvia, Lithuania, Poland, Russia, Ukraine,
  - South Eastern Europe Hub: Bulgaria, Greece, Romania, Turkey,
  - Mediterranean Hub: Algeria, Morocco, Portugal,
  - South America, Africa and Asia: Brazil, Mexico, Chile, Peru, Colombia.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Further details are provided in note 4.1 "Estimated impairment of Goodwill".

2.8.2 Other intangible assets

Internal software development costs are capitalised during the application development stage. The costs capitalised relate to external direct costs of materials and services and employee costs related to the time spent on the project during the capitalisation period. Capitalised software is evaluated for impairment annually or when changing circumstances indicate that amounts capitalised may be impaired. Impaired items are written down to their estimated fair values at the date of evaluation. Internally developed software is normally depreciated over its useful life, generally 3 to 5 years; however in some instances this can be longer.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

Further details are presented in note 13 "Rental fleet".

2.10 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

The Group does not own any non-current assets held for sale for the year ended 31 December 2018.

2.11 Financial assets

2.11.1 Accounting policies applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measuring categories:

(a) those to be measured subsequently at fair value through profit or loss;

(b) those to be measured subsequently at fair value through other comprehensive income; and

(c) those to be measured at amortised cost.

By default, derivative financial instruments will be classified as subsequently measured at fair value through profit or loss.

Recognition and measurement

From 1 January 2018 regular way purchases and sales of financial assets are recognised on a trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Debt instruments (loans, receivables and bonds) will be measured at amortised cost only if the objective of the entity (business model) is to collect the contractual cash-flows and if these cash flows consist solely of payments of principal and interest. Debt instruments will be measured at fair value through other comprehensive income (with cumulative gain or loss reclassified in profit or loss when the instruments are derecognised) if the objective of the entity (business model) is to collect the contractual cash-flows or to sell the instruments and if these contractual cash-flows consist solely of payments of principal and interest (SPPI).

Equity instruments will be measured at fair value through profit or loss except in case of irrevocable election made at initial recognition for measurement at fair value through other comprehensive income (provided these financial assets are not held for trading purposes and not classified as such in financial assets measured at fair value through profit or loss) without subsequent reclassification in income.

Embedded derivatives will no longer be recognised separately when their host contracts are financial assets and the hybrid instrument in its entirety in most cases will then be measured at fair value through profit or loss.

Additionally, in accordance with the recommendations issued by the market authorities (ESMA and AMF), the Group elected to early apply, at 1 January 2018, the amendment to IFRS 9 “Prepayment features with negative compensation”, published by the IASB on 12 October 2017 and adopted by the European Union on 22 March 2018. According to this amendment, financial assets, having a clause of prepayment with negative compensation, can now be classified as SPPI and measured at amortised cost if the business model is hold to collect.

Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. For trade and finance lease receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1.1 for further details.

The Group has chosen to apply IFRS 9 under the modified retrospective method and comparative information will not be restated. As a result, the comparative information provided continues to be accounted for in accordance with the Group’s previous accounting policy.

2.11.2 Accounting policies applied until 31 December 2017

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss were financial assets held for trading. A financial asset were classified in this category if acquired principally for the purpose of selling in the short term. Derivatives were also categorised as held for trading unless they were designated as hedges. Assets in this category were classified as current assets if expected to be settled within 12 months; otherwise, they were classified as non-current.

(b) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for maturities greater than 12 months after the end of the reporting period. These were classified as non-current assets. The Group’s loans and receivables comprise “receivables from financial institutions”, “receivables from clients” and “cash and cash equivalents” in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either designated in this category or not classified in any of the other categories. They were included in non-current assets unless the investment matured or management intended to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets were recognised on the trade-date – the date on which the Group committed to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses were initially recognised at fair value, and transaction costs were expensed in the income statement. Financial assets were derecognised when the rights to receive cash flows from the investments had expired or had been transferred and the Group had transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss were subsequently carried at fair value. Loans and receivables were subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category were presented in the income statement within "unrealised gains/losses on financial instruments" in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale were recognised in other comprehensive income.

Impairment of financial assets

a) Assets carried at amortised cost

Until 31 December 2017 the Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or Group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

For loans and receivables category (including lease receivables), the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the income statement and was separately disclosed as part of net operating and finance income.

b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognised in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortised cost and available-for-sale financial instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised. Impairment losses on available-for-sale equity instruments are not reversed.

2.12 Derivative financial instruments and hedging activities

Additional details are provided in note 17 "Derivative financial instruments".

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 23. Movements on the hedging reserve in other comprehensive income are shown in consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group designates certain derivatives as either:

(a) Fair value hedge: hedges of the fair value of recognised assets or liabilities or a firm commitment.

    Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to fair value hedges is recognised in the income statement within "unrealised gains/losses on financial instruments".

    If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

No fair value hedge instruments have been recorded by the Group for the year ended 31 December 2018;

(b) Cash flow hedge: hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "unrealised gains/losses on financial instruments".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement;

(c) Derivatives: Changes in the fair value of derivatives that are not designated as a hedging instrument are recognised immediately in the income statement in the caption "Unrealised gains/(losses) on financial instruments".

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Upon termination of the lease or rental contract the relevant assets are reclassified from the caption "Rental fleet" to the caption "Inventories" at their carrying amount. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Receivables from clients and financial institutions

This caption includes:

- lease instalments receivable from the finance and operating lease portfolio, from the rental portfolio and receivables arising from other business activities;
- amounts receivable from French and foreign credit institutions with fixed or determinable payments.

These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

2.15 Other receivables and prepayments

Other receivables and prepayments include prepayments in respect of expenses attributable to a subsequent period plus amounts still to be received.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The short-term characteristic of a cash equivalent is generally taken as a term of three months or less from the date of acquisition.

2.17 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

2.17.1 Pension obligations

Group companies operate various pension schemes. The Group has both defined benefit plans and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Further details are provided in note 27 “Retirement benefit obligations and long term benefits”.

2.17.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.17.3 Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Damage risk provision

The Group provides customers with an own damage and repair cover in exchange of the payment of a monthly premium. Own damage revenues are recorded in the caption “Revenues”. Further details are provided in note 7 “Revenues and cost of revenues”.

In parallel, the Group calculates the own damage reserve based on two elements:

(i) Open claims reserve: this reserve corresponds to the amount required to meet the costs of future claims, net of recoverable amounts, which have already occurred and been reported. This reserve is determined as follows: an average cost is calculated on the basis of the incident type and past experience;

(ii) Allowance for losses incurred but not yet reported (IBNR): the IBNR is determined based on the average delay between an incident occurring and the claim being reported, average claim frequency and the average cost per claim for the 12 previous months.

At the end of each month, the Group performs an adequacy test in respect of the level of the own damage reserve. In the event that the level of the reserve falls below the amount of open claims reserve plus IBNR, as determined above, then an immediate adjustment is made to adjust the reserve at this level. Open claims remain open so long as it is reasonably considered that the claim will be payable.

Where there is a stop-loss policy in place, limiting the risk of losses above a set level, open claims plus IBNR are booked only up to the level of the stop-loss. Beyond that level, all claims are debited to the reinsurance provider of the stop-loss cover. Any stop-loss cover on individual incidents is also taken into account in evaluation of claims plus IBNR. Gross claim costs are reduced to the level of cap per incident. Even where stop-loss cover is in place, if total claims are anticipated to be below the level of premium and stop-loss cover, then profit is booked in the normal way.

2.19 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings, bonds and notes issued

Interest-bearing loans and borrowings are the Group's sources of debt funding and relate to borrowings from financial institutions, funds entrusted and bonds issued. Interest-bearing loans and borrowings are recognised initially at fair value plus any transaction costs attributable to these loans. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at their amortised cost using the effective interest method. Any difference between cost and redemption value is recognised in the income statement over the term of the loans and borrowings.

Requirements for the classification and measurement of financial liabilities contained in IAS 39 have been incorporated into IFRS 9 without major modifications. Modification regarding financial liabilities designated at fair value through profit or loss (using fair value option) has been made where the amount of change in their fair value attributable to changes in credit risk will be recognised in other comprehensive income without subsequent reclassification into income.

2.21 Current income and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Revenue recognition

As part of the implementation of IFRS 15, the Group revisited their accounting principles and valuation methods and concluded that the Group is compliant with the new standard requirements. The 5 steps process required by the standard may be summarised as follows:

- Step 1: Identify the contract with customers

  Each contract between the Group and the lessee is clearly identified.

- Step 2: Identify the performance obligations in the contract

  Revenues include the various components of the lease instalment, such as repair, maintenance and tyres, damage risk retention and depreciation. The interest portion of the lease instalment is classified under the caption "Leasing contract revenues", using the effective interest method.

  The different services offered by the Group are considered as distinct as they are sold separately and they are separately disclosed in the contract. Each service is priced separately and each contract is built with a basic service and additional options which could be elected by the customer.

- Step 3: Determination of transaction price

  Transaction price is easily determined as there the Group has no variable consideration at closing of the contract.

- Step 4: Allocation of transaction price

  The Group allocates transaction prices by estimating standalone selling prices of each performance obligation as each service rendered to the customer has a separate price.

- Step 5: Recognise revenue when (or as) a performance obligation is satisfied

All services provided by the Group are considered as performance obligations satisfied over time as customers simultaneously receive and consume all of the benefits provided by the Company. The Group measures its progress toward completion as follows:

(a) Operating leases

Regarding operating leases, lease rental revenue is recognised on a straight-line basis over the lease term, based on the total of the contractual payments divided by the number of months of the lease term;

(b) Finance leases

Regarding finance leases, the earnings are allocated between the capital amount and finance income. The capital amount is used to reduce the receivable balance and the income is recognised in the profit and loss in each period so as to give a constant periodic rate of return on the net investment in the lease. The Group uses the net investment method to allocate gross earnings, which excludes the effect of cash flows arising from taxes and financing relating to a lease transaction. In addition:

(i) the amount due from the lessee under a finance lease is recognised in the balance sheet as a receivable at an amount equal to the net investment in the lease. Over the lease term, rentals are apportioned between a reduction in the net investment in the lease and finance income. The net investment in a lease is equivalent to the gross investment discounted at the interest rate implicit in the lease,

(ii) at any point in time during the lease term, the net investment is represented by the remaining minimum lease payments, less that part of the minimum lease payments that is attributable to interest;

(c) Other operating revenue for services

(i) *Proceeds of cars sold*: Revenues also include the proceeds of the sale of vehicles from terminated lease contracts and rental revenues from end of contract billing such as repair costs recharged to the customer. The proceeds from the sale of vehicles are recognised when the vehicles are sold,

(ii) *Intermediation fees*: In some instances of service provision, an entity of the Group may be acting as an intermediary between a customer and a third party. Examples of such services include the provision of fuel cards, road taxes, the re-bill of maintenance charges to customers who have chosen not to include maintenance in their leasing contracts, etc. Since no value is added by the Group, they are therefore not presented as revenues,

(iii) *Informal extensions*: where a customer retains the car for a period beyond the normal return date (informal extension), the rent continues to be charged to the customer and the related contractual depreciation will continue to be recognised,

(iv) *Up Front payments*: Regarding operating leases, where significant up front ("balloon") payments (greater than 10% of list price of vehicle) are made by customers at the beginning of the lease agreement, the related revenues are recognised in the balance sheet and amortised on a straight-line basis over the period of the lease agreement. Regarding finance leases, upfront payments and initial direct costs are taken into consideration in calculating the implicit interest rate in the lease and recognised evenly over the life of the lease as an adjustment of yield,

(v) *Lease incentives*: where incentives are provided to the lessee when negotiating a new or renewed lease (*e.g.* upfront cash payments to the lessee, reimbursement or absorption of costs by the lessor or free or reduced rents given at the beginning of the lease term), such incentives are recognised as a reduction of rental income over the lease term on a straight line basis,

(vi) *Interest on Late Payment*: Where interest on late payment is billed to customers, the related revenue is only recognised when settlements are made by customers,

(vii) *Lease Deposits*: Lease payment advances received in the form of deposits are held on the Balance Sheet and released in accordance with the relevant contractual agreements,

(viii) *Maintenance*: In order to recognise revenue in a pattern that reflects the transfer of control of the services provided, maintenance and tyre income is recognised in line with the normal maintenance cost profile; the resulting 'cost curves' are reviewed periodically in order to match local actual historical maintenance expenditures with the expected cost profiles. As a result of application of this policy, the deferred maintenance revenue is recognised in a maintenance income reserve during the early part of the contract, and released from this reserve during the latter part. Maintenance profit or loss on the contract will be recognised during the life of the contract. The monthly profit and loss result will be the difference between the profiled revenue and actual costs.

2.23 Cost of services revenues

Cost of revenues comprises the cost associated with providing the above-mentioned service components of the lease instalment (including: vehicle maintenance, replacement and winter tyres, insurance premiums, accident repair and the provision of short term replacement vehicles).

2.24 Interest income and interest charges

Interest income, interest charges and similar charges for all interest-bearing assets and liabilities are recognised in the income statement on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

The interest income component in operating lease instalments, which is charged on a straight-line basis to the client, is recognised in the "Leasing contract revenue – operating lease" based on the effective interest method in interest income using the interest rate included in the lease contract and based on the net investment value of the leased asset.

Interest income on finance lease contracts is recognised in the income statement on the basis of accruing interest income on the net investment (using the effective interest method). The receipts under the lease are allocated by the lessor between reducing the net investment and recognising interest income, so as to produce a constant rate of return on the net investment.

2.25 General and administrative expenses

This item includes office overheads, automation costs, advertising costs, professional fees and other general expenses.

2.26 Share-based payments

Share-based compensation benefits are provided to employees *via* the ALD long-term incentive plans, employee share schemes. Information relating to these schemes is set out in note 25.

The fair value of shares granted under the ALD long-term incentive plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted. The total expense is recognised over the vesting period, which is the period when all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

NOTE 3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

3.1.1 Credit risk

The credit risk is the risk of losses arising from the inability of the Group's customers to meet their financial commitments. Credit risk includes the counterparty risk. In addition, credit risk may be further amplified by concentration risk, which arises from a large exposure to a given risk, to one or a few counterparties.

Credit risk management policy
Credit risk is the risk that a customer is not able to fulfil its financial obligations towards ALD. All ALD entities have to comply with risk procedures issued centrally which define the way credit requests have to be studied and validated, as well as the roles and responsibilities of all staff involved in the credit vetting process. Each subsidiary has a specific credit authority approved by ALD General Management and the Risk Department of Societe Generale, and determined according to the size of the fleet, the maturity of the subsidiary and the type of customer concerned (corporate, retail, financial institution etc.). Within its credit limit, each subsidiary can decide directly on its counterparty risk. Above this threshold, credit acceptance is made at central level jointly with the Risk Department of Societe Generale.

Regular Risk Committees are held by ALD in order to review all potential risk issues and to ensure the credit risk procedures are properly applied. All standard risk indicators (arrears/default/cost of risk) are also monitored centrally. All ALD entities are applying the same process locally.

The primary responsibility for debt collection remains under the direct responsibility of ALD's subsidiaries with dedicated teams in charge of recovering unpaid invoices in compliance with local regulations and market practices. Local processes need, however, to be compliant with the corporate instructions and guidelines distributed to the whole network. Central monitoring of all ageing balances is performed on a monthly basis as part of the regular risk reviews, and actions plans are set up whenever necessary under the supervision of the Country Manager.

Impairment charges on receivables (cost of risk) has historically remained very low due to the nature of the products proposed by ALD, a strict control of the risk assessment process and a very diversified customer portfolio.

Credit risk measurement
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and lease receivables.

The below table presents analysis of receivables which are in and out of scope of the simplified approach of IFRS 9 for sound customers.

	As at 31 December 2018			As at 1 January 2018		
(in EUR million)	**Within scope**	**Outside scope**	**Total**	**Within scope**	**Outside scope**	**Total**
Amounts receivable under finance lease contracts	679.9*	7.4**	687.3	592.9*	7.6**	600.4
Provisions for impairment of finance lease receivables	(3.8)	(6.0)	(9.8)	(2.1)	(6.6)	(8.7)
Amounts receivable for credit institutions	-	89.0	89.0	-	28.0	28.0
Trade receivables	649.9	285.9**	935.8	647.9	257.7**	905.6
Provision for impairment of trade receivables	(18.9)	(99.2)	(118.1)	(20.4)	(89.5)	(109.9)
TOTAL RECEIVABLES* **	**1,307.2**	**277.1**	**1,584.2**	**1,218.3**	**197.1**	**1,415.5*** **

* *Including remaining share capital.*
** *These amounts represent bad debts not subject to leasing.*
*** *Total receivables from clients and financial institutions in accordance with Note 2.2.3.a.*

For not in default trade receivables and finance lease receivables, the Group recognises expected lifetime losses from initial recognition of the receivables. These losses are measured based on a provision matrix for receivables associated with sound customers, as described below. Probability of Default (PD) rates are based on observed default rates over the life of the receivables (the average contract length in each entity). Specific PD rates are calculated for each entity and each customer type. This process results in Probability of Default (PD) rates for each age of past-due receivables. The PD rates are applied to the aged receivables of the reporting period to arrive at a total provision. The final impairment allowance is also adjusted to consider Loss Given Default (LGD) specific to the entity.

On that basis, the loss allowance as at 31 December and 1 January 2018 (on adoption of IFRS 9) was determined as follows for both trade and finance lease receivables:

31 DECEMBER 2018

(in EUR million)	**Not past due**	**0-30 days past due**	**31-60 days past due**	**61-90 days past due**	**> 90 days past due**	**Total**
Probability of Default (PD) rate	1%	4%	5%	8%	12%	
Gross carrying amount of receivables in IFRS 9 scope	1,112.3	105.5	41.5	19.3	51.4	**1,329.9**
Loss Allowance	9.0	4.0	2.0	1.6	6.1	**22.7**

1 JANUARY 2018

(in EUR million)	**Not past due**	**0-30 days past due**	**31-60 days past due**	**61-90 days past due**	**> 90 days past due**	**Total**
Probability of Default (PD) rate	1%	3%	6%	7%	10%	
Gross carrying amount of receivables in IFRS 9 scope	992.6	108.4	41.4	23.7	74.7	**1,240.8**
Loss Allowance	7.7	3.3	2.4	1.6	7.6	**22.5**

The closing loss allowances for trade and finance lease receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

(in EUR million)	Provision for impairment of trade receivables (credit impaired)	Lifetime ECL* credit impaired	Lifetime ECL* not credit impaired	Provision for impairment of trade receivables
Balances at 1 January 2017 under IAS 39	**91.3**			**91.3**
Net remeasurement of loss allowance	5.5			
Foreign exchange and other movements	(0.7)			
Balances at 31 December 2017 under IAS 39	**96.1**			
Balances at 1 January 2018 under IFRS 9		**96.1**	**22.5**	**118.6**
Net remeasurement of loss allowance		-	-	-
Credit impairment		88.9	6.6	95.6
Reversal of credit impairment		(54.7)	(6.4)	(61.1)
Write off		(25.6)	-	(25.6)
Foreign exchange and other movements		0.5	(0.1)	0.5
Balances at 31 December 2018 under IFRS 9		**105.3**	**22.7**	**128.0**

* *Expected credit losses.*

The increase in loss allowance on credit-impaired receivables during 2017 is in line with IAS 39, and this continues in 2018 under IFRS 9 as there is no change in the definition or policy for provisions on doubtful exposure under IFRS 9. The changes associated with IFRS 9 are represented by the credit impairment due to the recognition of expected, rather than incurred, loss on receivables which are not credit-impaired. ALD has chosen the lifetime ECL measurement as cost of risk is historically low and stable since 2008, and the simplified methodology uses observed customer behaviours to determine a probability of default which does not consider 12 months expected losses but lifetime expected losses.

Due to the application of the simplified method in ALD, there is a link between specific impairment and provisions under IAS 39 and stage 3 impairment and provisions under IFRS 9. The definition of default exposure remains unchanged between the two standards.

The Group considers that a customer is in default as soon as one of the three following conditions applies:

- legal proceedings (or a similar event in accordance to local legislation) are in progress which has resulted in the customer being placed either in bankruptcy or legal liquidation or receivership;
- one or several overdue invoices for more than 90 days (270 days in the case of public or sovereign counterparties) have been recorded and a settlement procedure has been initiated;
- a significant degradation of the customer's financial situation has taken place, making it likely that the customer will be unable to fulfil its overall commitments and there is therefore a high probability of losses.

When a credit risk emerges, the following processes take place:

- reclassification of the sound outstanding as a doubtful debt;
- impairment made for probable credit loss.

Where the customer is in default, the whole of the customer balance is classified as doubtful as a result of the "contagion principle". The application of this principle leads to the classification as doubtful of all outstanding amounts relating to a customer that is deemed to be in default regardless of the age of the invoice (*i.e.* a customer is either solvent or not).

If the customer belongs to a group of companies, or in cases where the parent company has been classified as being in default, a case-by-case study is undertaken to establish whether it is necessary to apply the same treatment to all the legal entities included in that group. This "contagion principle" does not apply, however, in the following cases:

- receivables subject to a risk of non-recovery which are affected by isolated legal disputes not related to the solvency of the counterparty;
- credit risk dependent on the solvency of a third party and not the counterparty.

Impairment is only made in respect of customer receivables where the customer is considered to be in default (receivable is impaired). The impairment made for risk of default is consistent with the credit rating of each customer. The impairment must be sufficient to cover the entire probable loss in total or partial non-recovery of the loan.

The impairment is based upon the full amount outstanding for the customer in default.

Generally, ALD remains the owner of the vehicle and impairment is made against the recorded receivables relating to issued invoices. In addition, where it is considered likely that the vehicles will be returned, a further provision is required for the amount of the likely shortfall from the sale of the asset.

Where there are guarantees from the customer providing the right of offset in the event of a default, these amounts are taken into account in assessing the impairment on a customer by customer basis.

Information on past due and impaired receivables
Information on past due (split in past due up to 90 days, past due between 90 to 180 days and past due over 180 days) or impaired receivables are provided in note 20 “Receivables from clients and financial institutions” below.

The amounts presented in the tables below include loans and finance receivables by Basel II portfolio that are not past due and that are past due but not individually impaired.

	Year ended 31 December 2018 Loans and receivables to customers						
(in EUR million)	**Banks**	**Corporates**	**Small and medium enterprises**	**Specialised lending**	**Credit to individuals**	**Very small companies**	**Total**
Amounts not past due	5.8	81.3	162.5		58.8	316.3	**624.6**
Amounts including past due between 1 to 30 days	0.0	5.8	9.1		1.1	19.4	**35.4**
Amounts including past due between 31 to 60 days	0.0	3.4	1.6		0.1	1.2	**6.3**
Amounts including past due between 61 to 90 days	0.0	0.1	0.7		0.2	0.7	**1.7**
Amounts including past due between 91 to 180 days		0.2	1.9		0.2	8.9	**11.2**
Amounts including past due between 181 days to 1 year		0.5	0.1		-	0.1	**0.7**
Amounts including past due over 1 year		0.0	0.0		(0.0)	0.1	**0.1**
TOTAL	**5.9**	**91.1**	**176.0**	**-**	**60.3**	**346.7**	**679.9**

	Year ended 31 December 2017 Loans and receivables to customers						
(in EUR million)	**Banks**	**Corporates**	**Small and medium enterprises**	**Specialised lending**	**Credit to individuals**	**Very small companies**	**Total**
Amounts not past due	10.6	60.6	209.9	-	49.7	202.6	**533.4**
Amounts including past due between 1 to 30 days	-	3.1	22.4	-	0.4	2.4	**28.3**
Amounts including past due between 31 to 60 days	0.1	-	3.8	-	0.2	0.7	**4.8**
Amounts including past due between 61 to 90 days	0.1	-	2.1	-	-	0.2	**2.4**
Amounts including past due between 91 to 180 days		-	10.6	-	0.1	0.3	**11.0**
Amounts including past due between 181 days to 1 year		-	9.9	-	0.1	0.1	**10.1**
Amounts including past due over 1 year		0.1	0.1	-	2.6	0.1	**2.9**
TOTAL	**10.8**	**63.8**	**258.8**	**-**	**53.1**	**206.4**	**592.9**

The increase in amounts not past due is related to fleet growth.

Derivative financial instruments
In addition to its natural exposure to credit risk in the leasing of vehicles, the Group is also exposed to credit risk because of its use of derivative financial instruments and because of excess cash being deposited with banks. The Group controls this risk by requiring minimum external rating grades that such external counterparties are assigned.

3.1.2 Treasury risk

Treasury risk entails 3 types of risks: Liquidity risk, interest rate risk and foreign exchange risk.

- Interest rate risk is the risk that the profitability of the Group is affected by movements in interest rates.
- Foreign exchange risk is the risk that the profitability is affected by currency fluctuations.

- Liquidity risk is the risk that the Group is not able to meet its cash flow obligations when they fall due, because of a mismatch between the financing of its assets and liabilities.

Group Treasury risk management policy consists in matching assets and liabilities in terms of maturities, currencies, and interest rate exposure. Group procedures defining the sensitivity measurement of such risks and tolerance levels are applied across the Group to allow a close monitoring of the treasury risk. These risks are monitored on a Group level by the Group’s central Treasury, which reports on a quarterly basis to the management team of ALD during a dedicated committee. This committee is informed about all relevant developments with regard to the Group’s treasury risk profile and decides any action to mitigate the risks when necessary.

Interest rate risk

ALD policy consists in financing the underlying assets with fixed rate loans as lease contracts are mostly priced at fixed rates, in order to avoid any mismatch between assets and liabilities. Structural interest rate risk arises from the residual gap (surplus or deficit) in each entity’s fixed-rate forecast position. To this end, any residual interest rate risk exposure must comply with the sensitivity limits set for each entity. The sensitivity is defined as the variation in the net present value of the future residual fixed-rate positions (surplus or deficit) for a non-stressed shocks of +10 bps and -10 bps in the yield curve.

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

Each entity and the Group as a whole are subject to sensitivity thresholds and limits validated by the ALM committee (ALCO). The Group structural risk is discussed on a quarterly basis during ALCO Meetings.

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

MEASUREMENT OF THE GROUP SENSITIVITY TO AN INTEREST RATE SHIFT

Range Movement	Income Statement Impact (in EUR million)
+10 bps	6
-10 bps	(6)

Foreign exchange risk

ALD Group is present in 25 countries outside the Euro zone and is therefore exposed to foreign exchange risks related to inflows and outflows of cash from daily business activities as well as participations in subsidiaries outside the Euro zone.

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

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

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

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

Liquidity risk

ALD Group is exposed to liquidity risk which is the risk of not being able to meet cash flow requirements when they fall due and at a reasonable price. A structural liquidity position is defined as resulting from the maturities of all balance sheet or off balance sheet outstanding positions according to their liquidity profile.

ALD Group’s exposure to liquidity risks is limited as the Group policy consists in financing the underlying asset over the same duration as the corresponding lease contract. A residual liquidity gap is measured on a monthly basis, under the supervision of ALD Group Treasury Department, by assessing the matching of the run off of the existing leased assets with the remaining liabilities.

The liquidity position measured is then reviewed and consolidated at a Group level. Any deviation from the sensitivity threshold is corrected under the supervision of the Group central Treasury.

The ALD Group was mainly funded through Societe Generale (94% of the funding) until 31 December 2012, and started to raise external funds in 2013 through asset-backed securitisation programmes and the EMTN bonds programme described below.

Most of the funding provided by Societe Generale is granted through Societe Generale Bank and Trust (SGBT) based in Luxembourg. SGBT funds ALD Group Central Treasury which then grants loans in different currencies to 20 ALD subsidiaries as well as to the holding companies. The total amount of loans granted by SGBT amounted to EUR 8,227 million as of 31 December 2018 for an average maturity of 1.9 years.

The remaining SG funding is provided either from local SG branches or Societe Generale Central Treasury in Paris, representing EUR 3,170 million as of 31 December 2018.

32.3% of fiscal year 2018 funding is provided from local external banks or third parties, representing EUR 5,434 million as of 31 December 2018.

The following funding arrangements concluded by the Group in the past three years impacted the assessment of liquidity risk.

Securitisation

During 2013, the Group has entered into asset-backed securitisation programmes in three European countries.

These transactions involved the sale of future lease receivables and related residual value receivables to special purpose companies. Debt securities were issued by those special purpose companies and sold to external investors for a total amount of GBP 300 million in the UK in March 2013 for a two-year revolving period, EUR 400 million in Germany in May 2013 for a one-year revolving period and EUR 200 million in the Netherlands in December 2013 for a one-year revolving period. The special purpose companies are responsible for making interest and principal payments to the note-holders. The note-holders do not have recourse on the Company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral (reserves) for these securitisation transactions for a total amount of EUR 21.8 million as at 31 December 2018.

These funds were raised either with a fixed rate (Germany) or a floating-to-fixed rate hedge (UK and Netherlands). Existing loans that have been repaid had a fixed rate and a similar amortisation profile to the issued notes, accordingly there is no additional exposure to interest rate or liquidity risks.

In 2014 two programmes were renewed. The UK programme (GBP 300 million) was renewed for one additional year (from 2015 to 2016) and for two more years after that (from 2016-2018), and the Netherlands programme (EUR 200 million) was renewed for two additional years (from 2014 to 2016).

In 2015 new securitisation deal took place in Belgium for EUR 300 million. The deal has been renewed and increased by EUR 60 million in 2018.

A securitisation deal took place in Germany in December 2016 for EUR 500 million. Also, the Netherlands deal has been renewed for EUR 236 million for two additional years.

A new securitisation deal took place in the UK in December 2018 for GBP 414 million for the revolving period of 1 year.

The following debt securities are currently issued:

Programme	Originator	Country	Special purpose company	Currency	Transaction value*
ALD Funding Limited	ALD	UK	ALD Funding Limited	GBP	414 million
Red and Black auto lease Germany	ALD	Germany	Red and Black auto lease Germany	EUR	500 million
Axus Finance NL B	ALD	Netherlands	Axus Finance NL B	EUR	236 million
Axus Finance SPRL	ALD	Belgium	Axus Finance SPRL	EUR	360 million

* *Transaction value at issue date.*

The maturity of the asset-backed securitisation programmes is as follows:

(in EUR million)	31 December 2018	31 December 2017
Less than 1 year	251.9	491.9
1-5 years	1058.1	882.4
Over 5 years	0.0	0.0
TOTAL SECURITISATION PROGRAMME	**1,310.1**	**1,374.3**

For further details on the transactions reference is made to notes 13 and 26.

Corporate bond

The Group is also engaged in a Euro Medium Term Notes (EMTN) programme. The EMTN programme limit is set at EUR 6 billion for the aggregate nominal amount of notes outstanding at any one time. An application has been filed with the Luxembourg Stock Exchange in order for the notes issued under the programme to be listed on the official list and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The programme is rated BBB+ by Standard & Poor's ratings services and A- by FitchRatings ratings services.

Within this programme, the Group has the following bonds in issue:

- a bond in July 2017 for an amount of EUR 600 million maturing in 5 years at a fixed rate of 0.875% and in November 2017 another bond for an amount of EUR 600 million maturing in 3 years at a floating rate of Euribor 3M +43 bps;

- a bond in February 2018 for an amount of EUR 800 million maturing in 3 years at floating rate of Euribor 3M +34 bps;
- a bond in July 2018 for an amount of EUR 500 million maturing in 3 years at floating rate of Euribor 3M +62 bps.

Green bond

ALD SA also successfully issued an inaugural Positive Impact Bond, a EUR 500 million 4-years senior note at a fixed rate of 1.250%, demonstrating its commitment to finding innovative financial solutions to fund clean transportation and promote the transition to a low carbon future. The proceeds of the bond were exclusively used to finance or refinance eligible vehicles. Priority was given to vehicles with the greatest net positive contribution to climate change (Greenhouse Gas (GHG) emissions – commonly referred to as CO_2) and the environment (reduction in nitrogen oxide (NO_x) emissions, in particular). ALD has therefore selected an initial portfolio of 14,348 eligible vehicles to finance, composed of 24% Electric vehicles (EV) and 76% hybrid electric vehicle (HEV) and plug-in hybrids vehicles (PHEV), across 13 countries in Europe.

Private bond

The Group issued a private bond in July 2017 for EUR 200 million and another one in June 2018 for EUR 400 million.

The presentation of financial borrowings by maturity is provided in note 26.

Capital Management

ALD is a commercial company and as such does not have any regulatory capital requirement.

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to minimise the cost of capital.

To achieve these objectives the Group carefully monitors its leverage ratio, defined as the ratio of Total Equity to Total Assets, for which it has set a target range in its public communications to investors and rating agencies. The target is currently set at 15% -17% although this can evolve in future periods.

The ratio as at 31 December 2017 and 31 December 2018 is as follows:

(in EUR million)	31 December 2018	31 December 2017
Total Equity	3,667.9	3,398.2
Total Assets	23,254.3	21,222.2
Leverage ratio	**15.8%**	**16.0%**

In the management of capital and in its definition the instruments at the Group's disposal are:

- annual dividend pay-out policy;
- exceptional dividend returning capital to shareholders;
- new share issuance;
- new debt issuance, including to replace existing debt with difference characteristics.

In addition the Group can effect changes to its asset growth rate in order modify the denominator of this ratio.

3.1.3 Asset risk

The Group is exposed to asset risk, which can be split into two main underlying risk components: the residual value risk and the risk related to service maintenance.

Residual value risk

The residual value, defined as the value of the vehicle at the end of the lease as estimated by ALD at inception of the lease, may differ from the future market value of the car at the end of the contract. This difference is a part of the global risk on used car sales and is managed in ALD Group through robust internal procedures applied to all ALD subsidiaries in order to set, control and revaluate the residual values on the running fleet. The residual value setting procedure defines the processes, roles and responsibilities involved in the definition of residual values that will be used for the quotation of future contracts. Residual value setting is performed locally as the expertise in used car market is local and controlled and approved centrally. Calculation is based on refined market segmentation and on a statistical model using internal used car sales data for each market segment as well as Trade Guides references and country specific factors (inflation, market sector adjustments, life cycle, etc.). As part of this process, current external issues are analysed in order to apply a stress factor to the valuation of the current fleet. Residual value setting is reviewed by local general management during a local Pricing Committee held at least twice a year (quarterly for larger subsidiaries), and then controlled and validated at an ALD Group level.

Residual values of the current running fleet are reviewed at least yearly (twice a year for the entities with more than 5,000 vehicles). It is performed at a local level through a revaluation process which is reviewed and approved at ALD level. The current residual value embedded in the contract is compared with the expected market value on a car by car basis.

Revaluation adjustments are accounted for on a portfolio basis whenever necessary, in order to match the expected market value at contract ending and mitigate any market risk.

In accordance with IAS 8, a residual value is treated as an accounting estimate; as such, all potential car sales losses are recognised on a straight line basis between the date of the revaluation and the end of the contract; where the revaluation in a country produces an overall profit, no adjustment is made. The residual value of the total lease portfolio at 31 December 2018 amounts to EUR 12,359 million.

Risk related to services maintenance and tyres
The maintenance risk is the risk that the actual costs of maintenance incurred during the contract life are greater than the costs forecasted and included in the quotation at the beginning of the contract. Maintenance pricing setting is done locally using local historical statistics, under the supervision of ALD Group. A global review of the maintenance margins is done for each country on a regular basis in order to back test the pricing assumptions in terms of costs and frequencies.

3.1.4 Insurance risk

The Group is exposed to the risk of damage to vehicles within its fleet and also to liability to third parties arising from accidents involving vehicles in its fleet. This risk can take the form of motor third party liability (MTPL), legal defence, material damage or passenger indemnity. Where the Group decides not to retain this risk or is legally obliged to buy insurance, this risk is placed through local insurance companies. However, for some local ALD entities, the Group has selectively decided that the entity should retain the material damage risk to its own vehicles, where it is justified by the fleet size, the fleet risk profile and local market conditions. The entity managing this material damage risk must comply with strict internal procedures in terms of pricing setting, risk selection, and reserve setting. Material own damages reserves are a combination of the estimated amount required to meet the costs of future claims plus an estimation of future claims costs which have been incurred but not reported (IBNR). This IBNR is based on statistical analysis of damage frequency and amounts.

The Group also selectively retains some motor risks (material damages, passenger insurance and MTPL risks) within its own reinsurance company, ALD Re DAC (ALD Re). ALD Re is based in Ireland and is regulated by the Central Bank of Ireland. The Company reinsures MTPL, material damages and passenger insurance coverage for approximately 400,000 cars covering 24 entities within the Group. ALD Re strictly monitors its risk universe, including underwriting, market, credit and operational risk, *via* a strong corporate governance structure, a clearly defined risk appetite and a developed risk monitoring process. In addition, in order to minimise the financial impact of a single event, ALD Re purchases reinsurance protection for claims above a specified amount. This reinsurance strategy is reviewed at least annually.

In addition, every year, an external independent actuary must opine on whether the level of technical reserves held by ALD Re are considered adequate to meet its future obligations as determined by that independent actuary.

3.2 Fair value estimation

The Group analyses financial assets and liabilities by various valuation methods. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial assets and liabilities is measured at amortised cost, except for receivables for which fair value is deemed to be the nominal amount.

Financial instruments in level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily cash and cash equivalents and long-term investments (please refer to note 18 "Other non-current and current financial assets").

Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Refer to note 23 "Financial assets and liabilities by category".

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated presented in note 2.7.1 of these consolidated financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows. We are using a five-year business plan for each of the CGU or group of CGUs identified.

Based on the assumptions made by the Group, no need for impairment on goodwill has been identified.

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value based on certain assumptions. At 31 December 2018, sensitivities to variations in the cash flows and discount rates were measured.

According to the results in these tests:

- a decrease in operating cash flows by 10% compared to management's estimates would lead to a decrease of 10% in recoverable value and would not generate any additional impairment;
- an increase of 50 basis points applied to all discount rates estimated by management would lead to a decrease of 6.3% in recoverable value and would not generate any additional impairment.

Further details are provided in note 15 "Goodwill".

4.2 Impairment of rental fleet

In the annual assessment of whether there is any indication that an asset may be impaired, the Group considers both external as well as internal sources of information. If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the asset or cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined at the present value of the future cash flows expected to be derived from the object or cash generating unit. The management closely monitors residual values, which are reviewed internally at least each financial year, in accordance with internal procedures. The original residual values within internal system will be compared to the revised residual values expected at contract termination, following a review. The results of this exercise will be used to assess the level of exposure, reserves held and potential impairment required. To prevent impairment on residual values, each country completes a minimum of one annual review of pricing under the supervision of the Group to ensure that assumptions used in pricing reflect expected future market conditions, thus ensuring residual values are predicted with a reasonable degree of accuracy and on a consistent basis going forward.

At the end of 2018, no provision for impairment on rental fleet was required.

4.3 Fair value of derivatives and other financial instruments

The fair value of certain financial instruments is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

4.4 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

If the discount rate used were to differ by +0.5% from management's estimates, the carrying amount of pension obligations would be an estimated EUR 1.4 million lower.

Further details are provided in note 27 "Retirement benefit obligations and long term benefits".

4.5 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.6 Own damage reserve

The own damage reserve is based on assumptions such as technical damage risk principles, policyholder behaviour, inflation and court decisions. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

NOTE 5 SEGMENT INFORMATION

Geographically, management considers the performance in Western Europe, Central and Eastern Europe, Northern Europe and South America, Africa and Asia.

The central treasury function based in Luxembourg provides funding to the ALD entities located in 20 countries. The total loans in place to these entities amounts to EUR 12.9 billion.

Loans by the central treasury to ALD entities are at arm's length according to OECD guidelines and supported by relevant transfer pricing documentation.

This department is responsible for monitoring the funding requirements and structural risks of the Group. Furthermore, it provides technical advice on financial instruments, including derivatives and on the various securitisations and bond issue program of the Group.

The Group's Management assesses the performance of the operating segments based on a measure of revenue and profit before tax as presented in consolidated financial statements. They also check to ensure that no customer represents more than 10% of the total revenue.

Revenue and Profit before tax

Sales between geographical segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

REVENUE AND PROFIT BEFORE TAX

	Year ended 31 December 2018		Year ended 31 December 2017	
(in EUR million)	Profit before tax	Revenue from external customers	Profit before tax	Revenue from external customers
Western Europe	498.6	6,835.4	521.8	6,148.2
Nordic	83.7	872.1	86.8	918.3
Continental & Eastern Europe	86.1	889.7	90.0	838.0
LatAm, Africa, Asia & Rest of world	20.6	374.9	15.0	362.0
TOTAL	**689.1**	**8,972.1**	**713.6**	**8,266.4**

	Year ended 31 December 2018	Year ended 31 December 2017
(in EUR million)	Revenue from external customers	Revenue from external customers
Leasing contract revenues	4,170.6	3,910.3
Service revenues	1,987.2	1,807.1
Proceeds of cars sold	2,814.3	2,549.0
TOTAL	**8,972.1**	**8,266.4**

OTHER DISCLOSURES

	31 December 2018		
(in EUR million)	**Rental fleet**	**Total assets**	**Net financial debt***
Western Europe	14,377.3	18,728.2	14,528.4
Nordic	1,615.8	1,772.7	77.4
Continental & Eastern Europe	1,743.6	1,912.0	1,335.4
LatAm, Africa, Asia & Rest of world	687.2	841.4	731.1
TOTAL	**18,423.9**	**23,254.3**	**16,672.3**

	31 December 2017		
(in EUR million)	**Rental fleet**	**Total assets**	**Net financial debt***
Western Europe	12,705.9	17,043.2	13,052.5
Nordic	1,451.9	1,654.6	45.4
Continental & Eastern Europe	1,607.0	1,839.5	1,257.6
LatAm, Africa, Asia & Rest of world	571.3	684.9	579.6
TOTAL	**16,336.1**	**21,222.2**	**14,935.2**

* *Net financial debt is defined as the sum of Borrowings from financial institutions (non-current and current) minus cash and cash equivalents, as presented in the Group's consolidated balance sheet.*

Revenue from external customers and Rental Fleet by countries with Revenues in excess of EUR 500 million are detailed below:

	Year ended 31 December 2018	Year ended 31 December 2017	31 December 2018	31 December 2017
(in EUR million)	**Revenue from external customers**	**Revenue from external customers**	**Rental Fleet**	**Rental Fleet**
France	1,933.1	1,808.8	4,341.3	3,892.6
Italy	1,449.2	1,237.0	2,944.3	2,581.3
UK	901.8	856.3	1,568.9	1,462.8
Spain	669.9	524.6	1,549.7	1,346.9
Germany	623.7	578.5	1,215.4	1,097.0
Belgium	531.6	499.9	1,149.6	1,011.5
Other Countries	2,862.8	2,761.2	5,654.6	4,944.1
TOTAL	**8,972.1**	**8,266.3**	**18,423.9**	**16,336.1**

NOTE 6 CHANGES IN THE SCOPE OF CONSOLIDATION IN THE YEAR ENDED 31 DECEMBER 2018

At 31 December 2018, all companies are fully consolidated, except 2 companies accounted using the equity method. Changes in the scope of consolidation compared to December 2017 are as follows:

Increase in ownership interest in Bulgaria
On 1 August 2018, the Group signed an agreement to acquire remaining 49% of the share capital of the existing subsidiary in Bulgaria from its non-controlling interest. The transaction completed on 17 September 2018.

Acquisition of Reflex
On 29 June 2018, the Group signed an agreement to acquire Reflex Alquiler Flexible de Vehículos, an independent player on the Spanish flexible renting market with a fleet of c. 2,000 vehicles rented to SMEs. Flexible renting provides mid-term mobility solutions to fleet managers. This acquisition forms part of ALD's development strategy and is an example of ALD's focus on targeted and value accretive bolt-on acquisitions.

NOTE 7 REVENUES AND COST OF REVENUES

7a. Leasing contract margin

	Year ended 31 December	
(in EUR million)	**2018**	**2017**
Leasing contract revenue -operating leases	4,060.2	3,782.9
Interest income from finance lease	97.3	77.8
Other interest income	13.1	49.5
Leasing contract revenues	**4,170.6**	**3,910.3**
Leasing contract costs - depreciation	(3,332.0)	(3,094.9)
Leasing contract costs - financing:		
• *interest charges on loans from financial institutions*	*(190.7)*	*(184.5)*
• *interest charges on issued bonds*	*(6.9)*	*(9.9)*
• *other interest charges*	*(36.4)*	*(35.2)*
TOTAL INTEREST CHARGES	**(234.1)**	**(229.6)**
Leasing contract costs - depreciation and financing	**(3,566.1)**	**(3,324.5)**
Trading derivatives	6.4	(18.4)
Imperfectness of derivatives at fair value hedges	-	(0.0)
Imperfectness of derivatives at cash flow hedges	(0.2)	(0.2)
Unrealised gains/losses on derivative financial instruments	6.2	(18.6)
Unrealised Foreign Exchange Gains or Losses	13.2	7.4
TOTAL UNREALISED GAINS/LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS	**19.4**	**(11.2)**
Leasing contract margin	**623.8**	**574.5**

"Other interest income" comprises income received from financial instruments and also income received for cash deposits with third party counterparts.

"Leasing contract costs - depreciation" includes the movement in the provision for excess depreciation which is booked in each entity following the fleet revaluation process which detailed in section 3.1.3

7b. Service margin (Group rental and damage risk retention into leases services)

Revenues and costs are derived from the various service components included within the contractual lease instalments, such as maintenance and tyres, damage risk retention and, replacement vehicles.

	Year ended 31 December	
(in EUR million)	**2018**	**2017**
Services revenue	1,987.2	1,807.1
Cost of services revenues	(1,370.6)	(1,214.1)
Services margin	**616.7**	**593.0**

7c. Car sales result

	Year ended 31 December	
(in EUR million)	**2018**	**2017**
Proceeds of cars sold	2,814.3	2,549.0
Cost of cars sold	(2,711.9)	(2,383.8)
Car sales result	**102.5**	**165.3**

On a periodic basis, the Group performs fleet revaluations to identify and calculate any impacts of changes in the estimated residual value of the vehicles under operating leases. Any potential risks are provided for prospectively over the remaining estimated useful life and then released upon disposal. The net impact of this provisioning is included within the Depreciation cost. In 2018 this impact was a net release of EUR 10.7 million (2017: EUR 16.4 million net release).

The decrease in Car sales profit per unit has been steady over the last two years and is coming from a normalisation of the Car Sales profit mainly in Western Europe.

The on-going concern around Diesel is continuing to have a negative impact on the Used Car Sales margin.

7d. Revenues

Revenues that are included within the margins analysed in 7a, 7b and 7c are shown in the following table. They are analysed into Revenues derived from the Rental activity and Proceeds of Cars sold at the end of the leasing period.

	Year ended 31 December	
(in EUR million)	**2018**	**2017**
Services revenues	**1,987.2**	**1,807.1**
Leasing contract revenue - operating leases	4,060.2	3,782.9
Interest revenue	110.4	127.3
Leasing contract revenues	**4,170.6**	**3,910.3**
SUB-TOTAL - REVENUES FROM RENTAL ACTIVITY	**6,157.8**	**5,717.3**
Proceeds of Cars Sold	2,814.3	2,549.0
TOTAL REVENUES	**8,972.1**	**8,266.3**
TOTAL REVENUES EXCLUDING INTEREST INCOME	**8,148.1**	**7,472.9**

NOTE 8 IMPAIRMENT CHARGES ON RECEIVABLES

		Year ended 31 December	
(in EUR million)	**Note**	**2018**	**2017**
Impairment		(95.0)	(47.6)
Reversal of impairment		57.2	25.3
Impairment charges on receivables	20	**(37.8)**	**(22.4)**

NOTE 9 STAFF EXPENSES

	Year ended 31 December	
(in EUR million)	**2018**	**2017**
Wages and salaries	(299.0)	(289.0)
Social security charges	(63.6)	(60.5)
Defined benefit post-employment costs	(3.0)	(2.2)
Other staff costs	(31.6)	(27.3)
TOTAL	**(397.2)**	**(379.0)**

The average number of staff employed (including temporary staff) by the Group during the year was 6,520 (2017: 6,303). At year-end, the full time equivalent number of staff employed by the Group was 6,542 (2017: 6,448).

NOTE 10 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses mainly include IT costs, property costs, professional fees and advertising. Since 2015 ALD has accelerated the IT investment programme as part of the Group's commitment to be the preferred choice for mobility solutions within the market. There has been a specific focus on digital solutions in order to further enhance customer experience, including fleet manager and driver web portals as well as investment in the development of new flexible products for our customers.

NOTE 11 DEPRECIATION AND AMORTISATION

		Year ended 31 December	
(in EUR million)	**Notes**	**2018**	**2017**
Depreciation of other property and equipment	14	(21.4)	(17.7)
Depreciation of intangible assets	14	(9.7)	(7.5)
TOTAL		**(31.2)**	**(25.2)**

NOTE 12 INCOME TAX EXPENSE

INCOME TAX EXPENSE

	Year ended 31 December	
(in EUR million)	**2018**	**2017**
Current tax	(92.2)	(115.9)
Deferred tax	(34.6)	(24.6)
Income tax expense	**(126.8)**	**(140.4)**

In 2018, a profit of EUR 52.8 million (EUR 41.3 million in 2017) was recorded as current tax following the introduction in Italy of the 2016 and 2017 Budget Stability Act, which grants a tax benefit to encourage the purchase of new property, plant and equipment.This benefit allows for an additional 40% increase in impairment, which can be deducted from the taxable base, and is available only to revenue-earning companies, not to individuals.

EFFECTIVE TAX RATE RECONCILIATION

	Year ended 31 December	
(in EUR million)	**2018**	**2017**
Profit before tax	**689.1**	**713.6**
Standard tax rate in France	**34.43%**	**34.43%**
Tax expense at standard rate	**(237.2)**	**(245.7)**
Tax calculated at domestic tax rates applicable to profits in the respective countries	75.1	77.5
Tax effects of:		-
Associates' results reported net of tax	0.5	0.4
Income not subject to tax	(3.9)	2.5
Expenses not deductible for tax purposes	34.1	29.5
Utilisation of previously unrecognised tax losses	0.5	0.1
Tax losses for which no deferred income tax asset was recognised	(0.1)	0.0
Re-measurement of deferred tax	12.5	1.5
Adjustment in respect of prior years	(2.1)	6.2
Other	(6.2)	(12.5)
TOTAL	**(126.8)**	**(140.4)**
Effective rate of income tax	18.41%	19.68%

Of the tax calculated at domestic rates applicable to profits in the respective countries in 2018, the major contributors are Luxembourg, UK, Ireland, Italy, Belgium and Spain where effective tax rates are lower than in France (with applicable tax rates of 19.3%, 19%, 12.5%, 24%, 29.6% and 25.0% respectively).

The increase in expenses not deductible for tax purposes is mainly driven by the impact of the Stability law in Italy which is also the main driver behind the reduction in the effective rate of income tax.

NET DEFERRED TAX VARIATION

The gross movement on the net deferred tax account is as follows:

(in EUR million)	**31 December 2018**	**31 December 2017**
Net deferred tax liabilities at 1 January	**(99.8)**	**(82.7)**
Income statement charge	(34.6)	(24.6)
Tax charged/(credited) directly to equity	3.8	0.4
Exchange differences	1.1	0.2
Scope changes	1.4	4.9
Other	5.9	1.9
Net deferred tax liabilities at 31 December	**(122.2)**	**(99.8)**

DEFERRED INCOME TAX BY NATURE

(in EUR million)	**31 December 2018**	**31 December 2017**
Accelerated tax depreciation	(363.3)	(326.5)
Provisions	142.4	136.5
Impairment losses	-	-
Tax losses	49.4	31.3
Fair value gains	4.9	5.5
Retirement benefit obligation	4.3	6.2
Other timing differences	39.7	47.3
Other	0.4	(0.2)
Net deferred tax asset/(liability)	**(122.2)**	**(99.8)**

The majority of the 2018 tax losses EUR 49.4 million (2017: EUR 31.3 million) are attributable to Italy EUR 33.2 million (2017: EUR 10.8 million) due to the impact of the Stability law, Norway EUR 7.5 million (2017: EUR 7.5 million) and France EUR 6.3 million (2017: EUR 9.6 million). No significant unrecognised accumulated tax losses have been incurred over the last two financial years.

NOTE 13 RENTAL FLEET

(in EUR million)	Rental fleet
At 1 January 2017	
Cost	19,539.7
Accumulated depreciation & impairment	(5,464.8)
Carrying amount As at 1 January 2017	**14,075.0**
Year ended 31 December 2017	
Opening net book amount	14,075.0
Additions	7,698.4
Disposals	(2,513.9)
Acquisition of a subsidiary	451.3
Depreciation charge	(3,181.2)
Transfer (included transfer to inventories)	1.6
Currency translation differences	(195.1)
Closing net book amount as at 31 December 2017	**16,336.1**
At 31 December 2017	
Cost	22,393.8
Accumulated depreciation & impairment	(6,057.7)
Carrying amount as at 31 December 2017	**16,336.2**
Year ended 31 December 2018	
Opening net book amount	16,336.2
Additions	8,233.3
Disposals	(2,583.7)
Acquisition of a subsidiary	18.6
Depreciation charge	(3,430.1)
Transfer (included transfer to inventories)	-
Currency translation differences	(150.4)
Closing net book amount as at 31 December 2018	**18,423.9**
At 31 December 2018	
Cost	25,062.9
Accumulated depreciation & impairment	(6,639.1)
Carrying amount as at 31 December 2018	**18,423.9**

At the 31 December 2018 and 31 December 2017 there were no impairments on the “Rental fleet”.

ALD continues to retain substantially all of the risks and rewards of the lease receivables as in all asset-backed securitisation programmes they subscribed to the first class of notes which will result in ALD bearing any realised losses. Therefore ALD continues to recognise the transferred lease receivables in their entirety for a present value of EUR 1.886 million and a net book value of EUR 1.859 million at 31 December 2018. The transferred lease receivables cannot be sold.

At 31 December 2018, the accounting value of the associated liabilities is GBP 414 million in the UK, EUR 360 million Belgium, EUR 236 million in the Netherlands and EUR 500 million in Germany.

For further details on the transactions reference is made to the Financial Risks Management Section (Liquidity risks) of the Accounting Principles.

NOTE 14 OTHER PROPERTY AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

OTHER PROPERTY AND EQUIPMENT

(in EUR million)	Note	Land	Property	Equipment	Total
At 1 January 2017					
Cost		7.4	52.2	99.1	158.7
Accumulated depreciation & impairment			(24.3)	(59.1)	(83.4)
Carrying amount as at 1 January 2017		**7.4**	**28.0**	**39.9**	**75.3**
Year ended 31 December 2017					
Opening net book amount		7.4	28.0	39.9	75.3
Additions		-	13.5	36.7	50.2
Gross amount		*(0.5)*	*(5.7)*	*(18.5)*	*(24.7)*
Accumulated depreciation & impairment			*3.4*	*7.6*	*11.0*
Disposals		(0.5)	(2.3)	(10.9)	(13.7)
Depreciation charge	11	-	(4.5)	(13.1)	(17.7)
Transfer to assets qualified as held-for-sale		-	-	-	-
Transfer to Rental Fleet				(1.6)	(1.6)
Transfer from intangible assets		(0.0)	(0.0)	(0.0)	(0.0)
Scope changes			2.0	0.9	2.9
Currency translation differences		(0.0)	(0.3)	(0.7)	(1.0)
Closing net book amount as at 31 December 2017		**6.9**	**36.4**	**51.1**	**94.4**
At 31 December 2017					
Cost		6.9	61.8	117.8	186.5
Accumulated depreciation & impairment			(25.4)	(66.6)	(92.1)
Carrying amount As at 31 December 2017		**6.9**	**36.4**	**51.1**	**94.4**
Year ended 31 December 2018					
Opening net book amount		6.9	36.4	51.1	94.4
Additions		-	16.6	35.1	51.8
Gross amount		*(0.1)*	*(8.6)*	*(28.4)*	*(37.1)*
Accumulated depreciation & impairment			*3.3*	*15.9*	*19.3*
Disposals		(0.1)	(5.3)	(12.5)	(17.8)
Depreciation charge	11	-	(6.0)	(15.4)	(21.4)
Transfer to assets qualified as held-for-sale			-	-	-
Transfer to Rental Fleet				(0.0)	(0.0)
Transfer from intangible assets		-	0.0	(0.0)	(0.0)
Scope changes		-	0.1	0.2	0.3
Currency translation differences		0.0	(0.1)	(0.6)	(0.6)
Closing net book amount as at 31 December 2018		**6.8**	**41.7**	**58.0**	**106.5**
At 31 December 2018					
Cost		6.8	70.0	124.4	201.2
Accumulated depreciation & impairment			(28.3)	(66.4)	(94.7)
Carrying amount as at 31 December 2018		**6.8**	**41.7**	**58.0**	**106.5**

OTHER INTANGIBLE ASSETS

(in EUR million)	Note	Software	Other	Total
At 1 January 2017				
Cost		48.2	13.6	61.8
Accumulated amortisation and impairment		(31.8)	(0.9)	(32.7)
Carrying amount as at 31 December 2017		**16.4**	**12.7**	**29.1**
Year ended 31 December 2017				
Opening net book amount		16.4	12.7	29.1
Additions		13.6	0.7	14.3
Divestments		(0.0)	(1.2)	(1.2)
Amortisation	11	(7.4)	0.1	(7.3)
Transfer to other property and equipment		(0.0)	(0.0)	(0.0)
Scope changes		0.3	-	0.3
Currency translation differences		(0.1)	(0.8)	(0.9)
Closing net book amount as at 31 December 2017		**22.9**	**11.5**	**34.4**
At 31 December 2017				
Cost		61.0	12.3	73.2
Accumulated amortisation and impairment		(38.1)	(0.8)	(38.9)
Carrying amount as at 31 December 2017		**22.9**	**11.5**	**34.4**
Year ended 31 December 2018				
Opening net book amount		22.9	11.5	34.4
Additions		14.0	3.7	17.7
Divestments		(0.0)	-	(0.0)
Amortisation	11	(9.3)	(0.4)	(9.7)
Transfer to other property and equipment		(0.0)	-	(0.0)
Scope changes		0.0	-	0.0
Currency translation differences		(0.1)	(0.1)	(0.2)
Closing net book amount as at 31 December 2018		**27.6**	**14.6**	**42.2**
At 31 December 2018				
Cost		70.2	15.6	85.9
Accumulated amortisation and impairment		(42.7)	(1.0)	(43.7)
Carrying amount as at 31 December 2018		**27.6**	**14.6**	**42.2**

NOTE 15 GOODWILL

(in EUR million)	Goodwill
At 1 January 2017	
Cost	424.4
Accumulated impairment	-
Carrying amount as at 1 January 2017	**424.4**
Year ended 31 December 2017	
Opening net book amount	424.4
Additions	-
Gross amount	-
Accumulated depreciation & impairment	-
Divestments	-
Impairment	-
Amortisation	-
Transfer to assets qualified as held-for-sale	-
Transfer to other property and equipment	-
Scope changes	104.4
Currency translation differences	-
Closing net book amount as at 31 December 2017	**528.8**
At 31 December 2017	
Cost	528.8
Accumulated impairment	-
Carrying amount as at 31 December 2017	**528.8**
Year ended 31 December 2018	
Opening net book amount	528.8
Additions	-
Gross amount	-
Accumulated depreciation & impairment	-
Divestments	-
Impairment	-
Amortisation	-
Transfer to other property and equipment	-
Scope changes	3.6
Currency translation differences	-
Closing net book amount as at 31 December 2018	**532.4**
At 31 December 2018	
Cost	532.4
Accumulated impairment	-
Carrying amount as at 31 December 2018	**532.4**

GOODWILL BY CASH-GENERATING UNITS

(in EUR million)	As at 1 January 2018	Addition	Decrease	Divestments	Impairment losses	IFRS 5 Impact	As at 31 December 2018
France	212.0	-	-	-	-	-	212.0
Germany	37.9	-	-	-	-	-	37.9
Italy	50.2	-	-	-	-	-	50.2
Spain	104.9	4.2	-	-	-	-	109.1
UK	22.6	-	-	-	-	-	22.6
Ireland	24.4	-	(0.3)	-	-	-	24.1
Benelux	13.3	-	-	-	-	-	13.3
Mediterranean Hub	2.5	-	-	-	-	-	2.5
Nordics hub	18.6	-	(0.3)	-	-	-	18.3
South Eastern Europe Hub	9.5	-	-	-	-	-	9.5
North Eastern Europe Hub	1.4	-	-	-	-	-	1.4
Central Europe Hub	31.5	-	-	-	-	-	31.5
TOTAL	**528.8**	**4.2**	**(0.6)**				**532.4**

The additional goodwill in Spain is subject to potential change once finalised.

(in EUR million)	As at 1 January 2017	Addition	Decrease	Divestments	Impairment losses	IFRS 5 Impact	As at 31 December 2017
France	212.0	-	-	-	-	-	212.0
Germany	37.9	-	-	-	-	-	37.9
Italy	50.2	-	-	-	-	-	50.2
Spain	24.9	80.0	-	-	-	-	104.9
UK	22.6	-	-	-	-	-	22.6
Ireland	-	24.4	-	-	-	-	24.4
Benelux	13.3	-	-	-	-	-	13.3
Mediterranean Hub	2.5	-	-	-	-	-	2.5
Nordics Hub	18.6	-	-	-	-	-	18.6
South Eastern Europe Hub	9.5	-	-	-	-	-	9.5
North Eastern Europe Hub	1.4	-	-	-	-	-	1.4
Central Europe Hub	31.5	-	-	-	-	-	31.5
TOTAL	**424.4**	**104.4**					**528.8**

On an annual basis, ALD performs an impairment test for each cash-generating unit (CGU) to which goodwill has been allocated.

An impairment loss is recognised in the income statement if the carrying amount of CGU, including its allocated goodwill, is higher than its recoverable amount. This impairment loss is then allocated first to reduce the carrying amount of goodwill.

The recoverable amount of cash-generating unit is calculated using the most appropriate method, generally the discounted cash flow (DCF). Cash flows were projected on actual financial results and the 5-year business plans, for which Management has assessed and approved the reasonableness of its assumptions by examining the causes of differences between past cash flow projections and actual cash flows.

A discount rate was applied which is built up of a risk-free interest, a market premium multiplied by a market specific beta. There was no impairment recognised in 2018 and 2017.

The key assumptions used for value-in-use calculations in 2018 and 2017 are as follows:

ASSUMPTIONS IN 2018 AND 2017

	Discount Factor 2018	Discount Factor 2017	Perpetuity rate (2018 and 2017)
France	9.60%	9.70%	2.00%
Germany	9.60%	9.70%	2.00%
Italy	9.60%	9.70%	2.00%
Spain	9.60%	9.70%	2.00%
UK	9.60%	9.70%	2.00%
Ireland	9.60%	9.70%	2.00%
Benelux	9.60%	9.70%	2.00%
Mediterranean Hub	9.60%	9.70%	2.00%
Nordics Hub	9.60%	9.70%	2.00%
South Eastern Europe Hub	13.66%	12.14%	2.00%
North Eastern Europe Hub	9.60%	9.70%	2.00%
Central Europe Hub	10.35%	9.70%	2.00%

NOTE 16 INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
(in EUR million)	**2018**	**2017**
Balance as at 1 January as originally presented	**6.8**	**6.0**
Change in accounting policy*	(0.6)	-
Share of results	1.2	1.1
Capital increase	-	-
Currency translation differences	0.3	(0.3)
Scope changes	-	-
Balance as at 31 December	**7.6**	**6.8**

* *The Impacts presented in this line arose solely from the IFRS 9 provisions related to credit risk.*

Name	Country of incorporation	Assets	Liabilities*	Revenues	Profit/(Loss)	% interest held
As at 1 January 2017						
ALD Automotive SA Morocco	Morocco	49.1	44.3	18.1	0.7	35%
Nedderfeld 95 Immobilien GmbH & Co. KG	Germany	1.2	0.0	-	-	35%
TOTAL		**50.3**	**44.3**	**18.1**	**0.7**	
As at 31 December 2017						
ALD Automotive SA Morocco	Morocco	50.6	45.1	19.8	1.2	35%
Nedderfeld 95 Immobilien GmbH & Co. KG	Germany	1.2	0.0	-	-	35%
TOTAL		**51.8**	**45.1**	**19.8**	**1.2**	
As at 31 December 2018						
ALD Automotive SA Morocco	Morocco	50.7	44.3	20.7	1.5	35%
Nedderfeld 95 Immobilien GmbH & Co. KG	Germany	1.2	0.0	-	-	35%
TOTAL		**51.9**	**44.3**	**20.7**	**1.5**	

* *Excluding net equity.*

NOTE 17 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are used as part of the overall strategy to manage exposure to market risks primarily associated with fluctuations in interest rates and foreign exchange rates through interest rate and currency swaps respectively. As a matter of policy, derivatives are not used for speculative purposes. Derivative instruments that are measured at fair value on a recurring basis are included in the caption "Derivative financial instruments" in the consolidated balance sheet.

	31 December 2018		31 December 2017	
(in EUR million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedge	1.2	11.7	2.6	2.0
Interest rate swaps - fair value hedge	0.0	0.0	0.0	0.0
Foreign Exchange swaps	14.7	10.8	1.2	21.8
Trading derivatives	24.9	3.7	25.1	2.7
TOTAL	**40.8**	**26.3**	**28.8**	**26.4**
Less non-current portion:				
Interest rate swaps - cash flow hedge	1.2	11.7	2.6	2.0
Interest rate swaps - fair value hedge	0.0	0.0	0.0	0.0
Foreign Exchange swaps	6.1	3.7	0.9	12.7
Trading derivatives	7.1	2.0	14.4	1.9
TOTAL NON-CURRENT PORTION	**14.5**	**17.4**	**17.8**	**16.6**
CURRENT PORTION	**26.3**	**8.9**	**11.0**	**9.8**

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Foreign exchange swaps

Foreign exchange swaps are used as hedging instruments for financial debt.

The notional principal amounts of the foreign exchange swaps contracts at 31 December 2018 were EUR 307 million (2017: EUR 227 million).

The hedged, highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2018 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months of the end of the reporting period.

Interest rate swaps

Interest rate swaps are concluded to cover cash-flows or fair value of its main borrowings.

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2018 were EUR 3,006 million (2017: EUR 1,918 million).

At 31 December 2018, the main floating rates are EURIBOR, NIBOR (Norway) and STIBOR (Sweden). Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2018 will be continuously released to the income statement within finance charges until the repayment of the financial debt.

NOTE 18 OTHER NON-CURRENT AND CURRENT FINANCIAL ASSETS

	Year ended 31 December	
(in EUR million)	**2018**	**2017**
Long-term investments (10 years)	601.2	830.2
Other current financial assets	343.6	316.8
Other	0.3	0.3
TOTAL	**945.1**	**1,147.3**

Long-term investments are a resource resulting from the policy of the Group and of its main shareholder, Societe Generale, to monitor the Group's interest rate risk through the matching of assets and liabilities by maturity. Available equity is considered as a long term resource which needs to be matched with long-term assets (refer to Interest rate risks management in financial risk management section above). Equity reinvestments are made in long term amortising deposits within Societe Generale in order to remain within the interest rate sensitivity limit set for each entity (variation in the net present value of the future residual fixed rate positions, surplus or deficit, for a 1% parallel increase in the yield curve). These deposits will roll-out in approximately 9 years' time and will not be renewed.

NOTE 19 INVENTORIES

(in EUR million)	31 December 2018	31 December 2017
Inventories - gross value	282.1	270.0
Valuation allowance	(17.9)	(15.3)
Inventories net	**264.3**	**254.8**

Inventories are stated at the lower of cost or net realisable value.

NOTE 20 RECEIVABLES FROM CLIENTS AND FINANCIAL INSTITUTIONS

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for debtor risks, where necessary.

(in EUR million)	31 December 2018	31 December 2017
Amounts receivable under finance lease contracts	687.3	600.4
Impairment of Finance lease receivables	(9.8)	(6.6)
Amounts receivable from credit institutions*	89.0	28.0
Trade receivables	935.8	905.7
Provision for impairment of trade receivables	(118.2)	(89.5)
TOTAL RECEIVABLES	**1,584.2**	**1,438.0**

* *Mainly towards Societe Generale – no impairment provision has been calculated on these receivables due to their inter-group nature and immaterial size.*

The fair value of receivables is equivalent to the carrying value.

A full description of the impairment policy is contained in the Credit Risk Measurement section of the Financial Risk Factors.

The movement in impairment of trade receivables is as follows:

(in EUR million)	Note	31 December 2018	31 December 2017
Balance at 1 January		(109.9)*	(85.8)
Net Impairment charges	8	(37.8)	(22.4)
Receivables written off		25.5	19.3
Movement in Finance Lease Provision		1.1	1.1
Other and currency translation differences		2.8	(1.7)
Balance at 31 December		**(118.2)**	**(89.5)**

* *Balance at 1 January 2018 includes IFRS 9 provision on trade receivables.*

The maturity analysis is as follows:

(in EUR million)	31 December 2018	31 December 2017
Trade receivables not overdue	612.0	592.5
Past due up to 90 days	185.6	171.9
Past due between 90-180 days	39.4	45.8
Past due over 180 days	98.8	95.4
TOTAL	**935.8**	**905.7***

* *The analysis of maturity by time bucket for 31 December 2017 has been restated without affecting the total of the trade receivables. This occurred due to timing issues around the implementation of new accounting systems within the Group.*

NOTE 21 OTHER RECEIVABLES AND PREPAYMENTS

(in EUR million)	31 December 2018	31 December 2017
VAT and other taxes	293.8	401.9
Prepaid motor vehicle tax and insurance premiums	103.5	64.9
Reclaimable damages	12.0	11.7
Prepaid expenses	273.1	280.6
Other	190.5	145.4
Other receivables and prepayments	**872.9**	**904.6**

The majority of the other receivables and prepayments have a maturity of less than one year.

The other receivables balance includes EUR 118.9 million (2017: EUR 74.7 million) relating to rebates receivable from dealers and manufacturers.

NOTE 22 CASH AND CASH EQUIVALENTS

(in EUR million)	31 December 2018	31 December 2017
Cash at bank and on hand	127.6	154.7
Short-term bank deposits	31.3	39.9
Cash and cash equivalents excl. bank overdrafts	**158.9**	**194.6**
Bank overdrafts	(209.8)	(187.9)
Cash and cash equivalents, net of bank overdrafts	**(50.9)**	**6.7**

As ALD operates its own re-insurance program the cash balance includes funds required for this business.

NOTE 23 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The Company's financial assets and liabilities are categorised as follows:

FINANCIAL ASSETS

	Financial asset category				
As at 31 December 2018 (in EUR million)	**Financial assets at amortised cost**	**Assets at fair value through profit and loss**	**Total net book value per balance sheet**	**Fair value**	**Level***
Derivative financial instruments		40.8	40.8	40.8	Level 2
Receivables from clients and from financial institutions	1,584.2		1,584.2	1,584.2	Level 2
Other non-current and current financial assets	-	945.1	945.1	945.1	Level 1 and level 2
Cash and cash equivalents		158.9	158.9	158.9	Level 1
TOTAL	**1,584.2**	**1,144.7**	**2,728.9**	**2,728.9**	

* *Refers to valuation method.*

	Financial asset category				
As at 31 December 2017 (in EUR million)	**Loans and receivables****	**Assets at fair value through profit and loss**	**Total net book value per balance sheet**	**Fair value**	**Level***
Derivative financial instruments		28.8	28.8	28.8	Level 2
Receivables from clients and from financial institutions	1,438.0		1,438.0	1,438.0	Level 2
Other non-current and current financial assets	-	1,147.3	1,147.3	1,147.3	Level 1 and level 2
Cash and cash equivalents		194.6	194.6	194.6	Level 1
TOTAL	**1,438.0**	**1,370.6**	**2,808.6**	**2,808.6**	

* *Refers to valuation method.*
** *As per 2.10 the Group has applied IFRS 9 prospectively so comparative descriptions have not been restated.*

FINANCIAL LIABILITIES

	Financial liability category				
As at 31 December 2018 (EUR million)	**Othfinancial liabilities at amortised cost**	**Liabilities at fair value through profit and loss**	**Total net book value per balance sheet**	**Fair value**	**Level**
Bank borrowings	11,917.0		11,917.0	11,917.0	Level 2
Bonds issued	4,914.3		4,914.3	4,914.3	Level 2
Derivative financial instruments		26.2	26.2	26.2	Level 2
Trade payables	710.1		710.1	710.1	Level 2
TOTAL	**17,541.3**	**26.2**	**17,567.5**	**17,567.1**	

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	Financial liability category					
As at 31 December 2017 (in EUR million)	**Loans and receivables***	**Liabilities at fair value through profit and loss**	**Other financial liabilities at amortised cost**	**Total net book value per balance sheet**	**Fair value**	**Level**
Bank borrowings	11,849.4			11,849.4	11,849.4	Level 2
Bonds issued	3,280.3			3,280.3	3,286.5	Level 2
Derivative financial instruments		26.4		26.4	26.4	Level 2
Trade payables			738.3	738.3	738.3	Level 2
TOTAL	**15,129.8**	**26.4**	**738.3**	**15,894.5**	**15,900.8**	

* *Regarding point 2.10, the Group has applied IFRS 9 prospectively, therefore the comparative descriptions have not been restated.*

There were no transfers between levels 1 and 2.

NOTE 24 SHAREHOLDERS' EQUITY

Share Capital and Share Premium

At 31 December 2018, the authorised capital amounted to EUR 606.2 million (2017: EUR 606.2 million), divided into 404,103,640 ordinary shares with a nominal value of EUR 1.5 each.

At 31 December 2018, share premium amounted to EUR 367.0 million (2017: EUR 375.1 million). Share premium decreased due to payment of dividend that related to the period ended 31December.

All shares issued by ALD SA were fully paid.

The holders of the shares are entitled to receive dividend as declared at Annual General Meetings and are entitled to vote per share at meetings of the Company.

Other Equity – Treasury Shares

Following the combined General Meeting held on 22 May 2018, ALD SA was authorised to purchase its own shares for the purposes of attributing, covering and paying off any scheme for the allocation of free shares, employee savings scheme and any other form of allocation to employees and executive directors of the Company or of companies related to it under the conditions set out in applicable legislative and regulatory provisions, in particular in terms of sharing in the benefits of the Company's expansion, the allocation of free shares, all schemes for employee shareholding and to carry out all hedging operations relating to the said employee shareholding schemes.

	Number of shares	(in EUR million)
Opening balance 1 January 2018		
Acquisition of treasury shares for employee share schemes	302,794	(4.6)
Employee share scheme issue	-	-
Liquidity contracts	-	-
Balance at 31 December 2018	**86,259**	**(1.2)**
TOTAL	**389,053**	**(5.8)**

Retained earnings and other reserves

Movements in retained earnings and other reserves are presented in the Statement of changes in equity.

NOTE 25 SHARE-BASED PAYMENTS

On 29 March 2018 three equity-settled share based payment plans were approved by the ALD Board of Directors. The plans are designed to provide long-term incentives for selected employees across the Group to deliver long-term shareholder returns. Under the plans, participants are granted free shares in the parent company ALD SA which will only vest if certain performance and service conditions are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Shares are granted under the plans for no consideration and carry no dividend or voting rights. Prior to approval of the plans ALD SA did not hold any shares bound to be distributed to own employees, therefore ALD SA can either issue new shares or acquire its own shares on the market between the grant date and vesting date in order to settle the obligation to its employees.

SUMMARY OF 2018 LONG-TERM INCENTIVES PLANS

	Plan 1	Plan 2.A	Plan 2.B
Date of Board Meeting	29 March 2018	29 March 2018	29 March 2018
Total number of shares granted	276,980	12,907	12,907
Vesting date	31 March 2021	31 March 2020	31 March 2021
Holding period end date	not specified	30 September 2020	30 September 2021
Fair value (in EUR)*	11.31	11.31	11.31
Number of employees in the plan at grant date	195	4	4

* *The fair value is calculated based on the volume weighted average of share price of 20 days before the Board Meeting.*

Vesting conditions are based on ALD's profitability, as measured by the average Group Net Income over the 3 or 2 years of the vesting period:

- if the 2018-2020 (2018-2019 for Plan 2.A) average ALD Group Net Income is greater than zero, all performance shares are vested;
- if the 2018-2020 (2018-2019 for Plan 2.A) average ALD Group Net Income is equal to or less than zero, the performance condition is not satisfied and all performance shares are forfeited.

The ALD Group Net Income corresponds to the published ALD Group Net Income. The achievement of the performance condition hereinabove defined will be assessed by the ALD Board of Directors' Meeting by 30 March 2021 (30 March 2020 for Plan 2.A) at the latest.

At 31 December 2018, 191 employees benefit from the long-term incentives plans.

The following table shows the shares granted and outstanding at the beginning and end of the reporting period.

Number of shares

As at 1 January 2018	**-**
Granted during the year	302,794
Vested during the year	-
Forfeited during the year	(5,984)
As at 31 December 2018	**296,810**

For equity settled share-based payments, the fair value of these instruments, measured at the grant date, is spread over the vesting period and recorded in shareholders' equity under Retained earnings and other reserves. At each accounting date, the number of these instruments is revised in order to take into account vesting conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under Staff expenses from the start of the plan are then adjusted accordingly.

The Group is involved in another free share plan as of 31 December 2018 granted by the parent company Societe Generale.

Free shares plan ("AGA") is granted to a limited number of managers, subject to attendance conditions. At 31 December 2018, 172 employees benefit from 108,786 shares in all existing plans (192 employees benefit from 148,700 shares [(1)] at 31 December 2017).

Societe Generale grants rights to its equity instruments directly to the employees of the Company: the parent (not the subsidiary) provides these employees of the Company with the equity instruments. Therefore, in accordance with IFRS 2, the Company shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and recognise a corresponding increase in equity as a contribution from the parent.

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EXPENSES RECORDED IN THE INCOME STATEMENT

(in EUR million)	31 December 2018	31 December 2017
Net expenses from free share ALD plans	(0.9)	-
Net expenses from free share Societe Generale plan	(0.8)	(0.5)
TOTAL EXPENSE	**(1.7)**	**(0.5)**

(1)

NOTE 26 BORROWINGS FROM FINANCIAL INSTITUTIONS, BONDS AND NOTES ISSUED

(in EUR million)	31 December 2018	Cash	Non cash	31 December 2017
Bank borrowings	7,955.8	7,955.8		7,660.9
Non-current borrowings from financial institutions	**7,955.8**	**7,955.8**		**7,660.9**
Bank overdrafts	209.8	209.8		187.9
Bank borrowings	3,751.3	3,751.3		4,000.7
Current borrowings from financial institutions	**3,961.2**	**3,961.2**		**4,188.6**
TOTAL BORROWINGS FROM FINANCIAL INSTITUTIONS	**11,917.0**	**11,917.0**		**11,849.4**
Bonds and notes-originated from securitisation transactions	1,058.1	1,058.1		882.4
Bonds and notes-originated from EMTN programme	3,404.2	3,404.2		1,400.0
Other non-current bonds issued	-	-		-
Non-current bonds and notes issued	**4,462.4**	**4,462.4**		**2,282.4**
Bonds and notes-originated from securitisation transactions	251.9	251.9		491.9
Bonds and notes-originated from EMTN programme	200.0	200.0		506.0
Other current bonds issued	-	-		-
Current bonds and notes issued	**451.9**	**451.9**		**997.9**
TOTAL BONDS AND NOTES ISSUED	**4,914.3**	**4,914.3**		**3,280.3**
TOTAL BORROWINGS FROM FINANCIAL INSTITUTIONS AND BONDS	**16,831.3**	**16,831.3**		**15,129.8**

MATURITY OF BORROWINGS AND BONDS

(in EUR million)	31 December 2018	31 December 2017
Less than 1 year	4,413.1	5,186.5
1-5 years	12,155.5	9,637.9
Over 5 years	262.6	305.4
TOTAL BORROWINGS AND BONDS	**16,831.3**	**15,129.8**

Currencies

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Borrowings by currency (in EUR million)	31 December 2018	31 December 2017
Euro	12,536.0	11,285.6
UK Pound	1,775.4	1,605.8
Danish Krone	309.0	305.0
Swedish Kronor	373.4	311.8
Other currencies	1,837.4	1,621.6
TOTAL BORROWINGS AND BONDS	**16,831.3**	**15,129.8**

External funding
Local external banks and third parties provide 32.3% of total funding, representing EUR 5,434 million at 31 December 2018 (28% and EUR 4,217 million at 31 December 2017).

An amount of EUR 519.9 million or 3% of total funding is provided by external banks. The residual external funding (EUR 4,914 million) has been raised through asset-backed securitisations and unsecured bonds.

Asset-backed securitisation programme
A new securitisation deal took place in the UK in December 2018 for GBP 414 million with a revolving period of 1 year. Full details of the securitisation deals in the Group are shown in section 3.1.2 “Treasury risk”.

EMTN programme
The Group is engaged in a Euro Medium Term Notes (EMTN) programme. The EMTN programme limit is set at EUR 6 billion for the aggregate nominal amount of notes outstanding at any one time. An application has been filed with the Luxembourg Stock Exchange in order for the notes issued under the programme to be listed on the official list and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The programme is rated BBB+ by Standard & Poor’s and A- by Fitch ratings services. Two public bonds were launched by the Group in 2017. A bond in July 2017 for an amount of EUR 600 million maturing in 5 years at a fixed rate of 0.875% and in November 2017 another bond for an amount of EUR 600 million maturing in 3 years at a floating rate of Euribor 3M +43 bps. Three new public bonds have been launched in 2018; a bond in February 2018 for an amount of EUR 800 million maturing in 3 years at floating rate of Euribor 3M +34 bps, a bond in July 2018 for an amount of EUR 500 million maturing in 3 years at floating rate of Euribor 3M +62 bps and a Positive Impact Bond, a EUR 500 million 4-years senior note at a fixed rate of 1.250%. The Group has also issued a private bond in July 2017 for EUR 200 million and another one in June 2018 for EUR 400 million.

Societe Generale funding
Following the external funding raised in recent years, the funding raised through Societe Generale has remained stable at 68% as at 31 December 2018.

Most of the funding provided by the Societe Generale is granted through Societe Generale Bank and Trust (SGBT) based in Luxembourg. SGBT provides funds to the ALD Group Central Treasury which then grants loans in different currencies to 20 ALD subsidiaries as well as to the holding companies. The total amount of loans granted by SGBT amounted to EUR 8,227 million at 31 December 2018 (EUR 7,920 million at 31 December 2017) with an average maturity of 1.9 years.

The remaining SG funding is provided either by local SG branches or Societe Generale Central Treasury in Paris, representing EUR 3,170 million at 31 December 2018 (EUR 2,993 million at 31 December 2017).

At 31 December 2018 the Group has undrawn borrowing facilities of EUR 3.4 billion (EUR 1.6 billion at 31 December 2017).

Guarantee given
A guarantee at first demand has been granted to an English Financial institution for an amount of GBP 120 million on behalf of ALD Automotive UK, under the conditions negotiated in the frame of the distribution agreement concluded with this financial institution.

A guarantee at first demand has been granted to Banque Internationale a Luxembourg for an amount of EUR 20 million on behalf of Axus Luxembourg SA, under the conditions negotiated in the frame of the distribution agreement concluded with this financial institution.

A guarantee at first demand has been granted to a landlord for an amount of EUR 6.5 million on behalf of ALD Re DAC Ireland, under the conditions negotiated in the frame of the premises rental agreement concluded with this landlord.

NOTE 27 RETIREMENT BENEFIT OBLIGATIONS AND LONG-TERM BENEFITS

- Defined contribution plans

  Defined contribution plans limit the ALD’s liability to contributions paid to the plan but do not commit ALD to a specific level of future benefits.

  Main defined contribution plans provided to employees of the Group are located in France. They include state pension plans and other national pension plans such as ARRCO and AGIRC, as well as pension schemes put in place by some entities of the Group for which the only commitment is to pay annual contributions (PERCO).

- Post-employment benefit plans (Defined benefit plans)

  Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

  Main defined benefit plans provided to employees of the Group are located in Belgium, Germany, Italy and Switzerland.

Reconciliation of assets and liabilities recorded in the balance sheet

The amount recognised in the balance sheet is determined as follows:

(in EUR million)	31 December 2018	31 December 2017
A - Present value of funded defined benefit obligations	17.4	17.2
B - Fair value of plan assets	(12.3)	(12.0)
C = A + B Deficit (surplus)	**5.1**	**5.2**
D - Present value of unfunded defined benefit obligations	**3.3**	**3.7**
E - Change in asset ceiling	**-**	**-**
F - Separate assets	**-**	**-**
C + D - E - F = Net balance recorded in the balance sheet	**8.4**	**8.9**

Post-employment benefit plans include annuity payments, end-of-career indemnities as well as mixed plans (cash balance). Annuity payments are added to pension plans paid by state and mandatory benefit plans.

The present values of defined benefit obligations have been valued by independent qualified actuaries.

Components of the cost of the defined benefits

(in EUR million)	31 December 2018	31 December 2017
Current service cost including social security contributions	1.1	1.3
Employee contributions	(0.2)	(0.2)
Past service cost/curtailments	-	(0.2)
Settlement	-	-
Net interest	0.1	0.1
Transfer from unrecognised assets	-	-
Components recognised in income statement	*1.0*	*1.0*
Actuarial gains and losses due to assets*	0.2	(0.3)
Actuarial gains and losses due to changes in demographic assumptions	-	(0.1)
Actuarial gains and losses due to changes in economical and financial assumptions	(0.4)	(0.3)
Actuarial gains and losses due to experience	(0.5)	(0.3)
Change in asset ceiling	-	
Components recognised in unrealised or deferred gains and losses	*(0.7)*	*(1.0)*
TOTAL COMPONENTS OF THE COST OF THE DEFINED BENEFITS	**0.3**	**-**

* *Actuarial gains and losses due to assets from which the actuarial gains and losses due to assets included in the net interest cost is deducted.*

Changes in net liabilities of post-employment benefit plans recorded in the balance sheet

Changes in the present value of defined benefit obligations:

(In EUR million)	2018	2017
Balance at 1 January	**20.9**	**21.6**
Current service cost including social security contributions	1.1	1.3
Employee contributions	-	-
Past service cost/curtailments	-	(0.2)
Settlement	-	(0.3)
Net interest	0.3	0.3
Actuarial gains and losses due to changes in demographic assumptions	-	(0.1)
Actuarial gains and losses due to changes in economic and financial assumptions	(0.4)	(0.3)
Actuarial gains and losses due to experience	(0.5)	(0.3)
Foreign exchange adjustment	-	(0.2)
Benefit payments	(0.7)	(0.9)
Acquisition/(Sale) of subsidiaries	-	-
Transfers and others	-	-
BALANCE AT 31 DECEMBER	**20.7**	**20.9**

Changes in fair value of plan assets and separate assets:

(in EUR million)	2018	2017
Balance at 1 January	**12.0**	**11.7**
Expected return on plan assets	0.2	0.2
Expected return on separate assets	-	-
Actuarial gains and losses due to assets	(0.2)	0.3
Foreign exchange adjustment	-	(0.1)
Employee contributions	0.2	0.2
Employer contributions to plan assets	0.5	0.6
Benefit payments	(0.3)	(0.7)
Acquisition/(Sale) of subsidiaries	-	-
Transfers and others	-	(0.3)
BALANCE AT 31 DECEMBER	**12.3**	**12.0**

Information regarding funding assets (for all benefits and future contribution)

The breakdown of the fair value of plan assets is as follows: 22% bonds, 48% equities, 10% money market instruments and 20% others.

Employer contributions to be paid to post-employment defined benefit plans for 2019 are estimated at EUR 0.5 million.

Actual returns on funding assets

The actual returns on plan and separate assets were:

(in EUR million)	31 December 2018	31 December 2017
Plan assets	-	0.5
Separate assets	-	-

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

Main assumptions detailed by geographical area

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

At 31 December	2018	17
Discount rate Europe	1.5%	1.5%
Long-term inflation Europe	1.5%	1.7%
Future salary increase Europe	1.4%	1.4%
Average remaining working lifetime of employees *(in years)* Europe	14.6	15.7
Duration *(in years)* Europe	12.5	12.9

The assumptions by geographical area are averages weighted by the present value of the liabilities (DBO).

The yield curves used to discount the liabilities are corporate AA yield curves (source: Merrill Lynch) observed in the end of October for GBP and EUR, and corrected at the end of December if the decrease in discount rates had a significant impact.

Inflation rates used are the long-term targets of the central banks of the monetary areas above.

The average remaining working lifetime of employees is calculated taking into account withdrawal assumptions.

The assumptions described above have been applied on post-employment benefit plans.

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Obligations sensitivities to main assumptions ranges

(Percentage of item measured)	31 December 2018*	31 December 2017*
Variation in discount rate		
Impact on the present value of defined benefit obligations at 31 December N	(6.9)%	(7.4)%
Variation in long term inflation		
Impact on the present value of defined benefit obligations at 31 December N	3.1%	3.6%
Variation in future salary increases		
Impact on the present value of defined benefit obligations at 31 December N	8.8%	15.5%

* *Variation of +0.5% in the measured item.*

The disclosed sensitivities are averages of the variations weighted by the present value of defined benefit obligations.

Other long-term benefits

Some entities of ALD may award their employees other long-term benefits, like long-term deferred variable remunerations, time saving accounts (French Term) *Comptes Epargne Temps* or long service awards. They are different from post-employment benefits and termination benefits, which are not fully due within twelve months following the financial year during which the services are rendered by the employees.

The net balance of other long-term benefits is EUR 11.3 million. The total amount of charges for other long-term benefits is EUR 2 million.

NOTE 28 PROVISIONS

(in EUR million)	Damage risk retention	Other	Total
As at 1 January 2017	**187.7**	**54.5**	**242.2**
Additions	91.4	18.5	109.9
Reversal	(93.3)	(5.4)	(98.6)
Transfer to liabilities qualified as held-for-sale	-	-	-
Transfer to payables	(0.0)	-	-
Currency translation differences	(0.0)	(1.0)	(1.1)
Scope changes	2.0	0.8	2.8
As at 31 December 2017	**187.8**	**67.4**	**255.2**
Of which current	**99.5**	**59.2**	**158.7**
As at 1 January 2018	**187.8**	**67.4**	**255.2**
Additions	66.1	8.5	74.6
Reversal	(55.9)	(16.3)	(72.2)
Used during the year	-	-	-
Transfer total	-	-	-
Currency translation differences	(0.0)	(0.4)	(0.4)
Scope changes	0.1	-	0.1
As at 31 December 2018	**198.1**	**59.3**	**257.4**
Of which current	**101.1**	**50.4**	**151.5**

Other provisions relate mainly to provisions made against disputed invoices. These are considered separately to impairment of receivables and do not represent a credit risk.

NOTE 29 TRADE AND OTHER PAYABLES

(in EUR million)	As at 31 December 2018	As at 31 December 2017
Trade payables	710.1	783.3
Deferred leasing income*	426.0	410.8
Other accruals and other deferred income	397.6	393.7
Advance lease instalments received	278.6	252.1
Accruals for contract settlements	83.8	84.0
VAT and other taxes	191.4	181.4
Other	0.6	0.9
TRADE AND OTHER PAYABLES	**2,088.1**	**2,061.2**

* *Deferred leasing income relates to maintenance and tyre revenue which is profiled in line with historical maintenance expenditure in order to match revenue and costs. This policy is explained further in Note 3 "Financial Risk Management".*

NOTE 30 DIVIDENDS

A dividend that related to the period ended 31 December 2017 for an amount of EUR 222.3 million (EUR 0.55 per share) was paid to ALD shareholders on 1 June 2018 of which dividend paid to Societe Generale is EUR 177.4 million (a dividend of EUR 155.6 million paid to Societe Generale that related to the period ended 31 December 2016).

NOTE 31 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

(in EUR million)	31 December 2018	31 December 2017
Net income attributable to owners of the parent	555.6	567.6
Weighted average number of ordinary shares with voting rights *(in thousands)*	403,909	404,104
TOTAL BASIC EABVRNINGS PER SHARE *(in cents)*	**1.38**	**1.40**

Following the Shareholders Meeting held on 17 March 2017 it was decided to issue 9 additional shares for each share issued, which resulted in the number of ordinary shares increasing from 40,410,364 to 404,103,640.

Following the combined General Meeting held on 22 May 2018, ALD SA was authorised to purchase its own shares for the purposes of attributing, covering and paying off any scheme for the allocation of free shares, employee savings scheme and any other form of allocation to employees and executive directors of the Company or of companies related to it under the conditions set out in applicable legislative and regulatory provisions. Total number of shares making up current share capital 404,103,640. As at 31 December 2018 total number of shares to which voting rights are attached, excluding shares without voting rights (treasury shares, etc.) is 403,714,587. Weighted average number of ordinary shares with voting rights is 403,909,294.

DILUTED EARNINGS PER SHARE

(in EUR million)	31 December 2018	31 December 2017
Net income attributable to owners of the parent	555.6	567.6
Weighted average number of ordinary shares *(in thousands)*	404,104	404,104
TOTAL DILUTED EARNINGS PER SHARE *(in cents)*	**1.37**	**1.40**

Rights to free shares granted to employees will be settled with treasury shares under the long-term incentives employee plans. Treasury shares are included in the calculation of diluted earnings per share assuming all outstanding rights will vest.

ALD SA did not issue any diluted instruments for the year ended 31 December 2018, therefore diluted earnings per share equal to basic earnings per share for that period.

NOTE 32 COMMITMENTS

Operating lease commitments – Group company as lessee
The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Operating lease commitments (in EUR million)	31 December 2018	31 December 2017
No later than 1 year	15.9	20.0
Later than 1 year and no later than 5 years	49.9	68.8
Later than 5 years	29.8	26.5
TOTAL	**95.6**	**115.3**

NOTE 33 RELATED PARTIES

Identity of related parties

The Group is controlled by Societe Generale. Transactions with Societe Generale and its subsidiaries have been identified as related party transactions. All business relations with Societe Generale are handled at normal market conditions.

In addition, one member of ALD Board of Directors is also a Non-Executive director at the Supervisory Board of a company based in the US, MT Americas (Virginia, US). The Company operates within the recycling industry in the US and South America. There is no business relationship between MT Americas and ALD Group.

This member was also a Non-Executive director at CarTime Technologies A/S from 1 April 2017 until 1 June 2018, a company based in Denmark, specialised in road pricing and digital parking. There was no business relationship between CarTime Technologies and ALD Group.

Key management compensation

Key management includes members of the Executive Committee of ALD Group. The Executive Committee is composed of executive managers of ALD and Societe Generale as well as regional supervisors of the most important subsidiaries. The members are the Chief Executive Officer, the two Deputy Chief Executive Officers, the Chief Financial Officer and the Chief Operating Officer.

The compensation paid or payable to key management for employee services is shown below:

(in EUR million)	31 December 2018	31 December 2017
Salaries and other short term employment benefits	8.6	9.0
Post-employment benefits	0.3	0.2
Other long term benefits	1.6	1.5
TOTAL	**10.5**	**10.7**

Since the listing of the Company in June 2017, ALD SA is supervised by a new Board Committee which has been implemented according to the AFEP-MEDEF rules. The Board is composed of employees of ALD SA and Societe Generale as well as independent Board members who benefit from a compensation.

Sales of goods and services

Societe Generale ("SG") and its subsidiaries are customers of ALD Group. Total fleet leased to SG and its subsidiaries amounts to 7,658 cars in 27 countries. Rentals have been priced at normal market conditions. More than 50% of the total fleet leased to Societe Generale is leased by ALD France. Rental paid by Societe Generale to ALD France accounts for EUR 17.7 million and EUR 17 million in the years ended 31 December 2018 and 31 December 2017, respectively.

Purchases of goods and services

Information Technology ("IT") Services

ALD Group has a contract with SG Global Services centre (India), with which ALD subcontracted IT services including development, maintenance and support of international applications. The main advantage is to facilitate the roll out of common tools to all subsidiaries while ALD IT teams at a Group level still keep the knowledge of each project, train users and follow up the set up, usage and evolution locally. ALD has also subcontracted some technical infrastructure services to SG, mainly in France. Overall amount of IT services subcontracted to SG and its subsidiaries amounts to EUR 18.75 million in fiscal year 2018 (2017: EUR 19.48 million).

Premises

Some Group entities share premises with SG or with SG business divisions in some countries (mainly ALD France and ALD Denmark which represent around 65% of the total rentals paid to SG). Rentals have been priced at arm's length and amounted to EUR 0.4 million in fiscal year 2018 (2017: EUR 1.0 million) for ALD France and ALD SA. At the end of 2017 ALD SA moved its office to a property outside of the SG network. Rental for ALD Denmark amounted to EUR 0.3 million in fiscal year 2018 (2017: EUR 0.3 million).

Brokerage

Societe Generale retail banking network sells long term rental contracts to customers on behalf of ALD against a commission for each contract sourced. In year 2018, around 15,000 contracts have been signed through Societe Generale distribution network in 4 different countries. 79% of contracts originated through this channel come from the French banking networks of Societe Generale. The commission paid to SG by ALD France represented EUR 2.54 million for the year ended 31 December 2018 (2017: EUR 2.52 million).

Third Party Liabilities (TPL) Insurance policy

ALD Italy has subscribed a TPL insurance policy for part of their fleet through Sogessur, the Car insurance company of Societe Generale. Sogessur acts as a frontier and is reinsured through ALD Re, the reinsurance company of ALD Group. Insurance premiums have been fixed at arm's length. The overall amount of insurance premium paid by ALD Italy to Sogessur amount EUR 76.3 million in fiscal year 2018 (2017: EUR 69.5 million).

Corporate services

Societe Generale, as a shareholder, provides ALD Group with the following intercompany corporate services:

- providing support and advice regarding general secretary, tax or compliance matters at a holding level;
- performing periodical audits in order to verify the effectiveness of governance, risk management, and permanent control;
- supervising the Human Resources Departments of the subsidiaries.

These Corporate services provided by Societe Generale have been subject to compensation of EUR 12.2 million in fiscal year 2018 (2017: EUR 12.4 million).

In addition, in fiscal year 2018, there were 69 employees coming from SG (54 in 2017) with a temporary detachment contract in ALD Group with duration of 3 to 5 years; they are part of the local management teams and most of them are included in ALD payroll during the detachment period and are therefore not re-billed to SG. Only the employees based in ALD France and ALD are still paid by SG and re-billed to ALD; the amount re-billed by SG was EUR 7.5 million in 2017 and 12.1 million in 2018.

Loans with related parties

Societe Generale and its affiliates provide ALD Group with funding either through ALD Treasury centre or directly to ALD subsidiaries at a market rate. 68% of the Group's funding was provided through SG in fiscal year 2018, *i.e.* EUR 11,397 million.

Societe Generale provides also bank guarantees on behalf of ALD and its subsidiaries in case of external funding. Overall guarantees released by Societe Generale amounted up to EUR 957.2 million as of 31 December 2018 (2017: EUR 767.3 million).

Societe Generale also provides ALD Group with derivatives instruments which have a nominal amount of EUR 3,575.1 million, and are represented on the balance sheet for a total amount of EUR 16 million in assets and EUR 22.8 million in liabilities.

In compliance with the Asset Liability Management policies of Societe Generale, ALD Group reinvests its equity in long term assets in the form of deposits with the central treasury of Societe Generale. These deposits will roll-out in approximately 10 years time and will not be renewed. All of the interest rate swaps were cancelled in Q1 2017 and the decision was made not to renew any of the deposits as they mature. At 31 December 2018 the total amount of long term deposits was EUR 710.5 million (2017: EUR 939 million).

Tax consolidation agreement

Several ALD entities have entered into tax consolidation agreement or Group relief with Societe Generale entities:

- ALD Automotive A/S (Denmark) had signed a tax consolidation agreement with Societe Generale in 2005 (ALD and SG Finans), with Denmark NF Fleet joining in 2006. Danish companies, regarded as separate taxable entities, are covered by the rules of national joint taxation which implies that the loss in one company can be set off against the taxable income in another company;
- Axus Italiana Sarl (Italy) had joined SG tax consolidation group in Italy in 2016. This regime allows the determination of a single IRES taxable base comprised of the taxable income and losses of each of the participating entities;
- ALD Automotive Group PLC (UK) had joined Societe Generale relief in 2001, allowing members of the Group of companies to transfer certain Corporate Tax losses to other members of the Group;
- Merrion Fleet Management Ltd and Merrion Fleet Finance Ltd had joined Societe Generale relief in 2017, allowing members of the Group of companies to transfer certain Corporate Tax losses to other members of the Group.

NOTE 34 AUDITORS' FEES

The total fees of the Company's auditors, as charged to the consolidated income statement for the year ended 31 December 2018, amounted to:

- for Deloitte & Associés: EUR 1.9 million for the certification of the accounts;
- for Ernst & Young & Autres: EUR 1.5 million for the certification of the accounts

The non-audit services provided by statutory auditors this year mainly consisted of missions of compliance review with regard to the regulatory requirements, missions of internal control within the framework of respect of ISAE standards (International Standard on Assurance Engagement), agreed upon procedures or complementary audits within the scope of issuing of certificates or RSE report (RSE: environmental and social responsibility), audit assignments within the framework of project of acquisitions and also non-audit services expressly and exclusively entrusted to the statutory auditors for less than EUR 0.15 million.

NOTE 35 SUBSEQUENT EVENTS

There were no significant events after the reporting period for the year ended 31 December 2018.

NOTE 36 SCOPE OF CONSOLIDATION

ALD SA	Parent company	
	% interest held at 31 December	
Consolidated companies under global integration	**2018**	**2017**
ALD Autoleasing D GmbH *	100.00	100.00
ALD Automotive - Russia	100.00	100.00
ALD Automotive A/S - Denmark	100.00	100.00
ALD Automotive AB - SWEDEN	100.00	100.00
ALD Automotive AG - Switzerland	100.00	100.00
ALD Automotive AS - NORWAY	100.00	100.00
ALD Automotive D.O.O. Beograd - SERBIA	100.00	100.00
ALD Automotive Drustvo s Ogranicenom Odgovornoscu za Operativni - Croatia *	100.00	100.00
ALD Automotive for Cars Rental and Fleet Management SAE - EGYPT	100.00	100.00
ALD Automotive Fuhrparkmanagement und Leasing GmbH - Austria	100.00	100.00
ALD Automotive Group PLC - UK *	100.00	100.00
ALD Automotive LTDA - BRAZIL	100.00	100.00
ALD Automotive Magyarorszag KFT - HUNGARY *	100.00	100.00
ALD Automotive Operational Leasing DOO - SLOVENIA	100.00	100.00
ALD Automotive Polska Spolka z Organiczona Odpowiedzialnoscia - POLAND	100.00	100.00
ALD Automotive Private Limited - INDIA	100.00	100.00
ALD Automotive Russia Sas	100.00	100.00
ALD Automotive SA de CV - MEXICO	100.00	100.00
ALD Automotive SA Lease of Cars - GREECE	100.00	100.00
ALD Automotive SA – SPAIN *	100.00	100.00
ALD Automotive SRO - Czech Republic	100.00	100.00
ALD Automotive Turizm Ticaret Anonim Sirketi - TURKEY	100.00	100.00
ALD Fleet (SOFOM)	100.00	100.00
ALD International Participations SAS	100.00	100.00
ALD International SAS & CO KG *	100.00	100.00
ALD Re DAC - IRELAND	100.00	100.00
Axus Finland OY	100.00	100.00
Axus Italiana Sarl	100.00	100.00
Axus Luxembourg SA	100.00	100.00
Axus Nederland BV	100.00	100.00
Axus SA NV - BELGIUM *	100.00	100.00
First lease Ltd - UKRAINE	100.00	100.00
SG ALD Automotive Portugal Sociedade Geral de Comercio e Aluguer de Benz sa	100.00	100.00
TEMSYS - France *	100.00	100.00
ALD Automotive Algeria SPA	99.99	99.99
ALD Automotive SRL - ROMANIA	80.00	80.00
Denmark NF fleet	80.00	80.00
Finland NF fleet	80.00	80.00
NF fleet AB - SWEDEN	80.00	80.00
Norway NF Fleet	80.00	80.00
ALD Automotive Eesti AS - Estonia	75.01	75.01
ALD Automotive SIA - LATVIA	75.00	75.00
UAB ALD Automotive - Lithuania	75.00	75.00
ALD Bulgaria	100.00	51.00
ALD Fortune Auto Leasing and Renting Co. Ltd - China	50.00	50.00
ALD Automotive Limitada (Chile)	100.00	100.00
ALD Automotive Peru SA	100.00	100.00

ALD SA	**Parent company**	
	% interest held at 31 December	
Consolidated companies under global integration	**2018**	**2017**
ALD Automotive Colombia SAS	100.00	100.00
ALD Automotive Slovakia SRO	100.00	100.00
Merrion Fleet Mgmt*	100.00	100.00
Consolidated companies under equity method		
ALD Automotive SA Morocco	35.00	35.00
Nedderfeld 95 Immobilien GmbH & Co. KG	35.00	35.00

* *Including subsidiaries.*

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20.2 AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AFR

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English- speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2018

To the Annual General Meeting of the company ALD,

OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of the company ALD for the year ended December 31, 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 as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

EMPHASIS OF MATTER

We draw attention to the matter set out in Note 2.1 "Presentation format of the financial statements" to the consolidated financial statements which describes the change in accounting method relating to the presentation of the cashflow statement statement. Our opinion is not modified in respect of this matter.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Revaluation of residual value of the fleet

Risk identified	Our response
The rental fleet represents 78% of ALD Group's total balance sheet as at December 31, 2018, with a net value of € 18.4 billion. Residual values of the vehicle representing the Group's fleet are defined at inception of the lease. They are reviewed at least yearly to obtain an estimate that approximates the vehicle's market value at the end of the lease. The procedures used to determine these residual values are set by ALD and shared by all Group's entities. Residual value calculation is performed by each entity, as the used car market expertise is local, but the process is controlled and approved centrally. Calculations are based on market segmentation and on a statistical model using ALD internal used car sales data, as well as country specific factors. The residual value that is re-estimated during the fleet's revaluation may differ from the initial residual value. Potential losses on future vehicle sales are amortized on a straight-line basis over the remaining term of the lease. We considered the revaluation of residual values to be a key audit matter since it involves an estimate of the future market values of vehicles reported on the balance sheet based on a statistical model.	We familiarized ourselves with the process used to measure residual values implemented by the Group. We analyzed the effectiveness of the key controls set up by local and central management especially those concerning the determination of the assumptions and parameters used for the measurement. Assisted by our IT experts we examined the general IT controls covering the application used to evaluate the fleet and the key controls related to the input of data from the local entities. Our work also consisted in: ► analyzing the appropriateness of the statistical model and the main assumptions and parameters used; ► assessing the application of the assumptions retained and the parameters used for a selection of vehicles whose residual values were re-estimated; ► verifying that the estimates adopted are based on documented methods in accordance with the principles set out in the notes.

Evaluation of the revenues of differed maintenance

Risk identified	Our response
ALD invoices its maintenance revenue on a straight-line basis over the term of the lease. In order to record the revenue based on a model reflecting the transfert of control of the services provided, the revenue resulting from the maintenance and tyres are deferred to be recorded at the same rate as the expected cost based on the standard maintenance cost curve. The Group's entities evaluate the deferred maintenance revenue reserve using a mathematical sequence that models the standard cost curve of a lease. Deferred leasing income represent nearly M€ 426 in ALD Group's financial statements as at December 31, 2018. We considered the valuation of provisions for deferred leasing income to be a key audit matter since: ► It is an estimation and it rests on the modeling of a mathematical sequence; ► it is based on an estimate of the maintenance costs at the lease's inception.	Our audit response consisted in examining the process used to evaluate the provision for deferred leasing income and the performance of substantive tests. Our work consisted in: ► assessing the consistency of the calculation model and the main parameters used with the historical accounting records; ► recalculating the provision for deferred maintenance revenue based on a sample of leases; ► analyzing at the level of the most significant of the Group's entities, the evolution of this provision and the ex-post verifications performed by the Company of the assumptions on the costs and the frequencies; ► Assessing if the estimates adopted are based on documented methods in accordance with the principles set out in Note 3.1.3 to the consolidated financial statements "Risk related to services maintenance and tyres".

Evaluation of the goodwill

Risk identified	Our response
Goodwill is subject to impairment tests performed annually or more frequent that compare their accounting value with a value in use generally calculated based on the discounting of the future cash flows of the cash generating units (CGU) or groups of CGU. The cash flows are based on the 5-year business plans of each CGU or group of CGUs. Within the group ALD, each of the most significant countries and independently managed represent one CGU (France, Spain, Italy for example), the other countries are groups by poles covering homogenous geographical areas. The net value of balance sheet goodwill stands at M€ 532, of which M€ 212 for the France CGU, M€ 109 for the Spain CGU and M€ 50 for the Italy CGU, as indicated in Note 15 to the consolidated financial statements. We considered the evaluation of the goodwill to be a key audit matter due to the judgement involved in the models used, the financial forecasts, the parameters retained for the calculations, and the importance of the global amount of goodwill accumulated as a result of successive external growth transactions.	Our audit response consisted in particular in examining the process used by the group to identify the indicators of decrease in values and any need to impair goodwill. This work also consisted of: ► a critical analysis of the valuation methods used to calculate the values in use; ► the involvement in our teams of valuation specialists to assess the main assumptions retained in the calculation models and their sensitivity; ► a consistency check between the discounted future cash flows used for the impairment tests with the financial trajectories prepared by ALD's management and the communication made to the market; ► a verification that the impairment test results and sensitivity to certain parameters were correctly transcribed in the notes to the consolidated financial statements. Furthermore, our work also consisted in verifying the correct allocation of the goodwill to the various balance sheet items of the companies acquired and in particular to the intangible assets when they are significant. In this context our work consisted of: ► an analysis of the contracts of acquisition ► a critical review of the group's analysis reports ► the involvement in our teams of valuation specialists to assess the consistency of the allocation criteria of the subsidiaries acquisition price with the analysis and financial forecasts validated by the management.

VERIFICATION OF THE INFORMATION PERTAINING TO THE GROUP PRESENTED IN THE MANAGEMENT REPORT

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of ALD by the Annual General Meeting held on June 3, 2013 for the audit firm DELOITTE & ASSOCIES and on November 7, 2001 for the audit firm ERNST & YOUNG et Autres.

As at December 31st 2018, the audit firm DELOITTE & ASSOCIES was in the 6th year of total uninterrupted engagement. As for the audit firm ERNST & YOUNG et Autres, the year ended December 31st 2018 was the 18th year of total uninterrupted engagement (including 6 years since securities of the Company were admitted to trading on a regulated market).

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

► Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

► Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

► Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

► Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

► Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, April 19, 2018

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES
Jean-Marc Mickeler

ERNST & YOUNG et Autres
Micha Missakian

20.3 INFORMATION ON THE INDIVIDUAL FINANCIAL STATEMENTS OF ALD SA

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20.3.1 Development of the activity in 2018 for ALD SA

During the 2018 financial year, the Company continued to assist and advise its subsidiaries and sub-subsidiaries, both in France and abroad.

From 1 January 2018, ALD SA opted for the tax consolidation regime defined in Articles 223 A *et seq*. of the French General Tax Code.

The Company renewed its liquidity contract for a period of one year on 1 January 2018.

ALD SA proceeded with the buyback of its own shares with the aim of assigning them under a free share plan intended for certain of the Group's employees.

In the context of its EMTN program of EUR 6 billion, ALD SA issued four bonds for a total of EUR 2,200 million over the 2018 financial year, in part renewing a mature bond, bringing the stock of bonds to EUR 3,604 million at the end of 2018, compared with EUR 1,905 million at the end of 2017, representing an increase of 89%. The proportion of external financing in the Group's overall financing accordingly firmed to 32% at the end of 2018.

20.3.2 Presentation of the annual financial statements of ALD SA

The annual financial statements for the financial year ended 31 December 2018 were prepared in accordance with the presentation rules and evaluation methods specified by the regulations in force.

No notable change in the evaluation method and presentation method occurred during the financial year.

20.3.3 Explanation of the economic and financial results of ALD SA

Pursuant to the financial year ended 31 December 2018.

20.3.3.1 Income statement

The total operating income stood at EUR 102 million compared with EUR 90 million for the previous financial year.

Operating expenses for the financial year stood at EUR 99 million compared with EUR 98 million in 2017.

The operating result therefore stood at EUR 3 million, compared with a loss of EUR 8 million for the previous financial year.

The average salaried workforce stood at 91 in 2018, compared with 85 in 2017 (excluding expatriates).

Financial income stood at EUR 535 million compared with EUR 49 million in 2017. This increase can be explained by a significantly higher dividend for subsidiaries and sub-subsidiaries than the previous year.

We find these impacts in the pre-tax profit/loss for the financial year, which stood at EUR 537 million in 2018 compared with EUR 41 million at 31 December 2017.

The income tax account had a balance of EUR 1.44 million.

Given these elements, the net profit/loss after tax for the 2018 financial year stood at a profit of EUR 536 million compared with EUR 44 million for the previous financial year.

20.3.3.2 Assets

At 31 December 2018, the Company's balance sheet total stood at EUR 5,462 million compared with EUR 3,440 million at 31 December 2017.

Net capital assets stood at EUR 5,370 million compared with EUR 3,388 million at the end of the previous financial year.

Current assets stood at EUR 92 million at 31 December 2018 compared with EUR 52 million at the end of the previous financial year, representing growth of EUR 39 million.

20.3.3.3 Liabilities

The amount of equity rose from EUR 1,231 million at 31 December 2017 to EUR 1,545 million at 31 December 2018.

Financial debts stood at EUR 3,805 million compared with EUR 2,131 million at the end of 2017, representing an increase of EUR 1,674 million.

Operating debts at the end of December 2018 increased by EUR 33 million.

20.3.3.4 Off-balance-sheet

The off-balance sheet at 31 December 2018 showed a guarantee of GBP 120 million to a third party on behalf of our UK subsidiary.

20.3.4 Payment deadlines

20.3.4.1 Suppliers

20.3.4.1.1 Invoices due, received and not settled at the date of closure of the financial year

(in EUR thousand)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
Number of invoices concerned	34	5	2	19	**60**
Total amount including VAT of invoices concerned	1,007	81	35	50	**1,173**
Total amount including VAT of credit notes and advances paid	0	0	0	(1)	**(1)**
Net total amount including VAT of invoices concerned	1,007	81	35	49	**1,172**
Percentage of total number of purchases including VAT for the financial year	1.0%	0.0%	0.0%	0.0%	**1.2%**

20.3.4.1.2 Invoices excluded from 20.3.4.1 relating to disputed debts and receivables not recognised

Number of invoices excluded	None
Total amount including VAT of invoices excluded	None

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20.3.4.1.3 Reference payment deadlines used

Statutory payment deadlines used for calculating late payment	Date of invoice +45 days end of month/ Date of invoice end of month +45 days/60 days date of invoice
Contractual payment deadlines used for calculating late payment	On receipt of the invoice/Date of invoice +15, 30, 45 end of month/ Date of invoice +5, 7, 8, 10, 12, 14, 15, 20, 30, 40, 45, 50, 60 days

20.3.4.2 Trade receivables

20.3.4.2.1 Invoices issued, due and not settled on the date of closure of the financial year, and received, due and not settled on the date of closure of the financial year

(in EUR thousand)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
Number of invoices concerned	4	15	16	177	**212**
Total amount including VAT of invoices concerned	2	1,234	1,910	8,940	**12,086**
Total amount including VAT of credit notes and advances received	(10)	0	0	(278)	**(288)**
Net total amount including VAT of invoices concerned	(8)	1,234	1,910	8,662	**11,798**
Percentage of total number of sales including VAT for the financial year	0.0%	1.3%	2.0%	9.2%	**12.6%**

These are essentially service and headquarters invoices for subsidiaries and sub-subsidiaries of the Group.

20.3.4.2.2 Invoices excluded from (A) relating to disputed debts and receivables not recognised

Number of invoices excluded	None
Total amount including VAT of invoices excluded	None

20.3.4.2.3 Reference payment deadlines used

Statutory payment deadlines used for calculating late payment	Date of invoice +30 days
Contractual payment deadlines used for calculating late payment	Date of invoice +30 days

20.3.5 Table of financial results for ALD SA

The table below specified by Article R. 225-102 subparagraph 2 of the French Commercial Code, shows the financial results for the Company over the last five financial years.

Type of information	2018 financial year	2017 financial year	2016 financial year	2015 financial year	2014 financial year
I. Capital at the end of the financial year					
a) Share capital *(in thousands of euros)*	606,155	606,155	606,155	606,155	550,038
b) Number of ordinary shares outstanding	404,103,640	40,410,364	40,410,364	36,669,167	36,669,167
c) Number of priority dividend shares (without voting rights) outstanding					
d) Maximum number of future shares to be created					
d-1) by conversion of bonds					
d-2) by exercise of subscription rights					
II. Profit/loss for the financial year *(in thousands of euros)*					
a) Revenue excluding tax	97,456	88,503	87,250	62,605	60,979
b) Profit/loss before tax and expenses calculated	541,056	42,708	316,894	116,129	128,106
c) Income tax	1,447	(2,780)	11,698	(32,033)	(5,984)
d) Employee profit-sharing due in respect of the financial year	-	-	-	-	-
e) Depreciation, amortisation and provisions	3,921	1,930	(1,781)	-	-
f) Net income after tax and expenses calculated	535,689	43,557	306,977	148,162	134,090
g) Net income distributed in respect of the financial year	214,173	214,175	155,580	149,518	100,107
III. Earnings per share *(in EUR)*					
a) Earnings after tax but before expenses calculated	1.34	13.35	13.35	14.72	14.72
b) Earnings after tax and expenses calculated	1.33	1.08	7.60	4.04	3.66
c) Net ordinary dividend assigned to each share					
IV. Personnel					
a) Average salaried workforce	91	85	76	66	63
b) Payroll expenditure for the financial year	10,938	11,362	7,259	6,334	4,054
c) Amounts paid in respect of social benefits for the financial year (social security, pensions, etc.) *(in EUR)*	5,197	4,559	3,790	2,968	2,491

20.3.6 Proposed allocation of earnings of ALD SA

We propose that you approve the financial statements as presented to you and allocate the earnings for the financial year of EUR 535,688 thousand as follows:

- Legal reserve (5% of profit): EUR 26,784 thousand;
- *i.e.* a profit balance for the financial year: EUR 508,904 thousand;
- To which is added retained earnings of: EUR 3,186 thousand;
- Forming distributable profit of: EUR 512,090 thousand;
- Dividend deducted from the distributable profit: EUR 234,380 thousand (representing EUR 0.58 per share);
- Balance of retained earnings: EUR 277,710 thousand;

Total amount of the distribution based on capital of 404,103,640 shares at 31 December 2018: EUR 234,380 thousand.

Regarding taxation, for individual shareholders resident for tax purposes in France, it should be noted that this dividend of EUR 0.58 per share is subject to income tax at a flat rate of 12.8% but may be taxed, according to the overall option specified in item 2 of Article 200 A of the General Tax Code relating to shareholders, at the gradual income tax scale; in this case, the dividend is eligible for the deduction of 40% pursuant to Article 158-3-2° of the French General Tax Code.

The detachment of the coupon will take place on 30 May 2019 and the dividend will be paid from 31 May 2019.

20.3.7 Reminder of dividends distributed previously

In accordance with the provisions of Article 243 *bis* of the French General Tax Code, we remind you that the amounts of dividends distributed for the last three financial years are as follows:

	2015	2016	2017
Net dividend distributed per share (1) (2) (3) *(in thousand euros)*	EUR 3.70	EUR 3.85	EUR 0.55
Total amount distributed *(in euros)*	EUR 149,518	EUR 155,580	EUR 222,255

(1) The dividend assigned to individual shareholders was not eligible for the deduction of 40% pursuant to Article 158-3 of the French General Tax Code.
(2) During the financial years 2015 and 2016, the number of securities eligible for distribution of a dividend was 40,410,364. At the Shareholder Meeting of 17 March 2017, with an effective date of 3 April 2017, the nominal value of the shares of the Company was reduced by dividing them by ten and at the same time, the number of shares composing the share capital was multiplied by this same figure.
(3) The dividend distributed in 2018 in respect of 2017 was EUR 222,257,002. The number of treasury shares held under the ALD SA liquidity contract was 2,860 at the time of the distribution, which resulted in the reintegration of EUR 1,573 as retained earnings.

20.3.8 Sumptuary expenses and non-tax deductible expenses of ALD SA

In accordance with the provisions of Articles 223 *quater* and 223 *quinquies* of the French General Tax Code, it is specified that the financial statements for the financial just ended include sumptuary expenses not deductible from the taxable profit in the amount of EUR 210 thousand euros relative to non-deductible depreciation of the fleet held by ALD SA for its employees.

20.4 ANNUAL FINANCIAL STATEMENTS

AFR

20.4.1 Assets

Balance sheet – asset side (in EUR thousand)	Year ended 31 December 2018			Year ended 31 December 2017
	Gross	**Depreciation**	**Net**	**Net**
Capital subscribed not called (I)	-		-	-
Start-up expenses	-	-	-	-
Development expenses	-	-	-	-
Concessions, patents and similar rights	19,149	16,779	2,371	826
Goodwill	-	-	-	-
Other intangible assets	-	-	-	-
Advances on intangible assets	-	-	-	-
TOTAL INTANGIBLE ASSETS	**19,149**	**16,779**	**2,371**	**826**
Land	-	-	-	-
Buildings	-	-	-	-
Technical installations, equipment	-	-	-	-
Other property and equipment	3,067	918	2,149	2,384
Capital assets under construction	6,982	-	6,982	1,640
Advances and down-payments	-	-	-	-
TOTAL PROPERTY AND EQUIPMENT	**10,049**	**918**	**9,131**	**4,024**
Other equity investments	1,453,241	41	1,453,200	1,453,199
Receivables related to equity investments	-	-	-	-
Other capitalised securities	-	-	-	-
Loans	3,904,354	-	3,904,354	1,929,456
Other long-term financial assets	1,325	-	1,325	421
TOTAL FINANCIAL ASSETS	**5,358,919**	**41**	**5,358,878**	**3,383,077**
TOTAL CAPITALISED ASSETS (II)	**5,388,117**	**17,738**	**5,370,379**	**3,387,927**
Advances and down payments made on orders	-	-	-	-
Accounts Receivable	41,602	-	41,602	32,444
Other receivables	25,366	-	25,366	4,511
Capital subscribed and called, not paid	-	-	-	-
TOTAL RECEIVABLES	**66,968**	**-**	**66,968**	**36,955**
Investment securities	5,258	-	5,258	1,877
of which own shares:	-	-	-	-
Cash at bank and on hand	6,540	-	6,540	5,101
TOTAL LIQUID ASSETS	**11,799**	**-**	**11,799**	**6,979**
Prepaid expenses	13,062	-	13,062	8,468
TOTAL CURRENT ASSETS (III)	**91,828**	**-**	**91,828**	**52,401**
Loan issue costs to be spread (IV)	-		-	-
Bond redemption premium (V)	-		-	-
GENERAL TOTAL (I TO VI)	**5,479,945**	**17,738**	**5,462,208**	**3,440,328**

20.4.2 Liabilities

Balance-sheet – liabilities (in EUR thousand)	Year ended 31 December 2018	Year ended 31 December 2017
Share or individual capital		
of which paid	606,155	606,155
Issue, merger, contribution,… premiums	367,050	375,132
Legal reserve	32,770	30,592
Other reserves	56	56
TOTAL RESERVES	**32,827**	**30,649**
Retained earnings	3,186	175,980
Result of the financial year (profit or loss)	**535,689**	**43,557**
TOTAL EQUITY (I)	**1,544,907**	**1,231,473**
Provisions for risks	2,234	1,026
Provisions for liabilities	1,392	228
TOTAL PROVISIONS FOR RISKS AND LIABILITIES (II)	**3,626**	**1,254**
Other bond loans	3,604,231	1,905,959
Loans and debts with lending institutions	200,277	225,295
TOTAL FINANCIAL DEBTS	**3,804,509**	**2,131,253**
Advances and down payments received on current orders		
Accounts payable	56,042	44,703
Tax and social-security debts	5,618	4,097
Debts on capital assets and related accounts payable		
Other debts	27,436	7,249
TOTAL OPERATING DEBTS	**89,095**	**56,049**
Prepaid income	20,071	20,299
TOTAL DEBTS (III)	**3,913,675**	**2,207,601**
GENERAL TOTAL – LIABILITY (I TO III)	**5,462,208**	**3,440,328**

Profit/loss for the financial year in euros: 535,688,602

TOTAL BALANCE SHEET IN EUROS: 5,462,207,511

20.4.3 Income statement

Income statement (in EUR thousand)	Year ended 31 December 2018	Year ended 31 December 2017
Service production sold	97,456	88,503
France	26,911	25,447
Export	70,545	63,056
NET REVENUE	**97,456**	**88,503**
Reversals of impairment and provisions, transfer of expenses [(1)]	4,214	1,343
Other income	42	10
TOTAL OPERATING INCOME (I)	**101,712**	**89,856**
Other purchases and external expenses	77,986	77,137
Taxes, duties and similar payments	362	682
Wages and salaries	10,938	11,362
Social security charges	5,197	4,559
Operating provisions		
• On capital assets:		
(see appendix for details)	1,549	1,234
allocation to provisions		
• On current assets: allocations to provisions		
• For risks and liabilities: allocations to provisions	2,372	1,042
Other expenses	736	1,628
TOTAL OPERATING EXPENSES (II)	**99,141**	**97,644**
Operating result	**2,570**	
Financial income from equity investments	538,378	53,626
Income from other securities and receivables from capitalised assets	11,965	13,652
Other interest and similar income	318	516
Reversals of provisions and transfers of expenses		
Positive exchange-rate differences		
Net income on sales of investment securities		
TOTAL FINANCIAL INCOME (III)	**550,662**	**67,794**
Financial allocations to impairment and provisions		
Interest and similar expenses	16,050	19,136
Negative exchange-rate differences	42	92
Net expenditure on sales of investment securities	5	0
TOTAL FINANCIAL EXPENDITURE (IV)	**16,096**	**19,229**
Financial profit/loss	**534,565**	
Pre-tax profit/loss (I-II+III-IV)	**537,135**	**40,777**
Exceptional income on management transactions	-	-
Exceptional income on capital transactions	-	38
Reversals of provisions and transfers of expenses	-	-
TOTAL EXCEPTIONAL INCOME (VII)	**-**	**38**
Exceptional expenses on management transactions	-	-
Exceptional expenses on capital transactions	-	38
Exceptional allocations to impairment and provisions	-	-
TOTAL EXCEPTIONAL EXPENSES (VIII)	**-**	**38**
Exceptional profit/loss (VII -VIII)	**-**	
Employee profit sharing (IX)	-	-
Tax on profit (X)	1,447	-2,780
TOTAL INCOME (I + III + V + VII)	**652,373**	**157,688**
TOTAL EXPENSES (II + IV + VI + VIII + IX + X)	**116,685**	**114,131**
Profit or loss (total income - total expenses)	**535,689**	**43,557**

(1) Mainly related to the capitalisation of our IT projects.

20.4.4 Appendix

GENERAL INFORMATION

The information below constitutes the appendix to the balance sheet before distribution for the financial year ending on 31 December 2018 for which the total is 5,462,208 thousand of euros and the result stands at 535,689 thousand of euros.

The financial year has a duration of 12 months covering the period from 1 January 2018 to 31 December 2018. The notes or tables below form an integral part of the annual financial statements.

ALD SA is a French *Société Anonyme*. Its registered office is located at 1-3 Rue Eugène et Armand Peugeot, Le Corosa, 92500 Rueil-Malmaison, France.

The Company is a subsidiary of Societe Generale (80% ownership).

The consolidated financial statements are presented in thousand of euros, which is the Group's presentation currency and values are rounded to the nearest thousand, unless otherwise indicated. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

ACCOUNTING RULES AND METHODS

The annual financial statements were closed in accordance with the provisions of the French Commercial Code and general chart of accounts.

The general accounting conventions were applied in compliance with the principle of prudence, in accordance with the basic assumptions:

- continuity of operation;
- permanence of the accounting methods from one financial year to another;
- independence of financial years;

and in accordance with the general rules for preparing and presenting annual financial statements.

The basic method adopted for valuing elements booked to the accounts is the historical cost method.

ALD S.A applies regulation CRC n° 2002-10 and regulation CRC n° 2005-04 which eliminate the qualification of provision booked to liabilities and reserve the use of the term "provision" for corrections for "risks and liabilities" for records on the liability side of the balance sheet and the use of the term "depreciation" for corrections to records on the asset side of the balance sheet.

ADDITIONAL INFORMATION

Property and equipment

Property and equipment are valued:

- at their acquisition cost, which corresponds to the purchase price increased by ancillary expenses (goods acquired in return for payment);
- at their production cost (goods produced);
- at their market value (goods acquired free of charge).

Impairment is calculated according to the straight-line or diminishing-balance methods, according to their periods of use:

Technical installations	Straight-line	5 years
Installations, fixtures and fittings	Straight-line	5 years
Office and IT equipment	Straight-line	3 years
Office furniture	Straight-line	10 years
Servers	Straight-line	5 years
Software	Straight-line	3 years

Intangible assets

Intangible assets are valued at their acquisition cost, after deduction of reductions, rebates and payment discounts or at their production cost.

Depreciation is booked when the current value of an asset is below the net book value.

Impairment is calculated according to the straight-line or diminishing-balance methods, according to their periods of use.

Equity investments and other capitalised securities

Equity securities and other capitalised securities were valued at the price for which they were acquired, excluding acquisition expenses. Depreciation is constituted when the inventory value is below the gross value. The amount corresponds to the difference.

In case of a transfer relating to a group of securities of the same type conferring the same rights, the value of the securities transferred was estimated according to the FIFO (First In First Out) method.

Investment securities

The investment securities were valued at their acquisition cost, including acquisition expenses.

In case of a transfer relating to a group of securities of the same type conferring the same rights, the value of the transferred securities was estimated at the average weighted unit cost.

The securities were depreciated through a provision in order to take into account:

- for listed securities, the average price during the last month of the financial year;
- for unlisted securities, their probable trading value at the close of the financial year.

Receivables and debts

Receivables are valued at their nominal value. Depreciation is recognised when the inventory value is below the carrying amount. Receivables are depreciated by provision to take into account any collection difficulties to which they may be subject.

Treasury shares

On the date of this Reference Document, the Company owns 589,053 ALD shares, with a view to awarding them to employees or as part of its liquidity contract (details available at www.aldautomotive.com, ALD investors section). None of these shares are held by its subsidiaries or by a third-party in its name.

Free Shares plan

Since 2018, certain employees of the ALD group have benefited from a long-term incentive program in the form of ALD shares: To be granted shares, employees or corporate officers must remain part of the entity at the end of the plan, and performance conditions must be achieved.

Summary

Year	2018
Type of plan	Granting of free shares
Total number of shares granted	302,794
Fair value in euros	11,31
Performance conditions	Yes
Condition of presence	Yes

Compensation of Board of Directors and management bodies

The amount of directors' fees paid to directors of the company during the 2018 financial year was EUR 87 K.

The compensation paid in 2018 to the management bodies (Chairman of the Management Board, Director and the two Deputy Chief Executive Officers) amounted to EUR 2 million.

Defined contribution plans

The defined contribution pension plans provided to employees of ALD SA are based in France. They include, in particular, the basic state pension scheme and the national employee pension plan, AGIRC-ARRCO.

The company finances pension rights from its cash flow. The average age of ALD SA's active employees at 31 December 2018 was 38.2 years. No retirement occurred during the financial year. The provision for pension commitments at 31 December 2018 stood at EUR 0.24 million, including 47.8% of employer contributions.

SIGNIFICANT EVENTS OF THE YEAR

Subsidiaries and Equity Interests

During the elapsed financial year, our Company took no stakes in the capital of any other company on French territory or abroad.

Dividends

All dividends received pursuant to the 2018 financial year came to EUR 538 million. The dividend paid to shareholders pursuant to the result of the 2017 financial year was EUR 214 million , as well as a deduction from the issue premium of EUR 8 million.

CHANGES OF METHOD

Tax regime for the financial year

ALD S.A, in order to streamline the management of the tax expense of the group formed by itself and by the subsidiaries and sub-subsidiaries controlled at more than 95%, decided to opt, from 1 January 2018, for the tax consolidation regime defined in articles 223 A and following of the French General tax code (CGI).

ALD Participations Sas, Temsys, Bremany Lease, Parcours, Financiere Parcours, Servipar, Parcours Annecy, Parcours Bordeaux, Parcours Nantes, Parcours Strasbourg, SCI Parcours Tours, Parcours Immobilier form part, from 1 January 2018, of the group constituted by ALD S.A.

The income of the group for tax purposes amounted to EUR 4.67 million, the tax charge on the companies prior to allocation of tax credits was EUR 1.55 million.

The tax charge for 2018 includes a tax consolidation gain of EUR 0.13 K.

20.4.5 Information on balance-sheet and profit/loss

CAPITAL ASSETS

	CAPITAL ASSETS						
	Gross value at the beginning of the financial year	Increases		Reductions		Gross value at the end of the financial year	Revaluation
		Revaluation	Acquisitions and contributions	Transfer	Divestment		Original value
Start-up and development expenses (I)							
Other intangible asset items (II)	16,515		2,634			19,149	
Land							
Technical installations, equipment and industrial tools			66				
Other property and equipment							
• general installations, fixtures, miscellaneous fittings	1,882		66			1,948	
• transport equipment							
• office equipment and IT movables	961		158			1,120	
Capital assets under construction	1,640		5,342			6,982	
Advances and down-payments							
TOTAL (III)	**4,483**		**5,566**			**10,049**	
Equity investments valued by the equity method							
Other equity investments	1,453,240		0			1,453,241	
Other capitalised securities							
Loans and other long-term financial assets	1,929,877		1,975,801			3,905,678	
TOTAL (IV)	**3,383,118**		**1,975,801**			**5,358,919**	
GENERAL TOTAL (I + II + III + IV)	**3,404,116**		**1,984,001**			**5,388,117**	

AMORTISATION

SITUATION AND MOVEMENTS CONCERNING IMPAIRMENT FOR THE FINANCIAL YEAR

Capital assets subject to impairment	Beginning of financial year	Allocations	Reversal	End of financial year
Start-up and development expenses (I)				
Other intangible asset items (II)	15,689	1,090		16,779
Land				
Other property and equipment:				
• general installations, miscellaneous fixtures	145	193		339
• transport equipment	314	266		580
• office equipment, IT and movables				
• recoverable packaging and miscellaneous				
TOTAL PROPERTY AND EQUIPMENT (III)	**459**	**458**		**918**
General total (I + II + III)	**16,148**	**1,549**		**17,697**

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PROVISIONS AND DEPRECIATION

Category of provisions	Beginning of financial year	Allocations	Reversal	End of financial year
Provisions for litigation	1,026	2,234	1,026	2,234
Development expenses				
Provisions for losses on forward markets				
Provisions for fines and penalties				
Provisions for foreign exchange losses				
Provisions for pensions	228	17		244
Provisions for tax				
Provisions for renewal of capital assets				
Provisions for social-security and tax expenses on leave to be paid				
Other provisions for risks and liabilities		1,148		1,148
TOTAL (I)	**1,254**	**3,398**	**1,026**	**3,626**
Provisions on intangible assets				
Provisions on property and equipment				
Provisions on securities by the equity method				
Provisions on equity investment securities	41			41
Provisions on other long-term financial assets				
Provisions on accounts receivable				
Other provisions for depreciation				
TOTAL (II)	**41**			**41**
GENERAL TOTAL (I +II)	**1,295**	**3,398**	**1,026**	**3,667**
Of which operational allocations and reversals		3,398	1,026	
Of which financial allocations and reversals				
Of which exceptional allocations and reversals				
Impairment of securities by the equity method				

STATEMENTS OF DUE DATES OF RECEIVABLES AND DEBTS

A – STATEMENT OF RECEIVABLES

	Gross amount	At a maximum of one year	At more than one year
Receivables related to equity investments			
Loans	3,904,354	264,129	3,640,225
Other long-term financial assets	1,325	1,019	305
TOTAL RECEIVABLES RELATED TO CAPITALISED ASSETS	**3,905,678**	**265,148**	**3,640,530**
Doubtful or disputed accounts receivable			
Other receivables	41,602	41,602	
Receivables representative of loaned securities			
Personnel and related accounts	68	68	
Social security and other social organisations	24	24	
State and other communities:			
• tax on profit	17,157	17,157	
• value added tax	7,927	7,927	
• other taxes			
• state – miscellaneous			
Groups and associates	31	31	
Miscellaneous debtors	159	159	
TOTAL RECEIVABLES RELATED TO CURRENT ASSETS	**66,968**	**66,968**	
Prepaid expenses	13,062	13,062	
TOTAL RECEIVABLES	**3,985,708**	**345,178**	**3,640,530**
Loans granted during the financial year			
Repayments obtained during the financial year			
Loans and advances granted to associates			

B – STATEMENT OF DEBTS

	Gross amount	At a maximum of one year	At more than one year and less than five years	Later than 5 years
Convertible bond loans				
Other bond loans	3,604,231	204,231	3,400,000	
Loans with lending institutions originally less than 1 year				
Loans with lending institutions originally more than 1 year	200,277	25,277	175,000	
Miscellaneous financial debts and loans				
Accounts Payable	56,042	56,042		
Personnel and related accounts	1,271	1,271		
Social security and other social organisations	571	571		
State and local authorities:				
• tax on profit				
• value added tax	3,608	3,608		
• guaranteed bonds				
• other taxes	169	169		
Debts on capital assets and related accounts payable				
Groups and associates	18,207	18,207		
Other debts	9,228	9,228		
Debt representative of borrowed securities				
Prepaid income	20,071	10,169	9,902	
TOTAL DEBTS	**3,913,675**	**328,773**	**3,584,902**	
Loans subscribed during the financial year			Loans from natural person partners	
Loans repaid during the financial year				

DETAILS OF EXPENSES TO BE PAID

Expenses to be paid	Amount
Convertible bond loans	
Other bond loans	4,231
Loans and debts with lending institutions	277
Miscellaneous financial debts and loans	
Advances and down payments received on current orders	
Accounts payable	35,515
Tax and social-security debts	1,291
Debts on capital assets and related accounts payable	
Other debts	9,220
TOTAL	**50,535**

DETAILS OF ACCRUED INCOME

	Amount
Receivables related to equity investments	
Other long-term financial assets	5,129
Accounts receivable	28,060
Personnel and related accounts	
Social security and other social organisations	7
State and local authorities	
Other receivables	
Cash at bank and on hand	
TOTAL	**33,195**

PROPOSED APPROPRIATION OF EARNINGS

Proposed appropriation of earnings	31 December 2018
Retained earnings shown on the balance sheet for the financial year	3,186
Profit/loss for the financial year	535,689
Deductions from reserves	
TOTAL DISTRIBUTABLE AMOUNTS	**538,875**
Assignment to reserves:	
• legal	26,784
• other	
Dividends	234,380
Other distributions	
Retained earnings	277,710
TOTAL ALLOCATIONS	**538,875**

PREPAID EXPENSES

Prepaid expenses	Operations	Financial	Exceptional
Interest on bond loans		4,671	
IT rental	1,105		
Software maintenance	1,971		
Financial data	49		
Software license fees	174		
Personnel other expenditure	4		
Rental expenses	51		
Discount on customer volume	3,682		
Interest charges		1,355	
TOTAL	**7,036**	**6,026**	

PREPAID INCOME

Prepaid income	Operations	Financial	Exceptional
Premium volume 2016	3,332		
Premium volume 2017	7,233		
Premium volume 2018	9,429		
Income on bond	78		
TOTAL	**20,071**		

NUMBER AND NOMINAL VALUE OF COMPONENTS OF THE SHARE CAPITAL

	Number at the start of the financial year	Created during the financial year	Redeemed during the financial year	Number on 31 December 2018	Par value
Ordinary shares	404,103,640			404,103,640	1.5
Amortised shares					
Priority dividend shares (without voting rights)					
Preferential shares					
Share capital					
Investment certificates					
TOTAL	**404,103,640**			**404,103,640**	

CHANGES IN EQUITY

Equity	Opening	Increase	Reduction	Distribution Dividends	Appropriation of earnings N-1	Contribu-tions and mergers	Year ended 31 December 2018"
Share or individual capital	606,155						606,155
Issue, merger, contribution,… premiums	375,132		8,082				367,050
Revaluation differences							
Legal reserve	30,592				2,178		32,770
Statutory or contractual reserves							
Regulated reserves							
Other reserves	56						56
Retained earnings	175,980			214,173	41,379		3,186
Profit/loss for the financial year	43,557	535,689	43,557				535,689
Investment subsidies							
Regulated provisions							
TOTAL EQUITY	**1,231,473**	**535,689**	**51,639**	**214,173**	**43,557**		**1,544,907**

SUBSIDIARIES AND EQUITY INTERESTS

Total number of subsidiaries held by the company at more than 10% of capital: 5

Identification		Capital held		Address		
Company name	**SIREN**	**% holding**	**Capital**	**Address**	**Postcode**	**City**
ALD INTERNATIONAL		100.00	1,170,000	Nedderfeld	22529	Hamburg
ALD INTERNATIONAL PARTICIPATIONS	485131155	100.00	74	Cours Valmy	92800	Puteaux
ALD AUTOMOTIVE		99.99	1,200	Plateau des Annasseurs	16050	Alger
TEMSYS	351867692	99.99	282,000	Allées de l'Europe	92588	Clichy Cedex
AXUS FINANCE BELGIQUE		48.40	62	Rue du Colonnel Bourg	1140	Evère

20.5 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

AFR

This is a translation into English of the statutory auditors' report on the financial statements of the Company, issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

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 annual general meeting of the company ALD,

OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of the company ALD for the year ended December 31st, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company, as at 31 December 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Financial Statements*" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

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 relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Identified risk	Our response
As of December 31, 2018, equity investments were recorded in the balance sheet for a net value of €1,453 million, or 27% of total assets. As mentioned in the notes to the financial statements under " Investments and other long-term securities", investments in non-consolidated companies are recognised at their acquisition cost at the date of acquisition. An impairment loss is recognised if the inventory value is lower than the gross value. Their value is reviewed annually, with reference to their inventory value, which considers, in particular, the current and projected profitability of the subsidiary concerned, and the proportion of equity held. The estimation of the carrying amount of these securities requires the exercise of management's judgment in determining future cash flow projections and the main assumptions used. Given the weight of equity securities on the balance sheet and the assumptions underlying their valuation, we considered the valuation of equity securities as a key audit matter with a risk of material misstatement.	► We examined the procedures implemented by Management to estimate the carrying amount of equity securities. ► Our work mainly consisted in verifying, on the basis of the information provided to us, that the estimate of these values determined by Management is based on an appropriate justification of the method and the figures used and according to the securities concerned: ► For valuations based mainly on historical data, compare the data used with the accounting data extracted from the annual financial statements / information systems, in particular those relating to the net value of the subsidiaries concerned; ► For valuations based on an estimate of the inventory value, assess the consistency of revenue and margin rate projections with past performance and the economic and financial context; ► We have verified the appropriateness of the information provided in the appendix;

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS PROVIDED TO SHAREHOLDERS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of board of shareholder and in the other documents with respect to the financial position and the financial statements provided to shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (code de commerce).

We attest that the non-financial statement required by Article L.225-102-1 of the French Commercial Code (code de commerce) is included in the management report, it being specified that, in accordance with Article L.823-10 of this code, we have verified neither the fair presentation nor the consistency with the financial statements of the information contained therein. This information should be reported on by an independent third party.

REPORT ON CORPORATE GOVERNANCE

We attest that the Chairman’s report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 the French Commercial Code (code de commerce).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (code de commerce), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information

OTHER INFORMATION

In accordance with the law, we have ensured that the various information relating to the acquisition of shareholdings and control, the identity of holders of share capital or voting rights, the disposal of shares pursuant to Articles L. 233-29 and L. 233-30 of the French Commercial Code and reciprocal shareholdings has been provided to you in the management report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of ALD by the annual general meeting held on June 3rd, 2013 for the audit firm DELOITTE & ASSOCIES and on November 7th, 2001 for the audit firm ERNST & YOUNG et Autres.

As at December 31st, 2018, the audit firm DELOITTE & ASSOCIES was in the 6th year of total uninterrupted engagement. As for the audit firm ERNST & YOUNG, the year ended December 31st, 2018 was the 18th year of total uninterrupted engagement (including 5 years during which securities of the Company were admitted to trading on a regulated market).

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris – La Défense, 19 April 2019

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	**DELOITTE & ASSOCIÉS**
Micha MISSAKIAN	Jean-Marc MICKELER

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ADDITIONAL INFORMATION

21.1 SHARE CAPITAL

AFR

21.1.1 Subscribed share capital and authorised but unissued share capital

As of the date of this Registration Document, the Company's share capital amounts to EUR 606,155,460 divided into 404,103,640 shares at par value of EUR 1.5 fully subscribed and paid-up. The table below presents the financial resolutions in respect of increase of share capital, approved by the combined ordinary and extraordinary shareholder's meetings on 20 April 2017 and 22 May 2018:

Shareholder's meweting (No of resolution)	Purpose of the Resolution	Maximum Amount	Duration of authorisation	Use of existing authorisations during the 2018 financial year
	Authorisations and Delegations			
20 April 2017 (Resolution 12)	Delegation of power to the Board of Directors to increase the share capital of the Company or of another company through the issuance of shares and/or securities giving immediate or future access to share capital, with preferential subscription rights.	EUR 300,000,000 (EUR 1,000,000,000 for debt securities)	26 months	none
20 April 2017 (Resolution 13)	Delegation of power to the Board of Directors to increase the share capital of the Company or of another company through the issuance of shares and/or securities giving immediate or future access to share capital, without preferential subscription rights, through a public offering	EUR 60,000,000 (EUR 1,000,000,000 for debt securities)	26 months	none
20 April 2017 (Resolution 14)	Delegation of power to the Board of Directors to increase the share capital of the Company or of another company through the issuance of shares and/or securities giving immediate or future access to share capital, without preferential subscription rights, through private placements as described in Article L. 411-2 of the French Monetary and Financial Code	EUR 60,000,000 (EUR 1,000,000,000 for debt securities)	26 months	none
20 April 2017 (Resolution 15)	Delegation of authority to the Board to increase the number of shares to be issued in a capital increase, with or without preferential subscription rights	15% of the initial issuance	26 months	none
20 April 2017 (Resolution 16)	Delegation of authority to the Board of Directors to increase share capital by incorporation of premiums, reserves, profits or other items.	EUR 300,000,000	26 months	none
20 April 2017 (Resolution 17)	Authorisation given to the Board of Directors to issue shares or securities giving immediate or future access to shares to be issued by the Company in consideration of contributions in kind consisting of shares or securities giving access to share capital	10% of share capital	26 months	none
	Authorisations and delegations for employees and/or executive corporate officers			
20 April 2017 (Resolution 18)	Delegation of authority to the Board of Directors to carry out capital increases reserved for participants in Company savings plans without preferential subscription rights for shareholders	0.3% of share capital[(1)]	26 months	none
20 April 2017 (Resolution 19)	Authorisation to the Board of Directors to grant performance shares (existing or newly issued) to some or all of the Group's employees	0.3% of share capital	38 months	As of 31 December, 2018, 302 794 shares were attributed
May 22, 2018 (Resolution 13)	Authorisation to the Board of Directors to grant performance shares (existing or to be issued) to some or all of the Group's employees	0.3% of share capital	38 months	none

Shareholder's meweting (No of resolution)	Purpose of the Resolution	Maximum Amount	Duration of authorisation	Use of existing authorisations during the 2018 financial year
		Shares buy back authorisations		
April 20, 2017 (Resolution 10)	Authorisation granted for the purchasing of Compagny shares	5% of share capital at the time of purchase	18 months	(2)
May 22, 2018 (Resolution 11)	Authorisation granted for the purchasing of Compagny shares	5% of share capital at the time of purchase	18 months	(2)
April 20, 2017 (Resolution 11)		10% of share capital	26 months	none

(1) The maximum nominal amount of authorized share capital increases will be deducted from the cap of EUR 300 000 000.
(2) Summary of operations executed in 2018 in accordance with the buy back authorisations is provided in section 21.1.3.

21.1.2 Non-equity securities

As of the date of this Registration Document, the Company has not issued any securities not representing share capital.

21.1.3 Shares held by or on behalf of the Company

As of the date of this Registration Document, the Company holds 589,053 of its own shares and no shares of the Company are held by any of its subsidiaries or by any third party on its behalf.

The combined ordinary and extraordinary shareholder meeting held on 20 April 2017 authorised the Board of Directors, for a period of 18 months following such Shareholder Meeting and with the right to sub-delegate as permitted by law, in accordance with Articles L. 225-209 et seq. of the French Commercial Code, to purchase or cause the purchase of Company shares in order to carry out the following transactions:

- cancel shares to increase the return on equity and earnings per share subject to the adoption of the resolution authorising cancellation of the shares by the extraordinary Shareholder Meeting;
- meet obligations arising from share options programmes, or other allocation of shares to employees or corporate officers of the Company or of an affiliated company;
- provide shares upon the exercise of rights attached to securities giving access to the share capital of the Company;
- ensure that there is a market or liquidity for the shares of the Company through an accredited financial service provider under a liquidity agreement, in accordance with a Code of Ethics recognised by the AMF;
- retention and subsequent tendering by way of payment or exchange in connection with external growth transactions;
- carry out any market practice which may be authorised by the law or by the AMF.

Shares may be bought, sold, or transferred up to the limits authorised under applicable laws and regulations and by all means, on regulated markets or multilateral trading facilities, through systematic internalisers or over the counter, including through block trades, at the time the Board of Directors or the person acting under sub-delegation may decide.

Purchases of the Company's shares may not exceed 5% of the share capital at the purchase date. The total amount allocated to the share buyback program shall not be greater than EUR 600,000,000.

The maximum share purchase price in connection with the buyback program is 200% of the price of shares as at the listing of the Company's shares on Euronext Paris (i.e. EUR 14.30), subject to any adjustments resulting from capital transactions.

The Board of Directors shall have all powers, with the power to sub-delegate as permitted by law, to place any stock market order or over-the-counter, to enter into any agreement, to prepare any documents, to set out the terms of the Company's intervention on the market or not, as well as the terms for the acquisition or transfer of the shares, to file any declarations with the AMF or any other competent authority and to carry out all other formalities and, generally, to perform all necessary acts.

The Board of Directors will have full powers to inform the public, under the applicable legal and regulatory conditions, of any amendments to the share buyback program objectives provided for by the law or the AMF.

The General Meeting of 22 May 2018 authorised the Company to buy or sell its own shares with a view to (i) cancelling bought-back shares, (ii) granting, honouring or covering any free shares allocation plan, employees savings plan and any other form of allocation to Group employees and Chief Executive Officers, (iii) granting shares when rights attached to convertible securities are exercised, (iv) authorizing an investment services provider to act on Company's shares in relation to a liquidity contract; (v) holding and subsequently delivering shares in exchange or as payment for acquisitions, and (v) continuing a liquidity contract.

Under the liquidity contract implemented on 1 December 2017, ALD acquired 441,715 shares in 2018, with a value of EUR 6,150,110 and sold 355,456 shares with a value of EUR 4,985,181. At 31 December 2018, the liquidity contract held 86,259 shares.

In order to cover its long-term incentive plan in shares, ALD bought back 302,794 of its own shares in 2018 for a total amount of EUR 4,569,076, excluding the liquidity contract.

From 1 January 2019 to 17 April 2019, excluding the liquidity contract, ALD bought back 78,177 of its own shares on the market. At 17 April 2019, 79,474 shares were recorded in the liquidity contract account.

21.1.4 Other securities giving access to share capital

As of the date of this Registration Document, the Company has not issued any stock options or any securities giving access to its share capital.

21.1.5 Terms of any acquisition rights and/or any obligation over authorised but unissued capital

None.

21.1.6 Share capital of any member of the group that is the subject of an option or of an agreement to put it under option

None.

21.1.7 History of the Company's share capital over the past three years

The table below presents changes in the Company's share capital over the past three years:

Date	Type of operation	Capital before operation	Number of shares before operation	Number of shares after operation	Par value	Capital after operation
4/3/2017	Reduction in the nominal value of the shares	EUR 606,155,460	40 410 364	404 103 640	1.5	EUR 606,155,460
6/16/2017	Listing of ALD shares on Euronext Paris	EUR 606,155,460	40 410 364	404 103 640	1.5	EUR 606,155,460

21.2 BYLAWS

AFR

The Bylaws were prepared in accordance with the laws and regulations applicable to French limited liability companies with a Board of Directors (*société anonyme à conseil d'administration*). The principal provisions described below have been taken from the Company's Bylaws as adopted by the combined ordinary and Extraordinary Shareholder's Meeting on 20 April 2017. The Combined Ordinary and Extraordinary Shareholder Meeting on May 22, 2018 ratified the transfer of the Company's registered office from La Défense to Rueil-Malmaison (adoption of resolution 12), which had been decided at the Board of Directors' Meeting on 2 November 2017 , thus amending the Bylaws.

21.2.1 Corporate purpose

Pursuant to article 2 of the Bylaws, the Company's purpose is, in France and abroad, directly or indirectly:

- the acquisition, management and operation, in particular under a lease, with or without an option to purchase, and incidentally the sale, of any equipment, fixed, mobile or rolling stock, machinery and tooling, as well as all land, sea or air vehicles;
- the study, creation, development, operation, management of any business or commercial, industrial, real estate or financial companies;
- the purchase, lease, rental, with or without promise to sell, the building and operation of any plants, workshops, offices and premises;
- the direct or indirect participation in any transactions or undertakings by incorporation of companies, facilities or groups of a real estate, commercial, industrial or financial nature, the participation in their incorporation or the share capital increase of existing companies;
- the management of a portfolio of investments and securities as well as related transactions;
- the ownership and management of all buildings,

and, generally, all industrial, commercial, financial, movable or immovable transactions, directly or indirectly relating to this purpose or any similar or related purpose, or that may be useful or likely to facilitate the successful accomplishment of this purpose.

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21.2.2 Board of Directors and Statutory Corporate Officers

21.2.2.1 Members of the Board of Directors (Article 13)

The Company is administered by a Board of Directors composed of at least nine (9) members and no more than twelve (12) members, subject to the exceptions set forth in the applicable legal and regulatory provisions.

During the lifetime of the Company, directors are appointed, co-opted, reappointed or dismissed in accordance with legal and regulatory provisions in force and the present Bylaws.

Directors are appointed for a four-year term as from the Shareholder's Meeting on 20 April 2017. By way of exception, the Shareholder's Meeting on 20 April 2017 appointed/renewed the term of several director(s) for a period of two or three years, to ensure staggered renewal of the directors' term.

In accordance with the legal and regulatory provisions in force, directors who are appointed to replace another director, only serve for the remaining term of office of their predecessor.

The duties of a director end at the close of the Ordinary Shareholder Meeting called to approve the financial statements for the year preceding that in which his/her term of office expires.

No person may be appointed or renewed as a director if he/she is over seventy (70) years. Where the permanent representative of a legal entity member of the Board of Directors exceeds the age of seventy (70), the legal entity must, within a three-month period provide for his/her replacement. Failing this, the legal entity will automatically be deemed to have resigned.

21.2.2.2 Chairman (Article 15)

The Board of Directors elects a Chairman from among the members of the Board of Directors who are natural persons and determines the term of his/her office, the term of which may not exceed his/her director's term.

The Chairman organises and manages the work of the Board of Directors and reports on such work to the General Shareholder Meeting. The Chairman oversees the proper functioning of the Company's governing bodies and ensures that the directors are able to carry out their duties.

21.2.2.3 Chief Executive Officer and Deputy Chief Executive Officer(s) (Article 17)

At the option of the Board of Directors, the Company may be managed either by the Chairman of the Board of Directors or a natural person appointed by the Board of Directors with the title of Chief Executive Officer (the "CEO").

The Board of Directors choses which general management method to adopt. Shareholders and third parties are informed of this choice in the conditions defined by legal and regulatory provisions in force.

The Board of Directors determines the term of the CEO's office.

If the Chairman of the Board of Directors is in charge of the Company's general management, the legal, regulatory and Bylaws provisions concerning the CEO apply to the Chairman.

The Chief Executive Officer is vested with the most extensive powers to act in all circumstances on behalf of the Company. He exercises these powers within the limits of the corporate purpose and in accordance with those which the legal and regulatory provisions in force expressly granted to Shareholder Meetings' and to the Board of Directors.

The CEO represents the Company in its relations with third parties. The powers of the CEO are limited by the purpose of the Company and those that the applicable laws and regulations expressly confer to the Shareholder's Meetings and to the Board of Directors.

On the proposal of the CEO, the Board of Directors may appoint up to five (5) natural persons to assist the CEO with the title of Deputy CEO.

The Deputy Chief Executive Officer(s) may be removed at any time by the Board of Directors only and on the recommendation of the CEO.

If the Chief Executive Officer ceases to, or cannot exercise his duties, the Deputy Chief Executive Officers continue to exercise their functions and powers until a new Chief Executive Officer is appointed, unless there is a decision to the contrary by the Board.

The Board of Directors determines with the CEO the scope and duration of the powers granted to the Deputy CEO. The Deputy CEO have the same powers with regard to third parties as the CEO.

21.2.2.4 Convening and holding of Board of Directors' Meetings (Article 16)

The Board of Directors meets as often as necessary in the Company's interest upon convening by its Chairman or, in the event of his/her incapacity, by at least one-third (1/3) of its members, or, if he/she is a director, by the CEO.

If the members of the Board of Directors have not met for more than two (2) months, at least one-third (1/3) of the members of the Board of Directors may require the Chairman to convene the Board of Directors on a specific agenda.

The CEO may also require the Chairman to convene the Board of Directors on a specific agenda.

Decisions are made under the conditions of quorum and majority set forth by the applicable legal and regulatory provisions.

In compliance with legal and regulatory provisions, the internal rules of the Board of Directors may stipulate that the directors who participate in the meeting of the Board of Directors by means of videoconference or telecommunications equipment meeting the technical specifications required by the applicable legal and regulatory provisions are deemed to be present for the calculation of the quorum and the majority.

The Board of Directors sets its operating procedures in the Internal Regulations in accordance with the law and regulatory provisions and the Bylaws of the Company. It can decide to create committees in charge of the study of questions that the Board of Directors or its Chairman submit to their review. The composition and powers of each of these committees, which carry out their activities under its responsibility, are set by the Board of Directors in its Internal Regulations.

21.2.3 Rights, privileges and restrictions attached to shares (Article 8 of the Bylaws)

21.2.3.1 Voting rights (Article 8)

Each share gives entitlement to a share in the ownership of the Company, a share in the profits and in the liquidation surplus, in proportion to the number of existing shares, taking into account, if applicable, amortized and non-amortized capital, paid-up or otherwise, the nominal amount of shares and rights attached to the different classes of shares. Furthermore, it gives entitlement to vote at and be represented in Shareholder meetings, under the legal and statutory conditions.

Each share gives the right to one vote. The double voting right provided for by Article L. 225-123 of the French Commercial Code is expressly excluded.

Each time that it is necessary to possess several shares to exercise any right, the shares of a lower number than that required give no rights to their owners against the Company, with the shareholders being responsible, in this case, for grouping together the necessary number of shares.

21.2.3.2 Shareholder Identification Process (Article 11)

The Company may at any time make use of any legal and regulatory provisions provided in relation to the identification of holders of securities granting immediately, or in the future, voting rights at the Shareholder's Meeting.

21.2.3.3 Threshold crossings (Article 12)

In addition to the thresholds provided for by applicable laws and regulations, any shareholder, acting alone or in concert, who comes to hold, directly or indirectly, a number of shares or voting rights equal or greater than 1.5% of the Company, must inform the Company within five (5) trading days after crossing such threshold and must also indicate, at the time of such declaration, the number of securities held giving access to the Company's share capital. Investment fund management companies are required to disclose such information for all of the Company's shares held by the funds they manage. Over and above 1.5%, each additional threshold crossing of 0.50% of the share capital or voting rights must also be notified to the Company under the conditions set out above.

Any shareholder, acting alone or in concert, shall also be under obligation to inform the Company within five (5) trading days if the percentage of capital or voting rights held falls below each of the thresholds referred to in this Article.

For the purpose of calculating the thresholds of capital and voting rights notified pursuant to this Article, the shares or voting rights held but also those whose assimilation is required by the applicable legal and regulatory provisions with regard to legal thresholds shall be taken into account. The declarant shall also specify his/her identity and that of the natural or legal persons acting in concert with him/her, the total number of shares or voting rights he/she holds directly or indirectly, alone or in concert, the date and origin of the threshold crossing, and, where applicable, the information referred to in the third paragraph of Article L. 233-7 of the French Commercial Code.

Failure to comply with the above provisions will be sanctioned in accordance with the applicable legal and regulatory provisions upon the request, recorded in the minutes of the Shareholder's Meeting, of one or more shareholders holding at least 5% of the Company's share capital or voting rights.

21.2.3.4 Modification of the rights of shareholders

The rights of the shareholders may be modified in accordance with applicable laws and regulations.

The Bylaws do not contain any particular provisions with respect to modification of the rights of the shareholders that are more stringent than the law.

21

21.2.4 Shareholder Meetings (Article 18 of the Bylaws)

Duly constituted Shareholder Meetings represent the shareholders as a whole. They are convened and held in accordance with the applicable laws and regulations.

Any shareholder has the right to attend Shareholder Meetings and participate in the deliberations personally or through an agent, under the conditions defined by the applicable laws and regulations, with proof of his/her identity and the ownership of his/her shares.

At all Shareholder meetings, voting rights attached to shares include a right of usufruct, which shall be exercised by the usufructuary.

The proxy appointed on behalf of shareholders may take part in meetings under the conditions set by the applicable legal and regulatory provisions.

On decision of the Board of Directors published in the notice of meeting to use such telecommunications methods, shareholders who attend the meeting *via* videoconference or other telecommunication or electronic transmission methods, including Internet, which allow identification under the conditions required by the applicable legal and regulatory provisions, are deemed present for the calculation of quorum and majority.

On decision of the Board of Directors, any shareholder may vote remotely or give his/her proxy pursuant to the applicable laws and regulations using a form prepared by the Company and sent to the Company under the conditions defined by the applicable laws and regulations, including electronic or broadcast transmission methods. This form must be received by the Company at least two (2) days prior to the Shareholder Meeting, unless shorter period mentioned within the notice of meeting or any legal or regulatory provisions.

Public broadcasting of the meeting via electronic communications is authorised by the Board of Directors in accordance with conditions that it shall define. Notice thereof is given in the notice of meeting and/or call to meeting.

Meetings are chaired by the Chairman of the Board of Directors, or in his/her absence, by a member of the Board specifically delegated in this purpose by the Board of Directors. If not, the meeting elects its own Chairman.

21.2.5 Annual financial statements – Allocation of profits (Articles 20 and 21 of the Bylaws)

21.2.5.1 Fiscal year (Article 20)

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

21.2.5.2 Annual Financial Statements (Article 20)

At the end of each financial year, the Board of Directors prepares the inventory and the financial statements as well as a written management report.

In addition, all other documents required by the applicable laws and regulations shall be drawn up.

21.2.5.3 Allocation of Profits (Article 21)

The annual results are determined in accordance with applicable laws and regulations.

On the profit of a financial year, less any prior losses if any, it is first collected at least 5% for the constitution of a reserve fund as required by applicable laws and regulations. This collection ceases to be mandatory when the reserve fund reaches one-tenth of the share capital.

The Shareholder Meeting may freely dispose of the surplus, and on proposal of the Board of Directors, may either decide to allocate it to the retained earnings account in whole or in part, or to the reserves in whole or in part. It may also decide the distribution in whole or in part.

The Shareholder Meeting will have the right to grant to each shareholder, for all or part of the dividends distributed or of the interim dividends, an option between payment in cash and payment in shares.

21.2.6 Control of the Company

There are no provisions in the Bylaws or in the Internal Regulations that could have the effect of delaying, postponing or preventing a change of control of the Company.

21.2.7 Changes in the share capital of the Company

The Bylaws do not contain any particular provisions with respect to modification of the share capital of the Company.

21.3 TERMS AND CONDITIONS SPECIFIC TO SHAREHOLDER PARTICIPATION IN THE SHAREHOLDER MEETING

The Company's bylaws set out the terms and conditions for shareholder participation in the Shareholder meeting.

Under the terms of Article 18 of the Company's bylaws, Shareholder meetings are called and deliberate In accordance with the conditions provided for by the applicable legal and regulatory provisions. Meetings are chaired by the Chairman of the Board of Directors, or in his/her absence, by a member of the Board specifically delegated in this purpose by the Board of Directors. If not, the meeting elects its own chairman.

Any shareholder has the right to attend Shareholder meetings and participate in the deliberations personally or through an agent, under the conditions defined by the applicable laws and regulations, with proof of his/her identity and the ownership of his/her shares.

The proxy appointed on behalf of shareholders may take part in meetings under the conditions set by the applicable legal and regulatory provisions.

Voting forms must be received by the Company at least two (2) days prior to the Shareholder meeting, unless a shorter period is mentioned within the notice of meeting or any legal or regulatory provisions state otherwise.

Shareholders may, on the Board of Directors' decision published in the notice of meeting or in the call to meeting and in accordance with conditions that it shall set, take part in Shareholder meetings by means of videoconference or telecommunications.

Public broadcasting of the meeting *via* electronic communications is authorised by the Board of Directors in accordance with conditions that it shall define. Notice thereof is given in the notice of meeting and/or call to meeting.

At all Shareholder meetings, voting rights attached to shares include a right of usufruct, which shall be exercised by the usufructuary.

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MATERIAL CONTRACTS

No contract (other than those entered into in the ordinary course of business) containing a significant obligation or undertaking for the Group has been entered into by any of its entities in 2018, in 2017, and 2016.

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THIRD-PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST

None.

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PUBLICLY AVAILABLE DOCUMENTS

Copies of this Registration Document are available free of charge at the registered office of the Company. This Registration Document may also be consulted on the Company's dedicated website **(www.aldautomotive.com)** and on the AMF's website (www.amf-france.org).

While this Registration Document is valid, the following documents (or a copy of such documents) may be viewed:

- the Bylaws;
- any report, correspondence or other historical financial information or document, assessment or statement prepared by an expert upon the Company's request, of which a part is included or referred to in this Registration Document; and
- the historical financial information included in this Registration Document.

All such legal and financial documents relating to the Company and made available to shareholders in accordance with applicable regulations may be viewed at the Company's registered office.

The regulated information (within the meaning of articles 221-1 of the AMF's General Regulations) will also be available on the Company's website.

25

INFORMATION ON HOLDINGS

Information concerning entities in which the Company holds a fraction of share capital likely to have a material impact on the valuation of its assets and liabilities, financial condition or results of operations is included in Section 7.3 "Subsidiaries and equity interests" and Chapter 20, Note 36 of this Registration Document.

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CROSS-REFERENCE TABLES

26.1 CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

26.2 CROSS-REFERENCE TABLE OF THE MANAGEMENT REPORT

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1.	**Information on the ALD Group and on consolidated accounts**		
1.1	Key figures	Chapter 3	14
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1.3	Results	Chapter 9 (9.2)	89-90
1.4	Segment Information	Chapters 6 (6.1 and 6.3), Chapter 20 (20.1 Note 5)	40-42, 46-48, 210
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3.	**Events after the reporting period**	Chapter 20 - (20.1 Note 35)	235
4.	**RESEARCH AND DEVELOPMENT**	Chapter 11 (11.1)	100
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8.	**Profit (loss) of ALD company (non-consolidated)**	Chapter 20 (20.3 and 20.4)	242-256
Appendix	**Report on Corporate governance**	See dedicated cross-reference table	282-283
Appendix	**Declaration of extra-financial performance**	Chapter 8 and Chapter 6 (6.3.1)	57-84 and 44-45

26.3 CROSS-REFERENCE TABLE OF THE REPORT ON CORPORATE GOVERNANCE

	Correspondence with Registration Document	Page n°
- list of all mandates and functions in every company by each corporate officer during the financial year;	Chapter 14	108-124
- conventions concluded, directly or through an intermediary, between firstly, one of the corporate officers or one of the shareholders with more than 10% of the voting rights of a company, and secondly, an other company of which the first one owns directly or indirectly more than half of the capital, with the exception of the conventions relating to day-to-day operations and concluded under normal conditions;	Chapter 16	146
- a table summarizing the current valid delegations granted by the Shareholder meeting in the area of capital increases, in accordance with articles L. 225-129-1 and L. 225-129-2, and showing the use made of these delegations during the course of the financial year;	Chapter 21	262-263
- when the first report is produced or in the event of modification, the choice of one of the two methods of general management provided for in article L.225-51-1.	N/A	
- the composition, as well as the conditions for preparing and organizing the work of the board;	Chapter 16	146-147
- the application of the principle of balanced gender representation on the board;	Chapter 16	149
- any limitations which the board of directors may impose on the powers of the CEO;	Chapter 16	150
- when a company voluntarily refers to a code of corporate governance drawn up by the representative bodies of companies, the measures ruled out and the reasons for ruling them out, and the place where this code may be consulted, or, in the absence of such a reference to a code, the reasons for which the company has decided not to refer to it and, where applicable, the rules chosen in addition to the statutory requirements;	N/A	
- the particular methods for participation of shareholders in the general meeting or the provisions of statutes relating to these methods;	Chapter 21	269
For each of their corporate officers (article L. 225-37-3): a) the total compensation and the benefits of all kinds paid by the company during the financial year, including in the form of allocation of equity securities, debt securities or securities giving access to the capital or giving the right to the allocation of debt securities of the company or of companies mentioned in articles L. 228-13 and L. 228-93. The compensations and benefits in question include those received from controlled companies, in the sense of article L. 233-16, by the company in which the mandate is exercised and from the company which controls the company in which the mandate is exercised; b) a description differentiating the fixed, variable and exceptional elements which constitute the compensation and benefits, as well as the criteria by which they have been calculated or the circumstances following which they have been awarded, with reference, where applicable, to the resolutions approved under the conditions set out in article L. 225-82-215. Mentioning, if appropriate, the application of the provisions of the second paragraph of article L. 225-83 c) commitments of all kinds made by the company to the benefit of its corporate officers, corresponding to elements of compensation, indemnities or benefits due or likely to be due as a result of the assumption, cessation or change in their functions or following the exercise of these functions, notably pension commitments and other life benefits. The information given mentions, under the conditions and methods set by decree 17, the precise methods for determining these commitments and the estimation of the amount of the sums likely to be paid under them.	Chapter 15	126-144

	Correspondence with Registration Document	Page n°
- a report, and where applicable, an explanation of the following elements when they are likely to have an effect in the event of a public bid (article L. 225-37-5): a) the structure of the company's capital; b) the statutory restrictions on the exercise of voting rights and on transfers of shares or the clauses of conventions the company is made aware of under article L. 233-11; c) the direct or indirect stakes in the capital of the company it is aware of under articles L. 233-7 and L. 233-12; d) the list of holders of any security including special controlling rights and the description of these rights; e) the control mechanisms provided in any staff share ownership system, when the controlling rights are not exercised by the latter; f) the agreements between shareholders the company is aware of and which may lead to restrictions in the transfer of shares and the exercise of voting rights; g) the rules applicable to the appointment and replacement of members of the board of directors and to the amendment of the company's bylaws; h) the powers of the board of directors, in particular relating to the issue or purchase of shares; i) the agreements concluded by the company which are modified or terminated in the event of a change in control of the company, except if this disclosure, excluding cases of a statutory disclosure obligation, would seriously damage its interests; j) the agreements providing for indemnities for members of the board of directors or employees, if they resign or are made redundant without real and serious cause or if their job ends as a result of a public bid. The structure of the company's capital;	Chapter 18 and Chapter 21	163-166 and 262-270
- The presentation of draft resolutions regarding the principles and criteria for determining, distributing and allocating fixed, variable and exceptional elements of total compensation and benefits of all kinds, for the benefit of the chairman, chief executive officers or directors, by virtue of their mandates.	Chapter 15	130-131
- For each of the corporate officers of the SA/SCA who hold at least one mandate in a company whose shares are eligible for trading on a regulated market, the information referred to in article L. 225-37-3 of the commercial code (see above) on the compensation and benefits of all kinds is communicated.	Chapter 15	132-140

26.4 CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

The structure of this registration document matches Annex 1 of EC Regulation No. 809/2004 of April 29, 2004 implementing the "Prospectus" Directive except for Chapter 8, for which references are shown hereafter:

		Correspondence with Registration Document	Page n°
8.	**Information on the ALD Group and on consolidated accounts**		
8.1	Significant existing or planned property, plant and equipment	Chapter 5 (5.2) and Chapter 20.1.5 (Note 5 - Other disclosures and Note 13)	37, 210 and 216
8.2	Environmental factors likely to influence the use of property, plant and equipment	Chapter 8 (8.1, 8.2 and 8.5)	58, 60-66 and 80

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