2016 ANNUAL REPORT

ALD

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BUSINESS OVERVIEW

THE AMBITION OF ALD AUTOMOTIVE IS TO BE A GLOBAL LEADER IN THE PROVISION AND DELIVERY OF MOBILITY SOLUTIONS

REVIEW OF THE YEAR BY MIKE MASTERSON

Dear stakeholders,

In 2016, ALD Automotive continued to expand its fleet with a strong growth rate of approximately 14%. We now manage 1.376 million vehicles globally. ALD Automotive also posted a record profit of EUR 515.7 million, up 20.1% compared to 2015. This strong performance is attributable to the quality of our management and staff, our back-office and customer facing technology platforms and our high level of operational efficiency. With the largest global coverage of any full service leasing provider, we are well positioned to serve international corporate customers. In addition, we serve SME customers and private individuals through our market leading white label partnership program.

These robust results reward the daily commitment of our staff in delivering a wide range of efficient mobility solutions to our clients. Our strong customer focus is recognised by our clients as well as the industry in general, as evidenced by the numerous awards received during the year. ALD Automotive France was awarded the Best Customer Service trophy for a ninth successive year. ALD Automotive Spain received the best customer service in the Spanish market. Also, ALD Automotive Netherlands and ALD Automotive Luxembourg were chosen as the Best Leasing Company in those countries and ALD Automotive Romania won the Excellence in Operational Leasing award. In addition, ALD Automotive is very proud to have won this year the EcoVadis Gold CSR Label, underpinning a successful corporate social responsibility strategy.

We also have a solid track record of differentiation through innovation. In 2016, ALD Automotive launched myALD, a multi-device digital ecosystem dedicated to both drivers and fleet managers, we scaled-up our remarketing ecommerce platform and launched our telematics solutions. To maintain our positioning in the development of innovative solutions, ALD Automotive has created an Innovation Lab in which mobility initiatives can be nurtured and developed, and an Innovation Committee set up to review and prioritise the further development and deployment of the various innovation initiatives of the Group. Through continuous innovation, we believe that we will be able to anticipate the future demands and needs of our customers.

In 2016, ALD Automotive has continued its geographical expansion, now serving its clients directly in 41 countries. As well as this market leading geographical coverage, ALD Automotive also signed two new partnership alliances in 2016 with AutoCorp and Arrend Leasing, two Latin-American leaders. This takes our total coverage with partnership alliances to 13 countries. Our organic growth strategy resulted in the acquisitions of Parcours group in France and Bright Lease in the Netherlands, adding over 65,000 vehicles to our fleet.

Based on our successful track record, I look to the future with confidence.
On 9th February, 2017, our shareholder, Societe Generale, announced its intention to float ALD on the stock market in 2017 subject to market conditions, through the disposal of a limited stake. This operation, together with the development of the full service leasing for individuals should help ALD to achieve a targeted total fleet growth of 8% to 10% per annum over the next 3 years. This level of growth is expected to deliver an increase of 8% to 10% per annum in services and finance margins, which will result in an increasing share of their contribution to total income. Our objectives going forward are to achieve post-tax returns on average earning assets of at least 3.5% every year, so as to be able to pay dividends in the range of 35% to 40% of net income.

Together with the strong commitment of our management and staff, we believe the business is strongly positioned to meet the challenges of the rapidly evolving mobility market. Operational and financial efficiency driven by an innovative culture is part of our DNA. We move forward by leveraging on these strengths to ensure that ALD Automotive will continue to lead the change in our industry.

OUR STRATEGIC PILLARS:

BE A GLOBAL LEADER
in fleet management services with an ambition to be in a top 3 position in all markets.

POSITIONED AT THE FOREFRONT OF INNOVATION
to lead the change in an evolving mobility environment.

DIFFERENTIATE
by delivering high quality local services within a global framework.

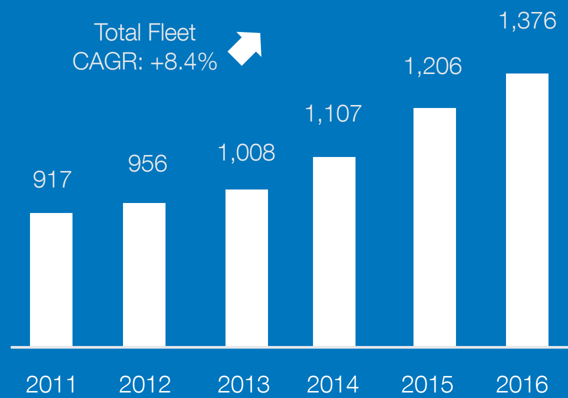
HIGH GROWTH TRAJECTORY
driven by an efficient operating model and scale to maximize shareholder value.

STRONG AND EXPERIENCED MANAGEMENT TEAM
supported by an efficient management structure with strong cultural values.

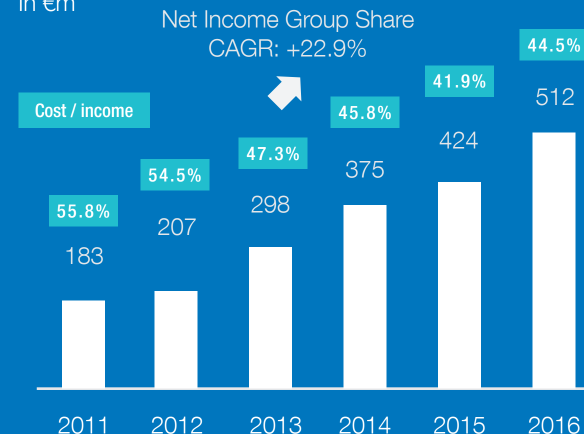
AT A GLANCE

OUR MISSION : DRIVE FREEDOM IN GLOBAL MOBILITY

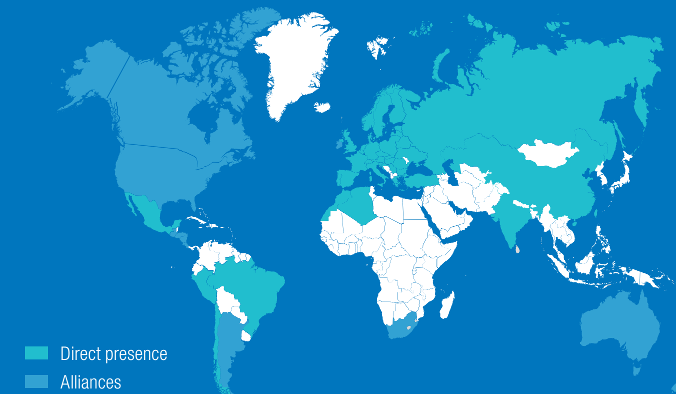
A high growth story



Profitability



Geographical presence



6 global alliances covering an additional 13 countries

1.4 M vehicles under management serving mainly corporate clients

#1 in Europe
#3 worldwide

over **6,000 employees**

41 countries with top 3 positions in 26

GENERAL PRESENTATION

Overview

ALD is the parent company of the ALD Automotive group (the 'Group' or 'ALD Automotive'). The Group is a leading international provider, in terms of number of vehicles, of full service vehicle leasing and fleet management services to corporate customers and, more recently, to private individuals. Its objective is to become a global leader in the provision and delivery of mobility solutions.

Product offering

As at 31 December 2016, the Group managed 1.376 million vehicles under leasing and fleet management contracts. Of this total fleet, 33% of the Group's fleet was located in France, 11% in each of Germany and Italy, 10% in the UK, 15% in the rest of Western Europe, 9% in Central and Eastern Europe, 6% in Northern Europe and the remaining 5% in Latin America, Africa and Asia.

The Group's funded fleet is also very well diversified across brands with 15% of the fleet being branded Ford, 13% Renault, 11% Volkswagen, 8% Peugeot, 7% Opel, 7% Citroën, 5% BMW, 4% Audi, 4% Fiat, 3% Mercedes, 3% Skoda and 20% other. The Group's full service leasing product offering (76% of the Group's fleet as of 31 December 2016) offers clients the usage of a vehicle for a regular monthly lease payment covering financing, depreciation of the vehicle and the provision of various services. The Group's fleet management product offering (24% of the Group's fleet) provides outsourcing contracts to clients under which the vehicle is not owned but managed by the Group; the client is charged for the various services provided in relation to the use of vehicles.

Distribution channels

ALD Automotive has a direct sales force as well as an indirect sales channel to access a wider range of small to medium sized companies and retail customers. ALD Automotive accesses both international and local corporate accounts through its direct sales force. The direct sales channel accounted for 71% of the total fleet as of 31 December 2016. The Group's indirect sales channel consists of distribution partnerships with car manufacturers and banks. The indirect sales channel accounted for 29% of the total fleet as of 31 December 2016.

A MARKET LEADER POSITIONED FOR FURTHER GROWTH

In 2016, ALD Automotive achieved growth of 14%, with a fleet of 1,375,584 vehicles at the end of 2016, which positions the Group as the # 1 player within the European leasing and fleet management market. The main contribution has been from organic growth comprising indirect sales channels and direct business (57,000 and 47,000 respectively) with the balance coming from its acquisition during the year of Parcours group and Bright Lease (c. 65,000).

More than 240,000 vehicles were sold during 2016 with more than half of the transactions taking place via the online platform, ALD Carmarket.
In 2016, ALD Automotive acquired approximately 364,000 new cars (314,000 in 2015), 1,250,000 tyres, 5,300,000 days of short term rental and 700 million litres of fuel.

HIGH SERVICE QUALITY STANDARDS WITH A CLIENT-FOCUSSED APPROACH

As a service provider, ALD Automotive strives to ensure that it provides the same high service quality to all of its clients, while customizing its offering in each local market.

The high quality of our services is frequently recognised through awards within our markets: 'Service Client' award in France for the 9th consecutive year, 'Service Client' award in Spain and 'Best Leasing Company' awards in the Netherlands and Luxembourg. ALD Automotive has also received a 'National CSR Leadership' award in India. Our fleet managers and car users have recognized our service levels with recommendation rates of 83.6% and 82.5% in 2016 and 2015 respectively.

WIDEST INTERNATIONAL COVERAGE

With a direct presence in 41 countries (we started operations in Peru in 2016) and with top 3 positions in 26 countries, ALD Automotive is ranked #3 worldwide and #1 in Europe by number of contracts under management and excluding OEM captives as at 31 December 2016 with around 1.4 million full service vehicle leasing and fleet management service contracts. This strong geographical coverage provides ALD Automotive with high customer visibility, which helps to ensure that it is involved in significant global tenders for its services. ALD Automotive's strength in indirect channels underpins its performance in international markets.

Through its international network of commercial alliances with peers in geographies where it does not have a direct presence, ALD Automotive provides its clients with access to 13 additional countries: Wheels (US, Puerto Rico and Canada), Fleet Partners (Australia and New Zealand), ABSA (South Africa), Arrend Leasing (Guatemala, Nicaragua, Honduras, Salvador and Costa Rica), AutoCorp (Argentina) and Johnson & Perrot (Ireland). These alliances allow ALD Automotive and its partners to jointly develop international cross-border business opportunities in full service leasing, fleet management and other related services.

INNOVATION

The offering of mobility solutions is evolving rapidly with the emergence of new players, new solutions and breakthrough technologies. In light of these trends, ALD Automotive is positioning itself to be at the centre of this changing environment by proposing flexible solutions to meet the evolving mobility requirements of its customers.

Among the various innovation initiatives that the company has focused on in the last year are:

- Deployment of a new Driver and Fleet Manager portal ('myALD') to provide a central access point for clients to all fleet related information;
- Development of in-house Telematics platform ('Profleet') to be rolled out across the Group in 2017;
- Car Sharing solution ('ALD Sharing') provides an application to allow customers to provide access to and internally manage, a pool of vehicles using online tools and keyless vehicle entry;
- Rechargeable lease ('Ricaricar') allows a customer to lease a car with a predetermined (low) monthly kilometre level – this kilometre level can be increased ('recharged') similar to a 'pay as you go' mobile phone product to meet changing patterns of vehicle usage; and
- Flexible mobility budgets ('ALD Free') allowing employees to allocate specified budgets among a choice of different mobility options.

EXECUTIVE COMMITTEE MEMBERS

MICHAEL MASTERSON
Chief Executive Officer
since 2011
British

TIM ALBERTSEN
Deputy Chief Executive Officer
since 2011
Danish

GILLES BELLEMERE
Deputy Chief Executive Officer
since 2017
French

GILLES MOMPER
Chief Financial Officer
since 2012
French

JOHN SAFFRETT
Chief Administration Officer
since 2015
British

KENT BJERTRUP
Chief Commercial Officer
since 2016
Danish

BOARD OF DIRECTORS

Didier HAUGUEL
Chairman

Michael MASTERSON

Societe Generale represented by Anne MASCLE ALLEMAND

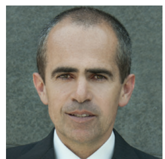
Karine DESTRE-BOHN

Jean-Louis KLEIN

Sylvie REMOND

Giovanni Luca SOMA

OPERATING BOARD: RESPONSIBLE FOR COUNTRY AND REGIONAL SUPERVISION


Andrea BADOLATI
Italy

Carel BAL
The Netherlands

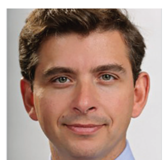
Jean-François CHANAL
France

Mel DAWSON
UK

Miel HORSTEN
Belgium

Pedro MALLA
Spain

Karsten ROESEL
Germany


Guillaume DE LEOBARDY
Nordic Region

Shane DOWLING
South Eastern Europe Region

Marek MAŁACHOWSKI
North East Europe Region

Martin KOESSLER
Central Europe Region

Pascal VITANTONIO
Latin American Region

Philippe VALIGNY
Mediterranean Region

COMPANY PROFILE

SPURRING INNOVATION

BE THE MOST INNOVATIVE MOBILITY PROVIDER AROUND FOCUSING ON OUTSTANDING CUSTOMER EXPERIENCE

To develop and streamline its mobility initiatives, ALD Automotive has promoted a new corporate culture, centred around an Innovation Lab Organisation in which mobility initiatives can be launched and discussed across countries, divisions and employees.

"Empowering people helps develop culture of innovation and collective knowledge. The result: products are developed much faster, much closer to the client and much easier to adapt".

John SAFFRETT, CAO, ALD International

CREATING A CULTURE OF INNOVATION

Strategic

Defined: strategic projects and products + action plan

Monthly meeting

Countries working together on a global solution

Labs

Local projects interesting for the rest of the Group

Knowledge acquisition process: benchmark with successful companies in terms of innovation

Identify partners for the strategic projects and products

Ideas

Spread innovation culture within the Group through several initiatives

Get more sources for ideas generation

Organize execution capability to implement and deliver POCs independently or with partners

LAB ORGANISATION

ALD AUTOMOTIVE FRANCE - UX LAB

myALD
Platform for client interaction via portal and smartphone application for Driver and Fleet Manager.

ALD AUTOMOTIVE UK - DEVELOPMENT CENTER

Development center
To accelerate development in new digital applications and products, among others.

Telematics
Platform device agnostic that provides customizable offers by client/country.

ALD AUTOMOTIVE NETHERLANDS - MOBILITY EXPERIENCE CENTRE

Moblity Experience Centre
The centre features a unique concept, developed by ALD Automotive, where you get to experience the latest trends and developments related to mobility on a total of 19 interactive monitors.

ALD free
Online platform for employees to compile their mobility package 24/7.
All combinations are possible: car, public transport, e-bike, parking,
even a holiday vehicle.

ALD choice
Digital lease showroom with the following advantages: immediate choice, a dynamic offer, new and used models and flexible lease terms from 3 months for a fixed rate per employee, total outsourcing of fleet management.

ALD AUTOMOTIVE LUXEMBOURG

Shaker
Incubator 'for and with' start-ups in the mobility sector.

ALD AUTOMOTIVE ITALY

Ricaricar
Full online "pay-per-use" personal lease offering.

ALD sharing
Development of full car sharing platform and capability for global adoption.

ALD INTERNATIONAL - INNOVATION LAB

Developer trainees convert concepts into a minimum viable product, among which some submitted during the driver experience challenge.

FOCUS ON LAB SYNERGIES ACROSS COUNTRIES - "OWN MY CAR" PRODUCT

The project has been designed by teams from ALD Automotive in Netherlands and ALD International.
Own My Car is a new remarketing service that gives opportunity for an employee to either buy his end-of-contract professional car or to sell it. It is now released in the Netherlands.
If drivers are not interested in owning their current lease cars, they can promote the selling by spreading an ad on social media or by sharing the offer to people from personal network (relatives & friends).
This new service improves the customer experience: procedures are clear and easy. Through this B2C strategy, the driver becomes a mediator, ambassador, salesman and customer of ALD Automotive.

CORPORATE SOCIAL RESPONSIBILITY

4 AXES FOR A GLOBAL APPROACH

OUR CSR COMMITMENTS CONCERNING THE WAY WE DO BUSINESS

- Continue to develop actions to improve **safety on the road**
- With our *ALD bluefleet* label, help our clients reduce their **CO_2 emissions**
- Be fully **compliant** with international agreements and national regulations
- Build responsible relationships with our **suppliers**

OUR EMPLOYER COMMITMENTS

- Increase the **employability and skills** of our employees
- Promote **diversity** in all domains
- Permanently improve **working conditions**

OUR ENVIRONMENTAL COMMITMENTS

- Measure and reduce our **carbon footprint** (energy, mobility and paper)
- Limit our consumption of other **natural resources** and our **waste** production

OUR SOCIAL AND CIVIC COMMITMENTS

- Pay constant attention to the expectations of all our **stakeholders**
- Develop **solidarity initiatives** in every country we are present

MANAGING RISKS

RESIDUAL VALUE

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

MAINTENANCE

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

CREDIT

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

INSURANCE

The risk of damage to vehicles within its fleet and also to liability to third parties arising from accidents involving vehicles in its fleet. This risk can take the form of third party liability («TPL»), legal defence, material damage or passenger indemnity.

TREASURY

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

OPERATIONAL

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

COMPLIANCE

Risk of legal sanctions, material financial loss, or loss to the reputation of ALD International and its subsidiaries taken as a whole might suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best practice.

ASSESSING OUR RISKS, STRENGTHENING INTERNAL CONTROLS AND SPREADING OUR RISK CULTURE.

KEY DEVELOPMENTS IN 2016

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

Credit risk governance is established by our parent company, Societe Generale, in accordance with the risk strategy and appetite determined by ALD International management. All subsidiaries have to comply with strict risk procedures issued centrally, which define the way credit requests have to be studied and validated. Although very decentralized, the decision-making process is governed by Societe Generale's Credit Authority structure and requires full compliance with the Group's Risk Management policy principles. Our work to improve the quality of credit risk analysis, the adequate assessment of our risk appetite and the efficiency of our validation process has continued throughout 2016.

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

The non-compliance risk borne by ALD Automotive is low, as the operational leasing activity is not regulated in most countries where ALD Automotive operates. A compliance officer is appointed in each subsidiary, so as to ensure that procedures and processes are adequately enforced and that the level of awareness towards non compliance and reputation risk is high within said subsidiaries. With a new organisation within Societe Generale, aiming at ensuring the division's independence, the support offered by our mother company to deal with compliance issues has grown.

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

In 2016, a full review of the referential has started based on Societe Generale new referential to adjust our risk coverage to new business and new technologies. In addition, we are well advanced in the implementation of a new tool to improve the monitoring of the Permanent Supervision domain.
Beyond the Permanent Supervision controls, periodical audit missions are carried out by Societe Generale.

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2016 FINANCIAL PERFORMANCE

ALD Automotive has delivered another set of strong financial results in 2016 with the Group's share of net income increasing by 20.6% over 2016, representing a sixth consecutive year of net income growth and close to the compounded annual growth rate in net income from 2011 to 2016 of 22.9% which confirms the strength and resilience of its business model.

Key performance indicators

(in EUR million)	2011	2012	2013	2014	2015	2016
Services margin	335.9	378.5	432.2	445.4	534.0	528.6
Financial margin	307.9	315.2	331.2	401.6	465.8	503.2
Car sales result & depreciation margin	14.9	21.6	100.2	132.6	173.0	212.4
Total Income	**658.7**	**715.3**	**863.6**	**979.7**	**1,172.8**	**1,244.2**
% change		8.6%	20.7%	13.4%	19.7%	6.1%
Cost-income ratio	55.8%	54.5%	47.3%	45.8%	41.9%	44.5%
Net Income (Group Share)	**182.8**	**206.8**	**298.3**	**375.5**	**424.3**	**511.7**
% change		13.1%	44.3%	25.9%	13.0%	20.6%
Return on Average Earning Assets (1)	2.1%	2.2%	3.0%	3.6%	3.7%	3.8%
Return on Equity	17.3%	16.1%	19.3%	20.0%	15.5%	17.2%
Total Fleet (000 of vehicles)	**917**	**955**	**1,009**	**1,107**	**1,207**	**1,376**
% change		4.2%	5.6%	9.8%	9.0%	14.0%
Earning Assets (2)	**9,280**	**9,736**	**9,904**	**10,707**	**12,163**	**14,588**
Shareholders' equity (Group Share)	**1,056**	**1,283**	**1,549**	**1,882**	**2,730**	**2,978**

(1) Net Income group share (year N) / Average Earning Assets (year N and year N-1)
(2) Rental fleet and Amounts receivable under finance lease contracts

In 2016, the fleet grew by 14% from 2015 which helped to increase the scale and efficiency of the business resulting in growth of margins. The development of new innovative solutions and digital tools has helped to support this growth. The total income was EUR 1,244.2 million in 2016 which was above the 2015 level of EUR 1,172.8 million by 6.1%. Of the total income in 2016, 43% arose from service margins, 40% from financial margins and 17% from car sales and depreciation margin. Over the 6-year period ended 31 December 2016, the compounded annual growth rate for our total income amounted to 13.6%. Over the same period, the compounded annual growth rate of our total fleet amounted to 8.4%, while over the 12-year period ended 31 December 2016, the compounded annual growth rate of our total fleet amounted to 7.8%, with 36.4% for South America, Africa and Asia, 17.7% for Central and Eastern Europe, 5.2% for Northern Europe and 6.8% for Western Europe.

Overall, services margin was reduced by 1.0% in 2016 vs. 2015, notably impacted by a EUR 10 million provision in relation to antitrust proceedings in Italy. The increase in total income in 2016 was driven by both the strengthening of financial margins, up 8.0% year-on-year thanks to the stability of funding and an optimal mix of sources of funding, and solid contribution from car sales results and depreciation margin, up 22.8%. Our robust risk management framework in setting residual values combined with our strong expertise in remarketing have led, with the support of strong used car market, to an increase in profitability, as highlighted in the table below.

Customer risk remains under control with associated costs of EUR 23.8 million and a cost of risk to earning assets ratio of 18 bps for 2016; this ratio reflects the good quality of our customer portfolio and the efficiency of our underwriting processes.
The Group's share of net income in 2016 increased by 20.6% from EUR 424.3 million achieved in 2015 to EUR 511.7 million which is close to the annual compounded growth rate over the 6 years ending 31 December 2016 of 22.9%.
The post-tax return on average earning assets in 2016 was 3.8% (2015: 3.7% vs. 2011: 2.1%) and the return on equity was 17.2% (2015: 15.5% vs. 2011: 17.3%).

Key performance indicators

	2009	2010	2011	2012	2013	2014	2015	2016
Total number of vehicles sold ('000)	161	152	175	174	169	190	211	241
Stock age (days)	54	38	35	32	35	29	30	30
Vehic. sold through e-auctions ('000)	7	28	46	61	83	103	110	125
% e-auctions	4%	18%	26%	35%	49%	54%	52%	52%
# of countries for e-auctions	2	7	17	24	24	25	29	32

Revenue streams are recurrent and predictable in our business due to the average duration of our lease contracts being around 43 months. This ensures that we are not significantly impacted by any short or medium term market shocks.

ALD Automotive has a strong focus on cost control and operational efficiency, evidenced by an industry leading cost-income ratio of 44.5% in 2016. This ratio was 55.4% in December 2011 and the improvement in this ratio over the last 5 years has resulted from the improvement in the efficiency of our organizational structure. Total Current Operating expenses increased up to EUR 553.1 million in 2016 (+ 12.5%). This increase was driven by fleet growth, important IT investments to support the digital transformation and customer excellence and restructuring costs from the acquisition of Parcours.

ALD Automotive's total funding amounted to EUR 12.9 billion as at 31 December 2016. ALD Automotive benefits from funding from Societe Generale, which accounted for 72% of the Group's debt financing as at 31 December 2016. The rating assigned by S&P to ALD Automotive since 2012 remains unchanged at BBB with a stable outlook and reflects the ability of ALD Automotive to deliver sales and financial performance as planned.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

			Year ended December 31,	
(in EUR million)	Notes	2016 (*)	2015 (*) Restated	2014 (*) Restated
Services revenues	7a,7d	1,667.0	1,574.6	1,514.7
Cost of services revenues	7a	(1,138.4)	(1,040.6)	(1,069.3)
Services margin		528.6	534.0	445.4
Interest income	7b,7d	714.0	693.5	656.8
Interest charges	7b	(205.9)	(229.8)	(257.0)
Unrealised gains/losses on financial instruments	7b	(4.9)	2.1	1.8
Financial margin		503.2	465.8	401.6
Proceeds of cars sold	7c,7d	2,377.7	2,045.5	1786.4
Cost of cars sold	7c	(2,176.2)	(1,838.3)	(1,633.3)
Car sales result		201.5	207.2	153.1
Lease revenues - Depreciation	7c,7d	2,806.6	2,518.0	2358.7
Depreciation costs	7c	(2,795.8)	(2,552.2)	(2,379.1)
Depreciation Margin		10.9	(34.2)	(20.5)
Car sales result and depreciation margin		212.4	173.0	132.6
TOTAL INCOME		1,244.2	1,172.8	979.7
Staff expenses	9	(342.5)	(306.3)	(279.6)
General and administrative expenses	10	(189.0)	(169.4)	(156.1)
Depreciation and amortisation	11	(21.5)	(16.1)	(13.0)
Total current operating expenses		(553.1)	(491.8)	(448.7)
Impairment charges on receivables	8	(23.8)	(20.9)	(18.4)
Non-recurring operating income (expenses)	12	(2.0)	(57.0)	(0.0)
Share of profit of associates and jointly controlled entities		0.7	0.9	0.6
Profit before tax		666.1	604.0	513.2
Income tax expense	13	(150.4)	(174.7)	(135.7)
Net income		515.7	429.3	377.5
Net income attributable to:				
Owners of the Company		511.7	424.3	375.5
Non-controlling interests		4.0	5.0	2.0
Earnings per share for net income attributable to the owners of the parent:				
Basic and diluted earnings per share	31	12.7	10.5	9.3

(*) The format of our consolidated income statement for 2016, 2015 and 2014 has been changed to improve the understanding of the Group's financial results and performance.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

			Year ended December 31,	
(in EUR million)	Notes	2016	2015	2014
Net income		515.7	429.3	377.5
Items that will not be reclassified subsequently to profit or loss		(1.2)	0.8	(0.9)
Changes in actuarial gain/(Loss) on retirement benefit, before tax		(1.7)	1.0	(1.3)
Deferred tax on actuarial gain/(Loss) on retirement benefit		0.5	(0.3)	0.4
Items that may be reclassified subsequently to profit or loss		(15.3)	(8.6)	(41.9)
Changes in cash flow hedges, before tax	18	(13.8)	4.6	(5.3)
Deferred tax on cash flow hedges		3.9	(2.2)	0.6
Currency translation differences		(5.4)	(11.0)	(37.3)
Other comprehensive income for the year, net of tax		(16.4)	(7.8)	(42.8)
Total comprehensive income for the period		499.3	421.5	334.7
Attributable to				
Owners of the Company		495.6	416.1	332.3
Non-controlling interests		3.7	5.4	2.4
Total comprehensive income attributable to owners of the parent arises from:				
- Continuing operations		495.6	416.1	332.3

CONSOLIDATED BALANCE SHEET

(in EUR million)	Notes	2016	2015	2014
		Year ended December 31,		
ASSETS				
Rental fleet	**14**	14,075.0	11,674.6	10,300.9
Other property and equipment	**15**	75.3	46.4	39.8
Goodwill	**16**	424.4	191.7	178.4
Other intangible assets	**15**	29.0	19.9	16.9
Investments in associates and jointly controlled entities	**17**	6.0	5.6	4.9
Derivative financial instruments	**18**	68.9	65.0	85.1
Deferred tax assets	**13**	123.6	123.6	109.1
Other non-current financial assets	**19**	980.2	1,072.6	1,146.7
Non-current assets		**15,782.4**	**13,199.4**	**11,881.9**
Inventories	**20**	209.5	173.9	161.8
Receivables from clients and financial institutions	**21**	1,270.4	1,089.2	972.2
Current income tax receivable		113.3	128.4	71.6
Other receivables and prepayments	**22**	670.8	503.3	522.8
Derivative financial instruments	**18**	9.4	64.4	15.0
Other current financial assets	**19**	288.4	237.6	243.9
Cash and cash equivalents	**23**	164.6	330.9	266.5
Current assets		**2,726.2**	**2,527.7**	**2,253.8**
Total assets		**18,508.6**	**15,727.1**	**14,135.7**
EQUITY AND LIABILITIES				
Share capital	**25**	606.1	606.1	550.0
Share premium		375.1	475.1	0.0
Retained earnings and other reserves		1,484.9	1,224.6	956.5
Net income		511.7	424.3	375.5
Equity attributable to owners of the parent		**2,977.6**	**2,730.1**	**1,882.0**
Non-controlling interests		34.9	32.2	27.6
Total equity		**3,012.6**	**2,762.3**	**1,909.6**
Borrowings from financial institutions	**26**	7,665.6	5,656.4	6,328.6
Bonds and notes issued	**26**	1,916.7	1,956.2	2,023.3
Derivative financial instruments	**18**	47.6	25.8	88.0
Deferred tax liabilities	**13**	206.3	179.6	161.9
Retirement benefit obligations and long term benefits	**27**	19.5	17.2	17.5
Provisions	**28**	100.1	87.1	101.3
Non-current liabilities		**9,955.8**	**7,922.3**	**8,720.6**
Borrowings from financial institutions	**26**	2,284.8	2,110.9	1,497.1
Bonds and notes issued	**26**	999.6	1,015.5	390.8
Trade and other payables	**29**	1,985.6	1,637.4	1,417.5
Derivative financial instruments	**18**	4.4	0.7	2.5
Current income tax liabilities		123.4	128.4	80.7
Provisions	**28**	142.3	149.6	116.8
Current liabilities		**5,540.2**	**5,042.5**	**3,505.5**
Total liabilities		**15,496.0**	**12,964.8**	**12,226.1**
Total equity and liabilities		**18,508.6**	**15,727.1**	**14,135.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in EUR million)	Share capital	Share premium	Translation reserves	Hedging reserve	Actuarial gain/(loss) reserve	Other capital reserves	Retained earnings	Net income	Equity attribu-table to the owners of the parent»	Non-controlling interests	Total equity
	Attributable to equity holders of the company										
Balance As at January 1, 2014	**550.0**	-	**(31.1)**	**0.3**	**(3.1)**	**3.3**	**730.8**	**298.4**	**1,548.7**	**20.8**	**1,569.5**
Changes in cash flow hedges	-	-	-	(4.6)	-	-	-	-	(4.6)	-	(4.6)
Actuarial gain/(loss) on post employment benefit obligations	-	-	-	-	(0.9)	-	-	-	**(0.9)**	-	(0.9)
Currency translation differences	-	-	(37.7)	-	-	-	-	-	(37.7)	0.4	(37.3)
Other comprehensive income	-	-	**(37.7)**	**(4.6)**	**(0.9)**	-	-	-	**(43.2)**	**0.4**	**(42.8)**
Net income (*)	-	-	-	-	-	-	-	375.5	375.5	2.0	377.5
Total comprehensive income for the period	-	-	**(37.7)**	**(4.6)**	**(0.9)**	-	-	**375.5**	**332.3**	**2.4**	**334.7**
Proceeds from shares issued	-	-	-	-	-	-	-	-	-	-	-
Share-Based payments	-	-	-	-	-	1.2	-	-	1.2	-	1.2
Dividends	-	-	-	-	-	-	-	-	-	(2.7)	(2.7)
Scope changes	-	-	-	-	-	-	(0.0)	-	(0.0)	7.0	7.0
Appropriation of net income	-	-	-	-	-	-	298.2	(298.4)	(0.2)	-	(0.2)
Other	-	-	-	-	-	-	-	-	-	-	-
Balance As at December 31, 2014	**550.0**	-	**(68.8)**	**(4.3)**	**(4.0)**	**4.5**	**1,029.1**	**375.5**	**1,882.0**	**27.6**	**1,909.6**
Balance As at January 1, 2015	**550.0**	-	**(68.8)**	**(4.3)**	**(4.0)**	**4.5**	**1,029.1**	**375.5**	**1,882.0**	**27.6**	**1,909.6**
Changes in cash flow hedges	-	-	-	2.4	-	-	-	-	**2.4**	-	**2.4**
Actuarial gain/(loss) on post employment benefit obligations	-	-	-	-	0.8	-	-	-	**0.8**	-	**0.8**
Currency translation differences	-	-	(11.4)	-	-	-	-	-	**(11.4)**	0.4	**(11.0)**
Other comprehensive income	-	-	**(11.4)**	**2.4**	**0.8**	-	-	-	**(8.2)**	**0.4**	**(7.8)**
Net income	-	-	-	-	-	-	-	424.3	**424.3**	5.0	**429.3**
Total comprehensive income for the period	-	-	**(11.4)**	**2.4**	**0.8**	-	-	**424.3**	**416.1**	**5.4**	**421.4**
Proceeds from shares issued	-	-	-	-	-	-	-	-	-	-	-
Share-Based payments	-	-	-	-	-	1.0	-	-	**1.0**	-	**1.0**
Dividends	-	-	-	-	-	-	(100.1)	-	**(100.1)**	(0.9)	**(101.0)**
Scope changes	56.1	475.1	-	-	-	-	(0.0)	-	**531.2**	-	**531.2**
Appropriation of net income	-	-	-	-	-	-	375.5	(375.5)	-	-	-
Other	-	-	-	-	-	-	(0.1)	-	**(0.1)**	-	**(0.1)**
Balance As at December 31, 2015	**606.1**	**475.1**	**(80.2)**	**(1.9)**	**(3.2)**	**5.5**	**1,304.4**	**424.3**	**2,730.1**	**32.0**	**2,762.1**
Balance As at January 1, 2016	**606.1**	**475.1**	**(80.2)**	**(1.9)**	**(3.2)**	**5.5**	**1,304.4**	**424.3**	**2,730.1**	**32.0**	**2,762.1**
Changes in cash flow hedges	-	-	-	(9.9)	-	-	-	-	**(9.9)**	-	**(9.9)**
Actuarial gain/(loss) on post employment benefit obligations	-	-	-	-	(1.2)	-	-	-	**(1.2)**	-	**(1.2)**
Currency translation differences	-	-	(5.1)	-	-	-	-	-	**(5.1)**	(0.3)	**(5.4)**
Other comprehensive income	-	-	**(5.1)**	**(9.9)**	**(1.2)**	-	-	-	**(16.2)**	**(0.3)**	**(16.5)**
Net income	-	-	-	-	-	-	-	511.7	**511.7**	4.0	**515.7**
Total comprehensive income for the period	-	-	**(5.1)**	**(9.9)**	**(1.2)**	-	-	**511.7**	**495.5**	**3.7**	**499.2**
Proceeds from shares issued	-	-	-	-	-	-	-	-	-	-	-
Share-Based payments	-	-	-	-	-	1.7	-	-	**1.7**	-	**1.7**
Dividends	-	-	-	-	-	-	(149.5)	-	**(149.5)**	(0.9)	**(150.4)**
Scope changes	-	(100.0)	-	-	-	-	(0.2)	-	**(100.2)**	-	**(100.2)**
Appropriation of net income	-	-	-	-	-	-	424.3	(424.3)	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Balance As at December 31, 2016	**606.1**	**375.1**	**(85.3)**	**(11.8)**	**(4.4)**	**7.2**	**1,579.0**	**511.7**	**2,977.7**	**34.8**	**3,012.4**

(*) Restated amounts of financial statements communicated at December 31, 2014 according to the retrospective application of IFRIC21

CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR million)	Notes	2016	2015	2014 Restated (*)
		Year ended December 31,		
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax excluding discontinued operations		**666.1**	**604.0**	**513.2**
Adjustments for:				
Rental Fleet	14	2,846.2	2,656.6	2,434.3
Other property and equipment	15	15.3	12.6	9.9
Intangible assets	15	6.1	3.7	3.4
Financial assets		-	-	0.0
Regulated prov., contingency and expenses provisions		9.0	18.0	60.4
Depreciation and provision		**2,876.6**	**2,690.9**	**2,508.0**
NBV on disposal of other property and equipment	15	9.5	8.9	9.7
NBV on disposal of intangible assets	15	0.4	0.1	0.4
Profit and losses on disposal of assets		**9.9**	**9.0**	**10.1**
Fair value of derivative financial instruments		(3.4)	(36.8)	(22.4)
Interest Charges		205.9	229.8	257.0
Interest Income		(713.9)	(693.5)	(656.8)
Net interest income	7b	**(508.1)**	**(463.7)**	**(399.8)**
Other (**)		1.5	0.4	0.6
Amounts received for disposal of rental fleet	14	2,157.2	1,814.0	2,025.9
Amounts paid for acquisition of rental fleet	14	(6,724.7)	(5,668.1)	(5,199.1)
Change in working capital		(167.7)	85.7	(198.7)
Interest Paid		(171.0)	(315.9)	(277.9)
Interest Received		741.3	724.3	674.3
Net interest paid		**570.2**	**408.3**	**396.5**
Income taxes paid		(108.5)	(182.7)	(127.6)
Cash generated from operations (continuing activities)		**(1,230.9)**	**(738.9)**	**(493.4)**
Cash flows from operating activities (discontinued operations)		-	-	-
Net cash inflow/(outflow) from operating activities		**(1,230.9)**	**(738.9)**	**(493.4)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of other property and equipment		-	-	-
Acquisition of other property and equipment	15	(34.3)	(27.6)	(24.9)
Divestments of intangible assets		-	-	-
Acquisition of intangible assets	15	(14.6)	(7.5)	(11.3)
Proceeds from sale of financial assets		-	-	-
Acquisition of financial assets (non consolidated securities)		(0.2)	-	(19.1)
Effect of change in group structure		(328.3)	1.8	0.9
Dividends received		(0.0)	-	0.0
Long term investment		90.2	58.9	(26.4)
Loans and receivables from related parties		(14.9)	(0.4)	5.4
Other financial investment		(51.7)	4.1	(30.1)
Cash flows from investing activities (continuing activities)		**(353.8)**	**29.2**	**(105.4)**
Cash flows from investing activities (discontinued operations)		-	-	-
Net cash inflow/(outflow) from investing activities		**(353.8)**	**29.2**	**(105.4)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of borrowings from financial institutions		10,398.5	7,098.5	6,944.5
Repayment of borrowings from financial institutions		(8,872.3)	(7,240.7)	(6,605.9)
Proceeds from issued bonds		536.0	1,300.2	527.3
Repayment of issued bonds		(528.0)	(769.1)	(252.0)
Dividends paid to company's shareholders	30	(149.5)	(100.1)	0.0
Dividends paid to minority interest		(0.9)	(0.9)	(2.7)
Increase/decrease in shareholders capital		(100.2)	531.3	6.2
Cash flows from financing activities (continuing activities)		**1,283.7**	**819.2**	**617.4**
Cash flows from financing activities (discontinued operations)		-	-	-
Net cash inflow/(outflow) from financing activities		**1,283.7**	**819.2**	**617.4**
Exchange gains/(losses) on cash and cash equivalents		**(6.0)**	**(2.0)**	**0.3**
Net (decrease)/increase in cash and cash equivalents		**(307.0)**	**107.5**	**19.0**
Cash & cash equivalents at the beginning of the period	23	**282.3**	**174.8**	**155.8**
Cash & cash equivalents at the end of the period	23	**(24.8)**	**282.3**	**174.8**

(*) Restated amounts of financial statements communicated at December 31, 2014 according to the retrospective application of IFRIC21
(**) Including mainly the unrealised foreign exchange gains or losses (note 7.b)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

ALD International (“the Company”) and its subsidiaries (together “the Group”) is a service leasing and vehicle fleet management group with a fleet of more than 1,375,000 vehicles. The Group provides financing and management services in 41 countries in the world including the following businesses:

- **Full service leasing** : under a full-service lease, the client pays the leasing company a regular monthly lease payment to cover financing, depreciation of the vehicle and the cost of various services provided in relation to the use of the vehicle (such as maintenance, replacement car, tyre management, fuel cards and insurance).
- **Fleet management** : Fleet management services include the provision of outsourcing contracts to clients under which the vehicle is not owned by the Group but is managed by the Group and for which the client pays fees for the various fleet management services provided. These services are generally identical to those listed under the full-service leasing above, with the exception of the financing service, as the vehicle is owned by the client.

The company is a French « Société Anonyme » incorporated in Société Générale group. Its registered office is located at 15 Allée de l’Europe, 92110 Clichy.

The company is a wholly-owned subsidiary of the Société Générale group.

The consolidated financial statements are presented in millions of Euros, which is the Group’s presentation currency and values are rounded to the nearest million, unless otherwise indicated. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. 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 12 and International Accounting Standards (IAS) 1 to 41, as well as the interpretations of these standards adopted by the European Union as at December 31, 2016.

2.2.CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.2.1. New and amended standards and Interpretations applicable as from January 1, 2016

The Group has adopted the following new standards, amendments and interpretations to published standards for the first time for the financial year beginning January 1, 2016:

Accounting standards, amendments or Interpretations	Publication dates by IASB	Adoption dates by The European Union
Amendment to IAS 1 "Presentation of Financial Statements"	December 2014	January 1, 2016
Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"	June 2014	January 1, 2016
Amendment to IAS 27 "Separate Financial Statements"	August 2014	January 1, 2016
Amendment to IFRS 11 "Joint Arrangements"	May 2014	January 1, 2016
Investment Entities: Applying the Consolidation Exception:		
- Amendment to IAS 28 "Investments in Associates and Joint Ventures"	December 2014	January 1, 2016
- Amendment to IFRS 10 "Consolidated Financial Statements"	December 2014	January 1, 2016
- Amendment to IFRS 12 "Disclosure of Interests in Other Entities"	December 2014	January 1, 2016
Annual Improvements to IFRSs 2012–2014 Cycle:		
-Amendment to IFRS 5 "Non-current Assets Held for sale and Discontinued Operations"	September 2014	January 1, 2016
-Amendment to IFRS 7 "Financial Instruments: Disclosures"	September 2014	January 1, 2016
-Amendment to IAS 19 "Employee Benefits"	September 2014	January 1, 2016
-Amendment to IAS 34 "Interim Financial Reporting"	September 2014	January 1, 2016

Amendment to IAS 1 "Presentation of financial statements":

The narrow-focus amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1.

The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation.

Presentation format of financial statements

The presentation of the Consolidated Income Statement has been amended for the year ended December 31, 2016 and the comparative results for the years ended December 31, 2015 and December 31, 2014 have been restated to conform to the revised presentation.

In the Income Statement for the years ended December 31, 2015 and 2014, 'Revenues' included those amounts related directly to the lease instalments as well as the Proceeds of Cars Sold.

In 2016, the Group modified the presentation of its 'Revenues' which has been retrospectively applied to the consolidated financial statements as of December 31, 2015 and 2014 (see Note 7). As described in Note 2.22 'Revenue Recognition', Revenues of the Group predominantly comprise rental income and other services provided to lessees of fleet vehicles, as well as proceeds of the sale of vehicles at the end of the lease contracts.

Rental income comprises the financial lease instalment and service revenues (maintenance and tyres, insurance, replacement cars and other services). The financial lease instalment is made up of Lease revenues - Depreciation and Interest Revenues directly linked with the contractual agreements concluded with customers that define the contractual residual value and interest rate.

The income statement presentation has been amended to give a better understanding of the Group's operational performance. The Consolidated Income Statement has been amended to show the contribution of four different revenues and margins which comprise Total Income in order to provide readers of the financial statements a clearer view of the total income for the year:

- **Services Revenue and related Services margin:** Revenue from maintenance and tyres, insurance, replacement cars and other services are netted with the related costs of providing such services. This margin measures the performance of each different nature of services rendered by the Group
- **Interest income and related Financial margin:** Interest revenue of financial leases as well as the financial component of the operating lease instalments are netted with the related interest expenses for the financing of the vehicle fleet. This margin measures the net interest margin contribution.
- **Car Resale proceeds and margin:** Proceeds from the sale of vehicles after the end of the lease contracts are netted against the net book value of those vehicles. This margin measures the net gains on the resale of the leased vehicles at the end of the contracts.
- **Lease revenues - Depreciation and margin:** the "depreciation" component of the operating lease instalment reflects the estimated depreciation at the inception of the lease and is related to the contractual residual value. It is included within the monthly lease instalment and the corresponding amounts are included within depreciation costs. The "depreciation margin" reflects the surplus or deficit in the depreciation charged compared to the Lease revenues - Depreciation recognised.

Changes were also made to the composition of the Segments as detailed further in Note 5.

The changes in presentation can be summarised as follows:

Consolidated Income Statement Category	Explanation of Restatement of the Consolidated Financial Statements for the year ended December 31, 2016 and the corresponding impact on the Restated Consolidated Financial Statements for the year ended December 31, 2015
Revenues	The Revenues for Services, Proceeds of cars sold and Depreciation have been analysed into its constituent parts in the Consolidated Financial Statements for the year ended December 31, 2016. In the Consolidated Financial Statements for the year ended December 31, 2015, the detail of the Revenues for these components is disclosed in Note 7.
Cost of Revenues	The Cost of Revenues for Services, Cost of cars sold and Depreciation costs have been analysed into its constituent parts in the Consolidated Financial Statements for the year ended December 31, 2016. In the Consolidated Financial Statements for the year ended December 31, 2015, the detail of the Cost of Revenues for these components is disclosed in Note 7.
Services Margin, Financial Margin, Car Sales Result and Depreciation Margin	Services Margin, Financial Margin, Car Sales Result and Depreciation Margin as disclosed in the Consolidated Financial Statements for the year ended December 31, 2016 represents the Gross profit as disclosed in the Consolidated Financial Statements for the year ended December 31, 2015.
Unrealised gains / losses on financial instruments	Unrealised gains / losses on financial instruments have been reclassified within the Financial Margin in the Consolidated Financial Statements for the year ended December 31, 2016. In the Consolidated Financial Statements for the year ended December 31, 2015, the Unrealised gains / losses on financial instruments were disclosed separately below Net Interest Income.
Impairment Charges on Receivables	Impairment Charges on Receivables have been reclassified after Total Current Operating Expenses in the Consolidated Financial Statements for the year ended December 31, 2016. In the Consolidated Financial Statements for the year ended December 31, 2015, the Impairment Charges on Receivables were disclosed as part of the Total Operating and Net Finance Income.
Total Income	Total Income as per the Consolidated Financial Statements for the year ended December 31, 2016 is equivalent to the Total Operating and Net Finance Income as per the Consolidated Financial Statements for the year ended December 31, 2015. The Total Income in the Consolidated Financial Statements for the years ended December 31, 2015 and December 31, 2014 is different to the Total Operating and Net Finance Income due to the reclassification of Impairment Charges on Receivables being shown after Total Income and Total Current Operating Expenses

Application of other amendments to International Accounting Standards described below had no material impacts on the consolidated financial statements of the Group:

Amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets": The amendment has clarified acceptable methods of depreciation and amortisation. The use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

Amendments to IAS 27 "Separate Financial statements": Reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

Amendment to IFRS 11 «Joint Arrangements»: The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28): The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

Annual improvements to IFRSs 2012-2014 include:

Standard	Amendment
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	**Changes in methods of disposal.** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
IFRS 7 Financial Instruments: Disclosures	**Servicing contracts.** Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. **Applicability of the amendments to IFRS 7 to condensed interim financial statements.** Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements
IAS 19 Employee Benefits	**Discount rate: regional market issue.** Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
IAS 34 Interim Financial Reporting	**Disclosure of information 'elsewhere in the interim financial report'.** Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference

2.2.2 Standards and Interpretations adopted by the IASB but not yet applicable at December 31, 2016

A number of new standards and amendments to standards and interpretations are non-effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

IFRS 9 "Financial Instruments", applicable to reporting periods commencing on or after January 1, 2018

This standard aims to replace IAS 39. IFRS 9 determines new requirements for classifying and measuring financial assets and financial liabilities, the new credit risk impairment methodology for financial assets and hedge accounting treatment, except accounting for macro hedging for which the IASB currently has a separate draft standard.

- Classification and measurement

Financial assets are required to be classified into three categories according to measurement methods to be applied (amortised cost, fair value through profit or loss and fair value through other comprehensive income). Classification will depend on the contractual cash flow characteristics of the instruments and the entity's business model for managing its financial instruments.

By default, financial assets will be classified as subsequently measured at fair value through profit or loss.

Debt instruments (loans, receivables and bonds) will be measured at amortised cost only if the objective of the entity (business model) is to collect the contractual cash-flows and if these cash flows consist solely of payments of principal and interest. Debt instruments will be measured at fair value through other comprehensive income (with cumulative gain or loss reclassified in profit or loss when the instruments are derecognised) if the objective of the entity (business model) is to collect the contractual cash-flows or to sell the instruments and if these contractual cash-flows consist solely of payments of principal and interest.

Equity instruments will be measured at fair value through profit or loss except in case of irrevocable election made at initial recognition for measurement at fair value through other comprehensive income (provided these financial assets are not held for trading purposes and not classified as such in financial assets measured at fair value through profit or loss) without subsequent reclassification in income.

Embedded derivatives will no longer be recognised separately when their host contracts are financial assets and the hybrid instrument in its entirety will then be measured at fair value through profit or loss.

Requirements for the classification and measurement of financial liabilities contained in IAS 39 have been incorporated into IFRS 9 without any modification, except for financial liabilities designated at fair value through profit or loss (using the fair value option). For these financial liabilities, the amount of change in their fair value attributable to changes in credit risk will be recognised in other comprehensive income without subsequent reclassification into income.

Derecognition rules for financial assets and financial liabilities have been carried forward unchanged from IAS 39 to IFRS 9.

- Credit risk

All debt instruments classified as financial assets measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables, loan commitments and financial guarantee contracts, will be systematically subject to an impairment or a provision for expected credit losses upon initial recognition of the financial asset or commitment.

At initial recognition, this expected credit loss will be equal to 12-month expected credit losses. This expected credit loss will subsequently be raised to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since its initial recognition.

ALD has chosen to apply the Lifetime expected credit loss measurement based on a provision matrix, a simplified approach, for 2 main reasons: the cost of risk in the ALD group is historically low and stable and the trade receivables method is a method much closer to the business. 10 entities that represents > 70% of the total EAD of ALD are testing and making the calculations since Q4 2016. This method will be spread over the rest of the group in 2017 and will be applied for the first time in 2018.

- Hedge accounting

This new standard will align hedge accounting more closely with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The standard extends the scope of non-derivative financial instruments that could be considered as hedging instruments. Similarly, the scope of items that could be considered as hedged items is increased to include components of non-financial items. The standard also amends the approach for assessing hedge effectiveness. Additional disclosures are also required to explain both the effect that hedge accounting has had on the financial statements and the entity's risk management strategy.

IFRS 15 "Revenue from contracts with customers", applicable to reporting periods beginning on or after January 1, 2018

This standard sets out the requirements for recognising revenue that apply to all contracts with customers. To recognise revenue, the following five steps would be applied: identification of the contract with the customer, identification of the performance obligations in the contract, determination of the transaction price, allocation of the transaction price to each performance obligation and revenue recognition when a performance obligation is satisfied.

The Group is assessing the impact of IFRS 15.

IFRS 16 "Leases", Applicable to annual reporting periods beginning on or after 1 January 2019 (Subject to its adoption by the European Union)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The impact of IFRS16 on the Group consolidated accounts is presented in section 2.2.1.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.3.CONSOLIDATION

2.3.1. 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.

2.3.2. 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.

Unrealized gains on transactions between the company and an associate are eliminated to the extent of the company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognised in the consolidated statement of income.

2.3.3. 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.

2.3.4. Special purpose companies

The asset-backed securitisation programme (described in Note 3-Financial Risk Management below) 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 securitized 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.

2.4. FOREIGN CURRENCY TRANSLATION

2.4.1. 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.

2.4.2. 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 "Financial margin".

2.4.3. Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii)income and expenses for each income statement are translated at weighted-average annual exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

The main exchange rates used in the consolidated financial statements for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 are based on Paris stock exchange rates and are as follows:

	December 31, 2016		December 31, 2015		December 31, 2014	
	Period-end Rate	Average Rate	Period-end Rate	Average Rate	Period-end Rate	Average Rate
EUR / UK Pound:	0.8562	0.8189	0.7340	0.7260	0.7789	0.8064
EUR / Danish Krone:	7.4344	7.4454	7.4626	7.4586	7.4453	7.4549
EUR / Swedish Krona:	9.5525	9.4673	9.1895	9.3545	9.3930	9.0969

2.5. LEASE OPERATIONS

2.5.1. Operating lease portfolio

Operating lease portfolio comprises cars leased under operating lease contracts. A lease is classified as an operating lease if the Group retains substantially all the risks and rewards incidental to ownership of the underlying asset.

The cost of the operating lease cars comprise their purchase price and any incremental and directly attributable costs of bringing the assets held for use in operating leases to working condition for its intended use. Import duties and non-refundable purchase taxes are included in the purchase price and any trade discounts are deducted when calculating the purchase price. Furthermore, lease incentives and volume bonuses are also taken into account and depreciated over the expected lease term. The carrying amount of the Operating lease portfolio is presented in the category 'Rental Fleet' on the balance sheet. The depreciation policy relating to these assets is detailed in section 2.6.2 'Property and equipment under operating lease and rental fleet'.

The operating lease instalments are fully recognised on a straight-line basis over the lease term, with the exception of that portion considered to be service income. The instalments are classified and presented in the following categories in the income statement: (i) service revenues; (ii) Lease revenues - Depreciation; and (iii) interest income (effective interest method).

2.5.2. 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 (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).

2.5.3. Fleet management services

These services include arranging for vehicle delivery and administration of the title and registration process, as well as tax and insurance requirements, ensuring maintenance of the vehicle, pursuing warranty claims, providing fleet policy analysis and recommendations, benchmarking, and providing vehicle recommendations.

2.6. PROPERTY AND EQUIPMENT

2.6.1. 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.

2.6.2. Property and equipment under operating lease and rental fleet

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. Vehicles are capitalized based on (i) the acquisition price, (ii) all expenditures for items owned by the company and considered a permanent addition to the vehicle (e.g. radios, anti-theft devices, etc.) at the time of contract commencement, (iii) initial external direct costs including commissions and legal fees and (iv) delivery cost where material.

The assets subject to operating leases are presented in the balance sheet according to the nature of the asset. The depreciation policy for depreciable leased assets is consistent with the Group's normal depreciation policy for similar assets. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between 3 to 5 years.

The assets' residual values are reviewed and adjusted, if appropriate, at each balance sheet date.

Upon termination of the lease or rental contract the relevant assets are reclassified to the caption "Inventories" at their carrying amount. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

2.7. INTANGIBLE ASSETS

2.7.1. Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquirer. Goodwill is measured at cost less any accumulated impairment losses. When the excess is negative (negative goodwill), it is recognised immediately in the statement of income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, which is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored as follows:

- at a subsidiary level for all significant and independent countries; In these countries, the activity of the subsidiary is driven independently, either because the market is specific or because the organization has been built in order to drive the business on a standalone basis, helped with the technical support of the central functions of the headquarter; this is the case for most of the large subsidiaries in Europe (such as France, UK and Germany) and some medium and small subsidiaries in Asia;

- at an aggregated level ("hubs") when internal management reporting is organised to measure performance (and prepare business plans) at a higher level (group of CGUs). The Group identified the 7 following hubs:

- Benelux Hub: Belgium, Luxembourg, Netherlands
- Nordics Hub: Denmark, Finland, Norway, Sweden
- Central Europe Hub: Austria, Croatia, Czech Republic, Hungary, Serbia, Slovenia, Slovakia, Switzerland
- North Eastern Europe Hub: Estonia, Latvia, Lithuania, Poland, Russia, Ukraine
- South Eastern Europe Hub: Bulgaria, Greece, Romania, Turkey,
- Mediterranean Hub: Algeria, Morocco, Portugal
- LatAm Hub: Brazil, Mexico, Chile, Peru

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.7.2. Other intangible assets

Internal software development costs are capitalized during the application development stage. The costs capitalized relate to external direct costs of materials and services and employee costs related to the time spent on the project during the capitalization period. Capitalized software is evaluated for impairment annually or when changing circumstances indicate that amounts capitalized may be impaired. Impaired items are written down to their estimated fair values at the date of evaluation.

2.8. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

2.9. NON–CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.10. FINANCIAL ASSETS

2.10.1. Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "receivables from financial institutions", "receivables from clients" and "cash and cash equivalents" in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "unrealized gains/losses on financial instruments" in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2.11. IMPAIRMENT OF FINANCIAL ASSETS

2.11.1. Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category (including lease receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement and is separately disclosed as part of net operating and finance income.

2.11.2. Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognised in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortised cost and available-for-sale financial instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised. Impairment losses on available-for-sale equity instruments are not reversed.

2.12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 24. Movements on the hedging reserve in other comprehensive income are shown in consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group designates certain derivatives as either:

(a) Fair value hedge: hedges of the fair value of recognised assets or liabilities or a firm commitment.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to fair value hedges is recognised in the income statement within "unrealised gains/losses on financial instruments".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(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 plan and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.17.2. 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".

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.

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

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenues include the various components of the lease instalment, such as repair, maintenance and tyres, damage risk retention and depreciation.

The interest portion of the lease instalment is classified under the caption "Interest income and charges", using the effective interest method.

(a) Operating leases

Regarding operating leases, lease rental revenue is recognised on a straight-line basis over the lease term, based on the total of the contractual payments divided by the number of months of the lease term.

(b) Finance leases

Regarding finance leases, the earnings are allocated between the capital amount and finance income. The capital amount is used to reduce the receivable balance and the income is recognised in the profit and loss in each period so as to give a constant periodic rate of return on the net investment in the lease. The Group uses the net investment method to allocate gross earnings, which excludes the effect of cash flows arising from taxes and financing relating to a lease transaction. In addition:

(i) The amount due from the lessee under a finance lease is recognised in the balance sheet as a receivable at an amount equal to the net investment in the lease. Over the lease term, rentals are apportioned between a reduction in the net investment in the lease and finance income. The net investment in a lease is equivalent to the gross investment discounted at the interest rate implicit in the lease.

(ii) At any point in time during the lease term, the net investment is represented by the remaining minimum lease payments, less that part of the minimum lease payments that is attributable to interest.

(c) Other operating revenue for services

(i) Proceeds of cars sold: Revenues also include the proceeds of the sale of vehicles from terminated lease contracts and rental revenues from renting out the rental fleet portfolio. The proceeds from the sale of vehicles are recognised when the vehicles are sold.

(ii) *Intermediation fees*: In some instances of service provision, an entity of the Group may be acting as an intermediary between a customer and a third party. Examples of such services include the provision of fuel cards, road taxes, the re-bill of maintenance charges to customers who have chosen not to include maintenance in their leasing contracts, etc. Since no value is added by the Group, they are therefore not presented as revenues.

(iii) *Informal extensions*: where a customer retains the car for a period beyond the normal return date (informal extension), normal contractual depreciation will continue to be recognised.

(iv) *Up Front payments*: Regarding operating leases, where significant up front ("balloon") payments (greater than 10% of list price of vehicle) are made by customers at the beginning of the lease agreement, these must be recognised in the balance sheet and amortised on a straight-line basis over the period of the lease agreement. Regarding finance leases, upfront payments and initial direct costs are taken into consideration in calculating the implicit interest rate in the lease and recognised evenly over the life of the lease as an adjustment of yield.

(v) *Lease incentives*: where incentives are provided to the lessee when negotiating a new or renewed lease (e.g. upfront cash payments to the lessee, reimbursement or absorption of costs by the lessor or free or reduced rents given at the beginning of the lease term), such incentives are recognised as a reduction of rental income over the lease term on a straight line basis.

(vi) *Interest on Late Payment*: Where interest on late payment is billed to customers, the related revenue is only recognised when settlements are made by customers.

(vii) *Lease Deposits*: Lease payment advances received in the form of deposits are held on the Balance Sheet and released in accordance with the relevant contractual agreements.

(viii) *Maintenance*: In order to match income with costs, maintenance and tyre income is recognised in line with the normal maintenance cost profile; the resulting 'cost curves' are reviewed periodically in order to match local actual historical maintenance expenditures with the expected cost profiles. As a result of application of this policy, the deferred maintenance revenue is recognised in a maintenance income reserve during the early part of the contract, and released from this reserve during the latter part. Maintenance profit or loss on the contract will be recognised during the life of the contract. The monthly profit and loss result will be the difference between the profiled revenue and actual costs. In addition each month, an estimate is made of actual maintenance and tyre costs incurred but not yet received (IBNR) at the month end and an accrual for these costs is made.

2.23. 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 presented 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

The Group is involved in one free share plan as of December 31, 2016 granted by the parent company, Société Générale.

Free shares plan ("AGA") is granted to a limited number of managers, subject to attendance conditions. At December 31, 2016, 324 employees benefit from 109,716 shares (174 employees benefit from 26,580 shares at December 31, 2015, 153 employees benefit from 23,121 shares at December 31, 2014).

Société Générale had also granted a free shares plan ("PAGA") that ended on March 31, 2016. Within this plan all employees were granted 40 Société Générale shares in November 2010, subject to attendance and performance conditions. The vesting period ended in March 31, 2015 for the first section i.e. 16 shares and on March 31, 2016 for the second section i.e. 24 shares. 755 employees in France and 2,802 employees outside the France had benefited from this plan.

Société Générale grants rights to its equity instruments directly to the employees of the company: the parent (not the subsidiary) provides these employees of the company with the equity instruments. Therefore, in accordance with IFRS 2, the company shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and recognise a corresponding increase in equity as a contribution from the parent.

NOTE 3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

3.1.1 Credit risk

The credit risk is the risk of losses arising from the inability of the Group's customers to meet their financial commitments. Credit risk includes the counterparty risk. In addition, credit risk may be further amplified by concentration risk, which arises from a large exposure to a given risk, to one or a few counterparties.

Credit risk management policy

Credit risk is the risk that a customer is not able to fulfil its financial obligations towards ALD. All ALD entities have to comply with risk procedures issued centrally which define the way credit requests have to be studied and validated, as well as the roles and responsibilities of all staff involved in the credit vetting process. Each subsidiary has a specific credit authority approved by ALD International General Management and the Risk Department of Société Générale Group, and determined according to the size of the fleet, the maturity of the subsidiary and the type of customer concerned (corporate, retail, financial institution etc). Within its credit limit, each subsidiary can decide directly on its counterparty risk. Above this threshold, credit acceptance is made at central level jointly with the Risk Department of Société Générale.

In coordination with the Risk department of the Group, regular risk committees are held by ALD International in order to review all potential risk issues and to ensure the credit risk procedures are properly applied. All standard risk indicators (arrears / default / cost of risk) are also monitored centrally. All ALD entities are applying the same process locally.

The primary responsibility for debt collection remains under the direct responsibility of ALD's subsidiaries with dedicated teams in charge of recovering unpaid invoices in compliance with local regulations and market practices. Local processes need, however, to be compliant with the corporate instructions and guidelines distributed to the whole network. Central monitoring of all ageing balances is performed on a monthly basis as part of the regular risk reviews, and actions plans are set up whenever necessary under the supervision of the Country Manager.

Impairment charges on receivables (cost of risk) has historically remained very low due to the nature of the products proposed by ALD, a strict control of the risk assessment process and a very diversified customer portfolio.

Credit risk measurement

The Group applies the Basel II regulations for customers in default. Consequently, a customer is in default as soon as one of the three following conditions applies:

1) 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;

2) 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;

3) A significant degradation of the customer's financial situation has taken place, making it likely that the customer will be unable to fulfil its overall commitments and there is therefore a high probability of losses.

When a credit risk emerges, the following processes take place:

- Reclassification of the sound outstanding as a doubtful debt
- Impairment made for probable credit loss

Where the customer is in default, the whole of the customer balance is classified as doubtful as a result of the "contagion principle". The application of this principle leads to the classification as doubtful of all outstanding amounts relating to a customer that is deemed to be in default regardless of the age of the invoice (i.e. a customer is either solvent or not). If the customer belongs to a group of companies, or in cases where the parent company has been classified as being in default, a case-by-case study is undertaken to establish whether it is necessary to apply the same treatment to all the legal entities included in that group. This "contagion principle" does not apply, however, in the following cases:

- Receivables subject to a risk of non-recovery which are affected by isolated legal disputes not related to the solvency of the counterparty
- Credit risk dependent on the solvency of a third party and not the counterparty

Impairment is only made in respect of customer receivables where the customer is considered to be in default (receivable is impaired). The impairment made for risk of default is consistent with the credit rating of each customer. The impairment must be sufficient to cover the entire probable loss in total or partial non-recovery of the loan.

The impairment is based upon the full amount outstanding for the customer in default.

In the case of an operating lease, ALD remains the owner of the vehicle and impairment is made against the recorded receivables relating to issued invoices. In addition, where it is considered likely that the vehicles will be returned, a further provision is required for the amount of the likely shortfall from the sale of the asset.

Where there are guarantees from the customer providing the right of offset in the event of a default, these amounts are taken into account in assessing the impairment on a customer by customer basis.

Information on past due and impaired receivables

Information on past due (split in past due up to 90 days, past due between 90 to 180 days and past due over 180 days) or impaired receivables are provided in note 21 "Receivables from clients and financial institutions" below.

The amounts presented in the table below include loans and finance lease receivables by Basel II portfolio that are past due but not individually impaired.

Year ended December 31, 2016

	Loans and receivables to customers						
(in EUR million)	Banks	Corporates	Small and medium entreprises	Specialised lending	Credit to individuals	Very small companies	Total
Amounts including past due 1 to 30 days	-	2.4	19.5	-	-	3.3	25.2
Amounts including past due 31 to 60 days	-	0.1	1.8	-	-	0.8	2.7
Amounts including past due 61 to 90 days	-	-	0.5	-	-	0.8	1.3
Amounts including past due 91 to 180 days	-	-	7.3	-	-	0.4	7.7
Amounts including past due 181 days to 1 year	-	0.2	0.2	-	-	0.5	0.9
Amounts including past due over 1 year	-	1.9	13.0	-	-	5.6	20.5
Total	**-**	**4.7**	**42.1**	**-**	**-**	**11.4**	**58.2**

Year ended December 31, 2015

	Loans and receivables to customers						
(in EUR million)	Banks	Corporates	Small and medium entreprises	Specialised lending	Credit to individuals	Very small companies	Total
"Amounts including past due between1 to 30 days "	-	0.8	21.0	0.1	0.1	5.3	27.3
Amounts including past due between 31 to 60 days	-	4.4	12.2	-	-	0.5	17.1
"Amounts including past due between61 to 90 days "	-	-	0.1	-	-	0.2	0.3
"Amounts including past due between91 to 180 days "	-	-	0.2	-	-	0.3	0.5
"Amounts including past due between181 days to 1 year"	-	-	13.4	-	-	6.5	19.9
Amounts including past due over 1 year	-		0.7	-	-	1.0	1.7
Total	**-**	**5.2**	**47.6**	**0.1**	**0.1**	**13.8**	**66.8**

Year ended December 31, 2014

(in EUR million)	Banks	Corporates	Small and medium entreprises	Specialised lending	Credit to individuals	Very small companies	Total
	Loans and receivables to customers						
Amounts including past due 1 to 30 days	-	3.5	2.7	0.0	0.0	3.8	10.1
Amounts including past due 31 to 60 days	-	0.0	0.6	-	0.0	1.9	2.5
Amounts including past due 61 to 90 days	-	0.0	16.2	-	0.0	1.9	18.1
Amounts including past due 91 to 180 days	-	6.2	19.4	-	0.0	0.9	26.5
Amounts including past due 181 days to 1 year	-	0.0	0.0	-	0.0	0.0	0.1
Amounts including past due over 1 year	-	1.6	0.0	-	-	0.9	2.6
Total	**-**	**11.4**	**39.0**	**0.0**	**0.1**	**9.4**	**59.8**

Derivative financial instruments

In addition to its natural exposure to credit risk in the leasing of vehicles, the Group is also exposed to credit risk because of its use of derivative financial instruments and because of excess cash being deposited with banks. The Group controls this risk by requiring minimal external rating grades that such external counterparties are assigned.

3.1.2 Treasury risk

Treasury risk entails 3 types of risks: Liquidity risk, interest rate risk and foreign exchange risk.

- Interest rate risk is the risk that the profitability of the Group is affected by movements in interest rates.

- Foreign exchange risk is the risk that the profitability is affected by currency fluctuations.

- Liquidity risk is the risk that the Group is not able to meet its cash flow obligations when they fall due, because of a mismatch between the financing of its assets and liabilities.

Group Treasury risk management policy consists in matching assets and liabilities in terms of maturities, currencies, and interest rate exposure. Group procedures defining the sensitivity measurement of such risks and tolerance levels are applied across the group to allow a close monitoring of the treasury risk. These risks are monitored on a group level by the Group's central Treasury, which reports on a quarterly basis to the management team of ALD International during a dedicated committee. This committee is informed about all relevant developments with regard to the Group's treasury risk profile and decides any action to mitigate the risks when necessary.

Interest rate risks management

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

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

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

Foreign exchange risks management

ALD Group is present in 25 countries outside the Euro zone and is therefore exposed to foreign exchange risks related to inflows and outflows of cash from daily business activities as well as participations in subsidiaries outside the Euro zone.

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

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

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

Currency risks related to equity invested in foreign currencies are not hedged at a group level, as the risk exposure has not been considered to be significant.

Liquidity risks

ALD Group is exposed to liquidity risk which is the risk of not being able to meet cash flow requirements when they fall due and at a reasonable price. A structural liquidity position is defined as resulting from the maturities of all balance sheet or off balance sheet outstanding positions according to their liquidity profile.

ALD Group's exposure to liquidity risks is limited as the group policy consists in financing the underlying asset over the same duration as the corresponding lease contract. A residual liquidity gap is measured on a monthly basis, under the supervision of ALD Group Treasury department, by assessing the matching of the run off of the existing leased assets with the remaining liabilities.

The liquidity position measured is then reviewed and consolidated at a group level. Any deviation from the sensitivity threshold is corrected under the supervision of the Group central Treasury.

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

Most of the funding provided by SG Group is granted through Société Générale Bank and Trust (SGBT) based in Luxemburg. 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 6,649 million as of December 31, 2016 for an average maturity of 2.4 years and an average rate of 0.68%.

The remaining SG funding is provided either from local SG branches or SG Group Central Treasury in Paris, representing EUR 2,648 million as of December 31, 2016.

28% of fiscal year 2016 funding is provided from local external banks or third parties, representing EUR 3,570 million as of December 31, 2016.

The following funding arrangements concluded by the Group in the past three years impacted the assessment of liquidity risk:

Securitisation

During 2013, the Group has entered into asset-backed securitisation programmes in three European countries.

These transactions involved the sale of future lease receivables and related residual value receivables to special purpose companies. Debt securities were issued by those special purpose companies and sold to external investors for a total amount of GBP 300 million in the UK in March 2013 for a two-year revolving period, EUR 400 million in Germany in May 2013 for a one-year revolving period and EUR 200 million in the Netherlands in December 2013 for a one-year revolving period. The special purpose companies are responsible for making interest and principal payments to the note-holders. The note-holders do not have recourse on the Company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral (reserves) for these securitisation transactions for a total amount of EUR 19.3 million.

These funds were raised either with a fixed rate (Germany) or a floating-to-fixed rate hedge (UK and Netherlands). Existing loans that have been repaid had a fixed rate and a similar amortisation profile to the issued notes, accordingly there is no additional exposure to interest rate or liquidity risks.

In 2014 two programmes were renewed. The UK programme (300m GBP) was renewed for one additional year (from 2015 to 2016) and the Netherlands programme (200m EUR) was renewed for two additional years (from 2014 to 2016).

In 2015 new securitization deal took place in Belgium for EUR 300 million.

A new securitization 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.

The following debt securities are currently issued:

Programme	Originator	Country	Special purpose company	Currency	Transaction value (*)
ALD Funding Limited	ALD	UK	ALD Funding Limited	GBP	300 million
Red and Black auto lease Germany	ALD	Germany	Red and Black auto lease Germany	EUR	500 million
Axus Finance NL B	ALD	Netherlands	Axus Finance NL B	EUR	236 million
Axus Finance SPRL	ALD	Belgium	Axus Finance SPRL	EUR	300 million

(*) Transaction value at issue date

The maturity of the asset-backed securitisation programmes is as follows:

(in EUR million)	December 31, 2016	December 31, 2015
Less than 1 year	489.9	500.7
1-5 years	896.7	436.2
Over 5 years	0.0	0.0
Total securitisation programme	**1,386.6**	**936.9**

For further details on the transactions reference is made to notes 14 and 26.

Corporate bond

The Group is also engaged in a Euro Medium Term Notes (EMTN) programme. The EMTN programme limit is set at EUR 6 billion for the aggregate nominal amount of notes outstanding at any one time. An application has been filed with the Luxembourg Stock Exchange in order for the notes issued under the programme to be listed on the official list and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The programme is rated BBB by Standard & Poor's ratings services.

Within this programme, the group has issued:

- a bond in November 2013 for an amount of EUR 500 million maturing in May 2017 at a fixed rate of 2.086%.
- a bond in January 2015 for an amount of EUR 500 million maturing in 3 years at a fixed rate of 0.820% and in November 2015 another bond for an amount of EUR 500 million maturing in 2 years at floating rate of Euribor 3M + 60 bps.

No new bonds have been launched by the Group in 2016.

The presentation of financial borrowings by maturity is provided in note 26 below.

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 International 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 International Group through robust internal procedures applied to all ALD subsidiaries in order to set, control and revaluate the residual values on the running fleet. The residual value setting procedure defines the processes, roles and responsibilities involved in the definition of residual values that will be used for the quotation of future contracts. Residual value setting is performed locally as the expertise in used car market is local and controlled and approved centrally. Calculation is based on refined market segmentation and on a statistical model using internal used car sales data for each market segment as well as Trade Guides references and country specific factors (inflation, market sector adjustments, life cycle etc.). Residual value setting is reviewed by local general management during a local pricing committee held at least twice a year (quarterly for larger subsidiaries), and then controlled and validated at an international 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 international level. The current residual value embedded in the contract is compared with the expected market value on a car by car basis.

Revaluation adjustments are accounted for on a portfolio basis whenever necessary, in order to match the expected market value at contract ending and mitigate any market risk.

In accordance with IAS 8, a residual value is treated as an accounting estimate; as such, all potential car sales losses are recognised on a straight line basis between the date of the revaluation and the end of the contract; where the revaluation in a country produces an overall profit, no adjustment is made. The residual value of the total lease portfolio at December 31, 2016 amounts to EUR 8,888 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 International. A global review of the maintenance margins is done for each country on a regular basis in order to back test the pricing assumptions in terms of costs and frequencies and to make the necessary adjustments if maintenance and tyre costs are higher in the latter part than in the first part of a contract's life.

3.1.4 Insurance risk

The Group is exposed to the risk of damage to vehicles within its fleet and also to liability to third parties arising from accidents involving vehicles in its fleet. This risk can take the form of third party liability (TPL), legal defence, material damage or passenger indemnity. Where the Group decides not to retain this risk or is legally obliged to buy insurance, this risk is placed through local insurance companies. However, for some local ALD entities, the Group has selectively decided that the entity should retain the material damage risk to its own vehicles, where it is justified by the fleet size, the fleet risk profile and local market conditions. The entity managing this material damage risk must comply with strict internal procedures in terms of pricing setting, risk selection, and reserve setting. Material own damages reserves are a combination of the estimated amount required to meet the costs of future claims plus an estimation of future claims costs which have been incurred but not reported (IBNR). This IBNR is based on statistical analysis of damage frequency and amounts.

The Group also selectively retains some motor risks (material damages, passenger insurance and TPL risks) within its own reinsurance company, ALD Re Limited (ALD Re). ALD Re is based in Ireland and is regulated by the Central Bank of Ireland. The company reinsures TPL, material damages and passenger insurance coverage for approximately 300,000 cars covering 23 entities within the Group. ALD Re strictly monitors its risk universe, including underwriting, market, credit and operational risk, via a strong corporate governance structure, a clearly defined risk appetite and a developed risk monitoring process. In addition, in order to minimize the financial impact of a single event, ALD Re purchases reinsurance protection for claims above a specified amount. This reinsurance strategy is reviewed at least annually.

In addition, every year, an external independent actuary must opine on whether the level of technical reserves held by ALD Re are considered adequate to meet its future obligations as determined by that independent actuary.

3.2 FAIR VALUE ESTIMATION

The Group analyses financial assets and liabilities by various valuation methods. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial assets and liabilities is measured at amortised cost, except for receivables for which fair value is deemed to be the nominal amount.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily cash and cash equivalents and long-term investments (please refer to note 19 "Other non-current and current financial assets")

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Refer to note 24 "Financial assets and liabilities by category".

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated presented in note 2.7.1 of these consolidated financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows. We are using a five-year business plan for each of the CGU or group of CGUs identified.

Based on the assumptions made by the Group, no need for impairment on goodwill has been identified.

Similarly, if operating cash flows had been significantly lower than management's estimates or if the estimated cost of capital used in determining the pre-tax discount rate had been significantly higher than management's estimates, no need for impairment would have been identified.

4.2 IMPAIRMENT OF RENTAL FLEET

In the annual assessment of whether there is any indication that an asset may be impaired, the Group considers both external as well as internal sources of information. If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the asset or cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined at the present value of the future cash flows expected to be derived from the object or cash generating unit. The management closely monitors residual values, which are reviewed internally at least each financial year, in accordance with internal procedures. The original residual values within internal system will be compared to the revised residual values expected at contract termination, following a review. The results of this exercise will be used to assess the level of exposure, reserves held and potential impairment required. To prevent impairment on residual values, each country completes a minimum of one annual review of pricing under the supervision of the Group to ensure that assumptions used in pricing reflect expected future market conditions, thus ensuring residual values are predicted with a reasonable degree of accuracy and on a consistent basis going forward.

4.3 FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The fair value of certain financial instruments is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

4.4 PENSION BENEFITS

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

If the discount rate used were to differ by +1% from management's estimates, the carrying amount of pension obligations would be an estimated EUR 3 million lower.

4.5 INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.6 OWN DAMAGE RESERVE

The own damage reserve is based on assumptions such as technical damage risk principles, policyholder behaviour, inflation and court decisions. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

NOTE 5. SEGMENT INFORMATION

The Board of Directors approves the decisions taken by the Group's Management which is the main decision making body. The Group's Management has decided to make certain changes to the presentation of the geographical segments in the financial statements for the year ended December 31, 2016 compared to the presentation in the financial statements of the prior year. The changes were made to better reflect the distinct geographical regions which are a focus of management attention and reporting which is also aligned with the managerial supervision at Group level.

The main changes were as follows:

- Russia was reallocated from the 'BRIC and Rest of the World' segment to Continental & Eastern Europe
- Subsequent to the above change, the segment 'BRIC and Rest of the World' has been renamed as 'LatAm, Africa, Asia and Rest of the World'

Geographically, management considers the performance in Western Europe, Central and Eastern Europe, Northern Europe and LatAm, Africa, Asia and Rest of the World.

The central treasury function based in Luxembourg provides funding to the main ALD entities located in 13 countries. The total loans in place to these entities amounts to EUR 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 segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

	Year ended December 31, 2016		Year ended December 31, 2015		Year ended December 31, 2014 (*)	
(in EUR million)	**Profit before tax**	**Revenue from external customers**	**Profit before tax**	**Revenue from external customers**	**Profit before tax**	**Revenue from external customers**
Western Europe	489.6	5,594.3	411.3	5,022.7	336.2	4,611.4
Nordic	92.7	908.9	107.1	889.6	97.3	855.8
Continental & Eastern Europe	79.1	740.3	80.5	664.9	77.1	636.9
LatAm, Africa, Asia & Rest of world	4.6	321.8	5.1	254.3	2.6	212.4
TOTAL	**666.0**	**7,565.3**	**604.0**	**6,831.6**	**513.2**	**6,316.6**

(*) Restated amounts of financial statements communicated at December 31, 2014 according to the retrospective application of IFRIC21

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
(in EUR million)	**Revenue from external customers**	**Revenue from external customers**	**Revenue from external customers**
Services revenues	1,667.0	1,574.6	1,514.7
Interest income	714.0	693.5	656.8
Proceeds of cars sold	2,377.7	2,045.5	1,786.4
Lease revenues - Depreciation	2,806.6	2,518.0	2,379.1
TOTAL	7,565.3	6,831.6	6,316.6

(*) Restated amounts of financial statements communicated at December 31, 2014 according to the retrospective application of IFRIC21

Other disclosures

	Year ended December 31, 2016		
(in EUR million)	**Rental fleet**	**Total assets**	**Net financial debt (**)**
Western Europe	10,748.0	14,662.1	11,004.7
Nordic	1,392.3	1,607.2	59.6
Continental & Eastern Europe	1,413.2	1,606.2	1,122.3
LatAm, Africa, Asia & Rest of world	521.4	633.1	515.6
TOTAL	**14,075.0**	**18,508.6**	**12,702.2**

	Year ended December 31, 2015		
(in EUR million)	**Rental fleet**	**Total assets**	**Net financial debt (**)**
Western Europe	8,773.4	12,319.4	9,075.1
Nordic	1,358.2	1,623.7	(1.8)
Continental & Eastern Europe	1,097.3	1,212.1	853.8
LatAm, Africa, Asia & Rest of world	445.6	571.9	481.0
TOTAL	**11,674.6**	**15,727.1**	**10,408.1**

	Year ended December 31, 2014		
(in EUR million)	**Rental fleet**	**Total assets**	**Net financial debt (**)**
Western Europe	7,760.9	10,996.9	8,787.7
Nordic	1,197.4	1,569.9	18.7
Continental & Eastern Europe	922.6	1,071.9	755.6
LatAm, Africa, Asia & Rest of world	406.6	482.0	399.5
TOTAL	**10,287.5**	**14,120.6**	**9,961.5**

(**) 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

NOTE 6. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE YEAR ENDED DECEMBER 31, 2016

At December 31, 2016 all companies are fully consolidated, except 2 companies accounted using the equity method.

Parcours Group, MKB-Euroleasing Autopark (Hungary), MKB-Autopark eood (Bulgaria) and ALD Peru have been included in the scope of consolidation as at December 31, 2016.

Parcours Group was acquired by ALD France ('Temsys') on May 3, 2016. It was the seventh largest leasing player in France and the acquisition resulted in an addition of c. 64,000 vehicles managed in France, Spain, Belgium, Luxembourg and Portugal. The purchase price was EUR 297.7 million which was paid in cash. Initial goodwill of EUR 192.7 million was calculated based on a net asset valuation of EUR 105.2 million. In the second half of the year the goodwill was revised to EUR 202.7 million based on a net asset valuation of EUR 95.2 million. In the first four months of 2016 Parcours group generated pre-acquisition revenue of EUR 152.6 million and pre tax profit of EUR 4.3 million.

The entity has been fully consolidated from May 3, 2016.

NOTE 7. REVENUES AND COST OF REVENUES

7a. Service margin (group rental and damage risk retention into leases services)

	Year ended December 31,		
(in EUR million)	**2016**	**2015**	**2014**
Services revenue	1,667.0	1,574.6	1,514.7
Cost of services revenues	(1,138.4)	(1,040.6)	(1,069.3)
Services margin	**528.6**	**534.0**	**445.4**

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.

7b. Financial margin

	Year ended December 31,		
(in EUR million)	**2016**	**2015**	**2014**
Interest income from operating lease	617.9	594.7	571.0
Interest income from finance lease	72.0	74.5	62.8
Other interest income	24.2	24.3	22.9
Total interest income	**714.0**	**693.5**	**656.8**
Interest charges on funds entrusted			
Interest charges on loans from financial institutions	(165.2)	(195.4)	(210.8)
Interest charges on issued bonds	(21.7)	(30.2)	(27.0)
Other interest charges	(18.9)	(4.2)	(19.2)
Total interest charges	**(205.9)**	**(229.8)**	**(257.0)**
Net interest income	**508.1**	**463.8**	**399.8**
Trading derivatives	3.6	36.7	22.5
Imperfectness of derivatives at fair value hedges	0.0	0.3	(0.1)
Imperfectness of derivatives at cash flow hedges	(0.2)	(0.2)	(0.0)
Unrealised gains/losses on derivative financial instruments	3.4	36.8	22.4
Unrealised Foreign Exchange Gains or Losses	(8.3)	(34.7)	(20.6)
Total Unrealised gains/losses on derivative financial instruments	**(4.9)**	**2.1**	**1.8**
Financial margin	**503.2**	**465.8**	**401.6**

"Other interest income" comprises income received from financial instruments and also income received for cash deposits with third party counterparts.

7c. Car sales result and depreciation margin

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 and in 2016 this impact was a net charge of EUR 8 million (2015: EUR 40 million net charge, 2014: EUR 41 million net charge).

	Year ended December 31, 2015		
(in EUR million)	**2016**	**2015**	**2014**
Proceeds of cars sold	2,377.7	2,045.5	1,786.4
Cost of cars sold	(2,176.2)	(1,838.3)	(1,633.3)
Car sales result	**201.5**	**207.2**	**153.1**
Lease revenues - Depreciation	2,806.6	2,518.0	2,358.7
Depreciation costs	(2,795.8)	(2,552.2)	(2,379.1)
Depreciation margin	**10.9**	**(34.2)**	**(20.5)**
Car sales result and depreciation margin	**212.4**	**173.0**	**132.6**

Following the announcement in September 2015 by Volkswagen Audi Group regarding the 'defeat device' software installed in its vehicles, ALD Group booked an exceptional depreciation charge of EUR 1,000 per vehicle on all affected vehicles. This additional depreciation has subsequently been partially released in 2016 resulting in a positive depreciation margin in this year.

The significant increase in profits derived from the end of contract used car sales between 2014 and 2015 was driven mainly by a lack of supply in the market.

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 December 31,		
(in EUR million)	**2016**	**2015**	**2014**
Services Revenues	1,667.0	1,574.6	1,514.7
Interest Income	714.0	693.5	656.8
Lease revenues - Depreciation	2,806.6	2,518.0	2,358.7
Sub-Total – Revenues from Rental Activity	**5,187.6**	**4,786.1**	**4,530.2**
Proceeds of Cars Sold	2,377.7	2.045.5	1,786.4
Total Revenues	**7,565.3**	**6,831.6**	**6,316.6**
Total Revenues excluding Interest Income	6,851.3	6,138.1	5,659.8

Total Revenues excluding Interest Income is equal to the Revenues as disclosed in the Consolidated Income Statement in the Consolidated Financial Statements for the years ended December 31, 2015 and 2014.

NOTE 8. IMPAIRMENT CHARGES ON RECEIVABLES

		Year ended December 31,		
(in EUR million)	**Note**	**2016**	**2015**	**2014**
Impairment		(29.4)	(27.3)	(22.4)
Reversal of impairment		5.6	6.4	4.1
Impairment charges on receivables	**21**	**(23.8)**	**(20.9)**	**(18.4)**

NOTE 9. STAFF EXPENSES

	Year ended December 31,		
(in EUR million)	**2016**	**2015**	**2014**
Wages and salaries	(261.6)	(234.2)	(210.6)
Social security charges	(54.7)	(47.8)	(44.7)
Defined benefit post-employment costs	(2.5)	(2.8)	(3.3)
Other staff costs	(23.7)	(21.5)	(21.1)
Total	**(342.5)**	**(306.3)**	**(279.6)**

The average number of staff employed (including temporary staff) by the Group during the year was 5,653 (2015: 5,079, 2014: 4,755). At year-end, the full time equivalent number of staff employed by the Group was 6,074 (2015: 5,230, 2014: 4,928).

NOTE 10. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses mainly include IT costs, property costs, professional fees and advertising. Since 2015 ALD has accelerated the IT investment programme as part of the Group's commitment to be the preferred choice for mobility solutions within the market. There has been a specific focus on digital solutions in order to further enhance customer experience, including fleet manager and driver web portals as well as investment in the development of new flexible products for our customers.

This year the Group has incurred additional professional fees mainly driven by the investments in the Parcours and MKB groups and also some other external growth projects.

A provision for potential additional VAT charges of EUR 7.5 million has also been recognised in 2016.

NOTE 11. DEPRECIATION AND AMORTISATION

		Year ended December 31,		
(in EUR million)	**Note**	**2016**	**2015**	**2014**
Depreciation of other property and equipment	**15**	(15.4)	(12.5)	(9.9)
Depreciation of intangible assets	**15**	(6.1)	(3.7)	(3.2)
Total		**(21.5)**	**(16.1)**	**(13.0)**

NOTE 12. NON-RECURRING OPERATING INCOME (EXPENSES)

Non recurring costs of EUR 2 million in the year ending December 31, 2016 relate to one-off breakage costs incurred due to the repayment of loans granted by Société Générale to ALD Luxembourg SA.

NOTE 13. INCOME TAX EXPENSE

Income tax expense

	Year ended December 31,		
(in EUR million)	**2016**	**2015**	**2014**
Current tax	(120.8)	(171.9)	(136.3)
Deferred tax	(29.6)	(2.8)	0.6
Income tax expense	**(150.4)**	**(174.7)**	**(135.7)**

Effective tax rate reconciliation

	Year ended December 31,		
(in EUR million)	**2016**	**2015**	**2014***
Profit before tax	**666.1**	**604.0**	**513.2**
Standard tax rate in France	**34.43%**	**34.43%**	**34.43%**
Tax expense at standard rate	**(229.3)**	**(208.0)**	**(176.7)**
Tax calculated at domestic tax rates applicable to profits in the respective countries	68.4	74.9	55.1
Tax effects of:			
Associates' results reported net of tax	0.2	0.3	0.2
Income not subject to tax	14.9	7.7	6.4
Expenses not deductible for tax purposes	19.4	(26.3)	(9.8)
Utilisation of previously unrecognised tax losses	(4.9)	0.4	0.6
Tax losses for which no deferred income tax asset was recognised	-	-	(0.1)
Re-measurement of deferred tax	**9.1**	**8.5**	**16.4**
Adjustment in respect of prior years	(5.2)	(22.3)	(19.6)
Other	(23.0)	(9.9)	(8.3)
Total	**(150.4)**	**(174.7)**	**(135.7)**
Effective rate of income tax	22.58%	28.93%	26.43%

(*) Restated amounts of financial statements communicated at December 31, 2014 according to the retrospective application of IFRIC21

The increase in 'other' between 2015 and 2016 is driven by additional Corporate tax paid on increased dividend activity and also a tax liability generated following the internal sale of the non-French Parcours entities.

The increase in the effective tax rate between 2015 and 2014 is mainly due to a change in the geographical mix of profits between 2015 and 2014 towards jurisdictions where the Group is subject to a higher effective tax rate as well as provisions related to tax proceedings in India.

2016 includes the reversal of a prior year provision as deductibility of exceptional costs booked in 2015 has now been fully documented.

Net deferred tax variation

The gross movement on the net deferred tax account is as follows:

	Year ended December 31,		
(in EUR million)	2016	2015	2014
Net deferred tax liabilities at 1 January	**(56.0)**	**(52.8)**	**(61.4)**
Income statement charge	(29.5)	(2.8)	0.6
Tax charged/(credited) directly to equity	4.4	(2.5)	1.0
Currency translation differences	(1.4)	1.8	6.9
Scope changes	(0.2)	0.3	0.6
Other	0.0	(0.0)	(0.6)
Net deferred tax liabilities at 31 December	**(82.7)**	**(56.0)**	**(52.8)**

Deferred income tax by nature

	Year ended December 31,		
(in EUR million)	2016	2015	2014
Accelerated tax depreciation	(243.4)	(208.1)	(175.3)
Provisions	100.4	115.2	122.8
Tax losses	14.1	21.1	2.5
Fair value gains	9.6	3.3	16.9
Retirement benefit obligation	(0.2)	0.6	0.7
Other timing differences	35.3	11.0	(25.8)
Other	1.6	0.8	5.4
Net deferred tax asset/(liability)	**(82.7)**	**(56.0)**	**(52.8)**

The majority of the 2016 tax losses EUR 14.1 million (2015: EUR 21.1 million) are attributable to France EUR 4.6 million (2015: EUR 10 million), Norway EUR 4 million (2015: EUR 4.5 million) and Germany EUR 3.8 million (2015: EUR 5.5 million). No significant unrecognized accumulated tax losses have been booked over the last three financial years.

NOTE 14. RENTAL FLEET

(in EUR million)	Rental fleet
At 1 January 2014	
Cost	13,949.5
Accumulated depreciation & impairment	(4,381.0)
Carrying amount As at 1 January 2014	**9,568.4**
Year ended 31 December 2014	
Opening net book amount	9,568.4
Additions	5,199.1
Disposals	(2,025.9)
Acquisition of a subsidiary	(0.0)
Depreciation charge	(2,434.3)
Transfer (included transfer to inventories)	-
Currency translation differences	(6.3)
Closing net book amount As at December 31, 2014	**10,300.9**
At 31 December 2014	
Cost	14,919.4
Accumulated depreciation & impairment	(4,618.5)
Carrying amount As at December 31, 2014	**10,300.9**
Year ended 31 December 2015	
Opening net book amount	10,300.9
Additions	5,668.1
Disposals	(1,814.0)
Acquisition of a subsidiary	160.3
Depreciation charge	(2,656.6)
Transfer (included transfer to inventories)	18.9
Currency translation differences	(3.0)
Closing net book amount As at December 31, 2015	**11,674.6**
At 31 December 2015	
Cost	16,550.7
Accumulated depreciation & impairment	(4,876.1)
Carrying amount As at December 31, 2015	**11,674.6**
Year ended 31 December 2016	
Opening net book amount	11,674.6
Additions	6,724.8
Disposals	(2,157.2)
Acquisition of a subsidiary	876.4
Depreciation charge	(2,846.2)
Transfer (included transfer to inventories)	0.2
Currency translation differences	(197.6)
Closing net book amount As at December 31, 2016	**14,075.0**
At 31 December 2016	
Cost	19,539.8
Accumulated depreciation & impairment	(5,464.8)
Carrying amount As at December 31, 2016	**14,075.0**

At the December 31, 2016, December 31, 2015 and December 31, 2014 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 EUR 1,849 million at December 31, 2016. The transferred lease receivables cannot be sold.

At December 31, 2016, the accounting value of the associated liabilities is GBP 300 million in the UK, EUR 300 million in Belgium, EUR 236 million in the Netherlands and EUR 500 million in Germany.

For further details on the transactions reference is made to the Financial Risks Management Section (Liquidity risks) of the Accounting Principles.

NOTE 15. OTHER PROPERTY AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

Other property and equipment:

(in EUR million)	Note	Land	Property	Equipment	Total
At 1 January 2014					
Cost		2.9	27.2	66.5	96.5
Accumulated depreciation & impairment			(17.8)	(43.7)	(61.5)
Carrying amount As at 1 January 2014		**2.9**	**9.4**	**22.8**	**35.1**
Year ended 31 December 2014					
Opening net book amount		**2.9**	**9.4**	**22.8**	**35.1**
Additions		-	7.3	17.5	24.9
Disposals		-	(2.1)	(7.6)	(9.7)
Depreciation charge	11	-	(2.2)	(7.7)	(9.9)
Transfer to intangible assets		-	(0.0)	(0.0)	(0.0)
Scope changes		-	-	0.0	0.0
Currency translation differences		(0.1)	(0.2)	(0.3)	(0.6)
Closing Net book amount As at December 31, 2014		**2.8**	**12.2**	**24.8**	**39.8**
At 31 December 2014					
Cost		2.8	31.1	68.6	102.4
Accumulated depreciation & impairment			(18.8)	(43.9)	(62.7)
Carrying amount As at December 31, 2014		**2.8**	**12.3**	**24.7**	**39.8**
Year ended 31 December 2015					
Opening net book amount		**2.8**	**12.3**	**24.7**	**39.8**
Additions		-	3.9	23.8	27.6
Disposals		-	(1.6)	(7.3)	(8.9)
Depreciation charge	11	-	(2.8)	(9.8)	(12.6)
Transfer from intangible assets		-	0.0	1.4	1.4
Scope changes		-	0.0	(0.3)	(0.3)
Currency translation differences		(0.0)	(0.3)	(0.3)	(0.6)
Closing Net book amount As at December 31, 2015		**2.8**	**11.5**	**32.2**	**46.5**
At 31 December 2015					
Cost		2.8	31.9	89.1	123.8
Accumulated depreciation & impairment			(20.5)	(56.9)	(77.4)
Carrying amount As at December 31, 2015		**2.8**	**11.4**	**32.2**	**46.4**
Year ended 31 December 2016					
Opening net book amount		**2.8**	**11.4**	**32.2**	**46.4**
Additions		0.4	8.5	25.5	34.3
Disposals		-	(0.7)	(8.8)	(9.5)
Depreciation charge	11	-	(4.0)	(11.4)	(15.3)
Transfer to assets qualified as held-for-sale		-	-	-	
Transfer from intangible assets		-	(0.0)	(0.3)	(0.3)
Scope changes		4.4	12.6	2.6	19.6
Currency translation differences		(0.1)	0.1	0.0	0.1
Closing Net book amount As at December 31, 2016		**7.4**	**28.0**	**39.9**	**75.3**
At 31 December 2016					
Cost		7.4	52.2	99.1	158.7
Accumulated depreciation & impairment			(24.3)	(59.1)	(83.4)
Carrying amount As at December 31, 2016		**7.4**	**28.0**	**39.9**	**75.3**

Other intangible assets:

(in EUR million)	Note	Software	Other	Total
At 1 January 2014				
Cost		38.3	4.4	42.6
Accumulated amortisation and impairment		(33.5)	(0.7)	(34.2)
Carrying amount As at 1 January 2014		**4.8**	**3.6**	**8.4**
Year ended 31 December 2014				
Opening net book amount		**4.8**	**3.6**	**8.4**
Additions		4.9	6.4	11.3
Divestments		(0.4)	-	(0.4)
Amortisation	11	(3.1)	(0.2)	(3.3)
Transfer to other property and equipment		(0.0)	(0.0)	(0.0)
Currency translation differences		0.0	0.9	0.9
Closing net book amount As at December 31, 2014		**6.1**	**10.8**	**16.9**
At 31 December 2014				
Cost		40.7	11.6	52.3
Accumulated amortisation and impairment		(34.6)	(0.8)	(35.4)
Carrying amount As at December 31, 2014		**6.1**	**10.8**	**16.9**
Year ended 31 December 2015				
Opening net book amount		**6.1**	**10.8**	**16.9**
Additions		6.4	1.1	7.5
Divestments		(0.1)	-	(0.1)
Amortization	11	(3.6)	(0.1)	(3.7)
Transfer to other property and equipment		(1.4)	-	(1.4)
Currency translation differences		0.0	0.7	0.7
Closing net book amount As at December 31, 2015		**7.4**	**12.5**	**19.9**
At 31 December 2015				
Cost		36.3	13.3	49.6
Accumulated amortisation and impairment		(28.9)	(0.8)	(29.7)
Carrying amount As at December 31, 2015		**7.4**	**12.5**	**19.9**
Year ended 31 December 2016				
Opening net book amount		**7.4**	**12.5**	**19.9**
Additions		13.8	0.7	14.5
Divestments		(0.3)	(0.1)	(0.4)
Amortization	11	(5.9)	(0.1)	(6.0)
Transfer to other property and equipment		0.0	-	0.0
Scope changes		1.4	-	1.4
Currency translation differences		(0.0)	(0.4)	(0.4)
Closing net book amount As at December 31, 2016		**16.4**	**12.6**	**29.0**
At 31 December 2016				
Cost		48.2	13.5	61.7
Accumulated amortisation and impairment		(31.8)	(0.9)	(32.7)
Carrying amount As at December 31, 2016		**16.4**	**12.6**	**29.0**

NOTE 16. GOODWILL

(in EUR million)	Goodwill
At 1 January 2014	
Cost	178.4
Accumulated impairment	-
Carrying amount As at January 1, 2014	**178.4**
Year ended 31 December 2014	
Opening net book amount	**178.4**
Additions	-
Divestments	-
Impairment	-
Transfer to other property and equipment	-
Currency translation differences	-
Net book amount As at December 31, 2014	**178.4**
At 31 December 2014	
Cost	178.4
Accumulated impairment	-
Carrying amount As at December 31, 2014	**178.4**
Year ended 31 December 2015	
Opening net book amount	**178.4**
Additions	13.3
Divestments	-
Impairment	-
Transfer to other property and equipment	-
Scope changes	-
Currency translation differences	-
Closing net book amount As at December 31, 2015	**191.7**
At 31 December 2015	
Cost	191.7
Accumulated impairment	-
Carrying amount As at December 31, 2015	**191.7**
Year ended 31 December 2016	
Opening net book amount	**191.7**
Additions	-
Gross amount	-
Accumulated depreciation & impairment	-
Divestments	-
Impairment	-
Amortisation	-
Transfer to other property and equipment	-
Scope changes	232.2
Currency translation differences	0.5
Closing net book amount As at December 31, 2016	**424.4**
At 31 December 2016	
Cost	424.4
Accumulated impairment	-
Carrying amount As at December 31, 2016	**424.4**

Goodwill by cash-generating units:

(in EUR million)	As at January 1, 2016	Addition	Divestments	Impairment losses	IFRS5 Impact	As at December 31, 2016
France	21.6	190.4	-	-	-	212.0
Germany D	37.9	-	-	-	-	37.9
Italy	50.2	-	-	-	-	50.2
Spain	14.1	10.8	-	-	-	24.9
UK	22.6	-	-	-	-	22.6
Benelux	12.0	1.3	-	-	-	13.3
Mediterranean Hub	2.3	0.1	-	-	-	2.5
Nordics Hub	18.6	-	-	-	-	18.6
South Eastern Europe Hub	9.5	-	-	-	-	9.5
North Eastern Europe Hub	1.4	-	-	-	-	1.4
Central Europe Hub	1.5	30.0	-	-	-	31.5
Total	**191.7**	**232.7**				**424.4**

(in EUR million)	As at January 1, 2015	Addition	Divestments	Impairment losses	IFRS5 Impact	As at December 31, 2015
France	21.6	-	-	-	-	21.6
Germany D	37.9	-	-	-	-	37.9
Italy	50.2	-	-	-	-	50.2
Spain	14.1	-	-	-	-	14.1
UK	22.6	-	-	-	-	22.6
Benelux	12.0	-	-	-	-	12.0
Mediterranean Hub	2.3	-	-	-	-	2.3
Nordics hub	5.3	13.3	-	-	-	18.6
South Eastern Europe Hub	9.5	-	-	-	-	9.5
North Eastern Europe Hub	1.4	-	-	-	-	1.4
Central Europe Hub	1.5	-	-	-	-	1.5
Total	**178.4**	**13.3**	**-**	**-**	**-**	**191.7**

(in EUR million)	As at January 1, 2014	Addition	Divestments	Impairment losses	IFRS5 Impact	As at December 31, 2014
France	21.6	-	-	-	-	21.6
Germany D	37.9	-	-	-	-	37.9
Italy	50.2	-	-	-	-	50.2
Spain	14.1	-	-	-	-	14.1
UK	22.6	-	-	-	-	22.6
Benelux	12.0	-	-	-	-	12.0
Portugal	2.3	-	-	-	-	2.3
Nordics hub	5.3	-	-	-	-	5.3
South Eastern Europe Hub	9.5	-	-	-	-	9.5
North Eastern Europe Hub	1.4	-	-	-	-	1.4
Central Europe Hub	1.5	-	-	-	-	1.5
Total	**178.4**	**-**	**-**	**-**	**-**	**178.4**

On an annual basis, ALD International 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 2016, 2015 and 2014.

The key assumptions used for value-in-use calculations in 2016 are as follow:

Assumptions in 2016:

	Discount Factor	Perpetuity rate
France	6.09%	2.00%
Germany D	6.86%	2.00%
Italy	5.43%	2.00%
Spain	7.54%	2.00%
UK	6.47%	2.00%
Benelux	5.28%	2.00%
Mediterranean Hub	4.95%	2.00%
Nordics Hub	7.64%	2.00%
South Eastern Europe Hub	12.38%	2.00%
North Eastern Europe Hub	9.43%	2.00%
Central Europe Hub	8.90%	2.00%

NOTE 17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Year ended December 31,		
(in EUR million)	2016	2015	2014
Balance as at 1 January,	**5.6**	**4.9**	**4.2**
Share of results	0.3	0.6	0.6
Currency translation differences	0.1	0.1	0.1
Balance as at 31 December,	**6.0**	**5.6**	**4.9**

Name	Country of incorporation	Assets	Liabilities (*)	Revenues	Profit/ (Loss)	% interest held
As at January 1, 2014						
ALD Automotive SA Morocco	MOROCCO	37.1	34.1	13.1	0.5	35%
Nedderfeld 95 Immobilien Gmbh & Co. KG	GERMANY	1.3	0.1	-	-	35%
Total		**38.4**	**34.2**	**13.1**	**0.5**	
As at December 31, 2014						
ALD Automotive SA Morocco	MOROCCO	41.0	37.3	14.5	0.6	35%
Nedderfeld 95 Immobilien Gmbh & Co. KG	GERMANY	1.2	0.0	-	-	35%
Total		**42.2**	**37.3**	**14.5**	**0.6**	
As at December 31, 2015						
ALD Automotive SA Morocco	MOROCCO	46.4	42.0	17.6	0.9	35%
Nedderfeld 95 Immobilien Gmbh & Co. KG	GERMANY	1.2	0.0	-	-	35%
Total		**47.6**	**42.0**	**17.6**	**0.9**	
As at December 31, 2016						
ALD Automotive SA Morocco	MOROCCO	49.1	44.3	18.1	0.7	35%
Nedderfeld 95 Immobilien Gmbh & Co. KG	GERMANY	1.2	0.0	-	-	35%
Total		**50.3**	**44.3**	**18.1**	**0.7**	

(*) Excluding net equity

NOTE 18. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are used as part of the overall strategy to manage exposure to market risks primarily associated with fluctuations in interest rates and foreign exchange rates through interest rate and currency swaps respectively. As a matter of policy, derivatives are not used for speculative purposes. Derivative instruments that are measured at fair value on a recurring basis are included in the caption “Derivative financial instruments” in the consolidated balance sheet.

	Year ended December 31, 2016		Year ended December 31, 2015		Year ended December 31, 2014	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedge	3.0	5.6	0.0	2.2	0.0	2.6
Interest rate swaps - fair value hedge	1.3	1.3	0.8	0.8	1.2	1.5
Foreign Exchange swaps	5.2	24.1	63.5	2.4	16.5	1.1
Trading derivatives	68.8	21.0	65.1	21.1	82.3	85.3
Total	**78.3**	**52.0**	**129.4**	**26.5**	**100.1**	**90.5**
Less non-current portion:						
Interest rate swaps - cash flow hedge	3.0	5.6	0.0	2.2	0.0	0.5
Interest rate swaps - fair value hedge	0.8	1.3	0.0	0.5	0.0	1.2
Foreign Exchange swaps	5.2	21.7	10.5	2.3	14.4	1.0
Trading derivatives	59.9	19.0	54.5	20.8	70.7	85.3
Total non-current portion	**68.9**	**47.6**	**65.0**	**25.8**	**85.1**	**88.0**
Current portion	**9.4**	**4.5**	**64.4**	**0.7**	**15.0**	**2.5**

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Foreign exchange swaps

The notional principal amounts of the foreign exchange swaps contracts at December 31, 2016 were EUR 213.5 million (2015: EUR 221.1 million, 2014: EUR 179.6 million).

The hedged, highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of December 31, 2016 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months of the end of the reporting period.

Interest rate swaps

Interest rate swaps are concluded to cover cash-flows or fair value of its main borrowings.

The notional principal amounts of the outstanding interest rate swap contracts at December 31, 2016 were EUR 3,409.6 million (2015: EUR 1,530.9 million, 2014: EUR 1,150.6 million).
At December 31, 2016, the main floating rates are EURIBOR, NIBOR (Norway) and STIBOR (Sweden). Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of December 31, 2016 will be continuously released to the income statement within finance charges until the repayment of the financial debt.

NOTE 19. OTHER NON-CURRENT AND CURRENT FINANCIAL ASSETS

	Year ended December 31,		
(in EUR million)	**2016**	**2015**	**2014**
Long-term investments (10 years)	979.8	1,072.4	1,127.5
Other current financial assets	288.4	237.6	243.8
Other	0.4	0.2	19.2
Total	**1,268.5**	**1,310.1**	**1,390.6**

Long-term investments are a resource resulting from the policy of the Group and of its shareholder, Société Générale, to monitor the Group's interest rate risk through the matching of assets and liabilities by maturity. Available equity is considered as a long term resource which needs to be matched with long-term assets (refer to Interest rate risks management in financial risk management section above). Equity reinvestments are made in long term amortizing deposits within Société Générale in order to remain within the interest rate sensitivity limit set for each entity (variation in the net present value of the future residual fixed rate positions, surplus or deficit, for a 1% parallel increase in the yield curve).

In jurisdictions, where feasible, the Group has also implemented equity replacement swaps rather than investing in long term amortising assets.

NOTE 20. INVENTORIES

	Year ended December 31,		
(in EUR million)	**2016**	**2015**	**2014**
Inventories - gross value	221.4	182.8	171.0
Valuation allowance	(11.9)	(8.9)	(9.1)
Inventories net	**209.5**	**173.9**	**161.8**

Inventories are stated at the lower of cost or net realisable value.

NOTE 21. RECEIVABLES FROM CLIENTS AND FINANCIAL INSTITUTIONS

	As at December 31,		
(in EUR million)	**2016**	**2015**	**2014**
Amounts receivable under finance lease contracts	512.5	488.7	405.8
Amounts receivable from financial institutions (*)	31.7	18.6	21.4
Trade receivables	812.0	662.0	618.8
Provision for impairment of trade receivables	(85.8)	(80.2)	(73.9)
Total receivables	**1,270.4**	**1,089.2**	**972.2**

(*) Mainly towards Societe Generale

The fair value of receivables is equivalent to the carrying value.
A full description of the impairment policy is contained in the Credit Risk Measurement section of the Financial Risk Factors.
The movement in impairment of trade receivables is as follows:

		As at December 31,		
(in EUR million)	**Note**	**2016**	**2015**	**2014**
Balance at January 1		(80.2)	(73.9)	(69.1)
Net Impairment charges	8	(23.8)	(20.9)	(18.4)
Receivables written off		22.4	14.6	15.0
Movement in Finance Lease Provision		(1.1)	(0.2)	(0.7)
Currency translation differences		(3.1)	0.2	(0.6)
Balance at December 31		**(85.8)**	**(80.2)**	**(73.9)**

The maturity analysis is as follows:

	As at December 31,		
(in EUR million)	**2016**	**2015**	**2014**
Trade receivables not overdue	599.1	488.8	441.4
Past due up to 90 days	149.6	112.9	120.9
Past due between 90 - 180 days	18.5	19.4	16.4
Past due over 180 days	44.8	41.0	40.1
Total	**812.0**	**662.0**	**618.8**

NOTE 22. OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,		
(in EUR million)	**2016**	**2015**	**2014**
VAT and other taxes	298.8	201.6	137.6
Prepaid motor vehicle tax and insurance premiums	70.9	58.1	51.8
Reclaimable damages	9.3	7.3	2.3
Prepaid expenses	163.7	131.4	106.6
Other	128.1	104.9	224.6
Other receivables and prepayments	**670.8**	**503.3**	**522.8**

The majority of the other receivables and prepayments have a maturity of less than one year.

The other receivables balance includes EUR 54.3 million (2015: EUR 35.8 million, 2014: EUR 32.6 million) relating to rebates receivable from dealers and manufacturers and EUR 23.1 million (2015: EUR 23.5 million, 2014: EUR 21.5 million) of fuel and other costs to be re-billed to customers.

NOTE 23. CASH AND CASH EQUIVALENTS

	As at December 31,		
(in EUR million)	2016	2015	2014
Cash at bank and on hand	138.4	281.2	205.9
Short-term bank deposits	26.2	49.7	60.5
Cash and cash equivalents excl. bank overdrafts	**164.6**	**330.9**	**266.5**
Bank overdrafts	(189.3)	(48.6)	(91.7)
Cash and cash equivalents, net of bank overdrafts	**(24.7)**	**282.3**	**174.8**

As ALD operates its own re-insurance program the cash balance includes funds required for this business.

NOTE 24. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The Company has no available for sale assets and no derivatives used for hedging. The company's financial assets and liabilities are categorized as follows:

Financial assets

Financial asset category

As at December 31, 2016 (EUR million)	Loans and receivable	Assets at fair value through profit and loss	Total net book value per balance sheet	Fair value	Level (*)
Derivative financial instruments		78.3	78.3	78.3	Level 2
Receivables from clients and from financial institutions	1,270.4		1,270.4	1,270.4	Level 2
Other non current and current financial assets		1,268.6	1,268.6	1,268.6	Level 1 and level 2
Cash and cash equivalents		164.6	164.6	164.6	Level 1
Total	**1,270.4**	**1,511.4**	**2,781.9**	**2,781.9**	

(*) Refers to valuation method

Financial asset category

As at December 31, 2015 (EUR million)	Loans and receivable	Assets at fair value through profit and loss	Total net book value per balance sheet	Fair value	Level (*)
Derivative financial instruments		129.4	129.4	129.4	Level 2
Receivables from clients and from financial institutions	1,089.2		1,089.2	1,089.2	Level 2
Other non current and current financial assets		1,310.2	1,310.2	1,310.2	Level 1 and level 2
Cash and cash equivalents		330.9	330.9	330.9	Level 1
Total	**1,089.2**	**1,770.5**	**2,859.6**	**2,859.6**	

Financial asset category

As at December 31, 2014 (EUR million)	Loans and receivable	Assets at fair value through profit and loss	Total net book value per balance sheet	Fair value	Level (*)
Derivative financial instruments		100.1	100.1	100.1	Level 2
Receivables from clients and from financial institutions	972.2		972.2	972.2	Level 2
Other non current and current financial assets		1,390.7	1,390.7	1,390.7	Level 1 and level 2
Cash and cash equivalents		266.5	266.5	266.5	Level 1
Total	**972.2**	**1,757.2**	**2,729.4**	**2,729.4**	

Financial liabilities

Financial liability category

As at December 31, 2016 (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	9,950.5			9,950.5	9,950.5	Level 2
Bonds issued	2,916.3			2,916.3	2,926.4	Level 2
Derivative financial instruments		52.0		52.0	52.0	Level 2
Trade payables			-	-	-	Level 2
Total	**12,866.8**	**52.0**	**-**	**12,918.8**	**12,928.9**	

Financial liabilitiy category

As at December 31, 2015 (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	7,767.3			7,767.3	7,767.3	Level 2
Bonds issued	2,971.7			2,971.7	2,998.8	Level 2
Derivative financial instruments		26.5		26.5	26.5	Level 2
Trade payables			552.2	552.2	552.2	Level 2
Total	**10,739.0**	**26.5**	**552.2**	**11,317.7**	**11,344.8**	

Financial liabilitiy category

As at December 31, 2014 (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	7,825.7			7,825.7	7,825.7	Level 2
Bonds issued	2,414.1			2,414.1	2,441.1	Level 2
Derivative financial instruments		90.5		90.5	90.5	Level 2
Trade payables			449.2	449.2	449.2	Level 2
Total	**10,239.8**	**90.5**	**449.2**	**10,779.6**	**10,806.6**	

There were no transfers between levels 1 and 2.

NOTE 25. SHARE CAPITAL AND SHARE PREMIUM

At December 31, 2016, the authorised capital amounted to EUR 606.1 million (2015: EUR 606.1 million, 2014: EUR 550 million), divided into 40,410,364 ordinary shares with a nominal value of EUR 15 each.

At December 31, 2016, share premium amounted to EUR 375.1 million (2015: EUR 475.1 million; 2014: Nil). On December 15, 2016 EUR 100 million of the share premium of ALD International SA was distributed as a dividend to Société Générale

All shares issued by ALD International S.A. were fully paid.

The holders of the shares are entitled to receive dividend as declared from time to time and are entitled to vote per share at meetings of the Company.

NOTE 26. BORROWINGS FROM FINANCIAL INSTITUTIONS, BONDS AND NOTES ISSUED

	As at December 31,		
(in EUR million)	2016	2015	2014
Bank borrowings	7,665.6	5,656.4	6,328.6
Finance lease liabilities			
Non-current borrowings from financial institutions	**7,665.6**	**5,656.4**	**6,328.6**
Bank overdrafts	189.3	48.6	91.7
Bank borrowings	2,095.5	2,062.3	1,405.5
Current borrowings from financial institutions	**2,284.8**	**2,110.9**	**1,497.1**
Total borrowings from financial institutions	**9,950.5**	**7,767.3**	**7,825.7**
Bonds and notes-originated from securitisation transactions	896.7	436.2	461.8
Bonds and notes-originated from EMTN programme	1,020.0	1,520.0	1,520.0
Other non-current bonds issued	-	-	41.5
Non-current bonds and notes issued	**1,916.7**	**1,956.2**	**2,023.3**
Bonds and notes-originated from securitisation transactions	489.9	500.7	379.0
Bonds and notes-originated from EMTN programme	509.7	514.8	11.8
Other current bonds issued	-	-	-
Current bonds and notes issued	**999.6**	**1,015.5**	**390.8**
Total bonds and notes issued	**2,916.3**	**2,971.7**	**2,414.1**
Total borrowings from financial institutions and bonds	**12,866.8**	**10,739.0**	**10,239.8**

Maturity of borrowings and bonds

	As at December 31,		
(in EUR million)	2016	2015	2014
Less than 1 year	3,284.0	3,126.4	1,887.9
1-5 years	9,357.2	7,549.6	8,018.9
Over 5 years	225.5	63.0	333.0
Total borrowings and bonds	**12,866.8**	**10,739.0**	**10,239.8**

Currencies

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at December 31,		
(in EUR million)	2016	2015	2014
Euro	9,480.4	7,584.6	7,596.4
UK Pound	1,501.3	1,530.3	1,236.2
Danish Krone	309.4	300.4	285.6
Swedish Kronor	271.0	263.2	229.5
Other currencies	1,304.6	1,060.5	892.1
Total borrowings and bonds	**12,866.8**	**10,739.0**	**10,239.8**

External funding

Local external banks and third parties provide 28% of total funding, representing EUR 3,570 million at December 31, 2016 (33% and EUR 3,544.8 million at December 31, 2015, 27% and EUR 2,772.9 million at December 31, 2014).

An amount of EUR 654 million or 5.1% of total funding is provided by external banks. The residual external funding (EUR 2,916 million) has been raised through asset-backed securitisations and unsecured bonds.

Asset-backed securitisation programme

A new securitisation deal took place in Germany in December 2016 for EUR 500 million.

Full details of the securitisation deals in the Group are shown in section 3.1.12 Treasury risk.

EMTN programme

The Group is engaged in a Euro Medium Term Notes (EMTN) programme. The EMTN programme limit is set at EUR 6 billion for the aggregate nominal amount of notes outstanding at any one time. An application has been filed with the Luxembourg Stock Exchange in order for the notes issued under the programme to be listed on the official list and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. The programme is rated BBB by Standard & Poor's ratings services.

No new bonds have been launched by the Group in 2016.

Societe Generale funding

Following the external funding raised in recent years, the funding raised through Société Générale has increased from 67 % as at December 31, 2015 to 72% as at December 31, 2016.

Most of the funding provided by the SG group is granted through Société Générale Bank and Trust (SGBT) based in Luxemburg. 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 6,649 million at December 31, 2016 (EUR 5,104 million at December 31, 2015, EUR 5,572.9 million at December 31, 2014) with an average maturity of 2.40 years and an average rate of 0.68% (1.92 years and 0.92 % at December 31, 2015, 1.90 years and 1.7 % at December 31, 2014).

The remaining SG funding is provided either by local SG branches or SG group Central Treasury in Paris, representing EUR 2,648 million at December 31, 2016 (EUR 2,090.2 million at December 31, 2015, EUR 1,894 million at December 31, 2014).

At December 31, 2016 the Group has undrawn borrowing facilities of EUR 2.6 billion (EUR 2.1 billion at December 31, 2015, EUR 1.9 billion at December 31, 2014).

A guarantee at first demand has been granted to an English Financial institution for an amount of GBP 120 million on behalf of ALD Automotive UK, under the conditions negotiated in the frame of the distribution agreement concluded with this financial institution.

NOTE 27. RETIREMENT BENEFIT OBLIGATIONS AND LONG TERM BENEFITS

Defined contribution plans

Defined contribution plans limit the ALD's liability to the contributions paid to the plan but do not commit ALD to a specific level of future benefits.

Main defined contribution plans provided to employees of the Group are located in France. They include state pension plans and other national pension plans such as ARRCO and AGIRC, as well as pension schemes put in place by some entities of the Group for which the only commitment is to pay annual contributions (PERCO).

Post-employment benefit plans (Defined benefit plans)

Reconciliation of assets and liabilities recorded in the balance sheet

The amount recognized in the balance sheet is determined as follows:

(In EUR million)	December 31, 2016	December 31, 2015	December 31, 2014
A - Present value of funded defined benefit obligations	17.7	15.1	14.8
B - Fair value of plan assets	(11.7)	(10.8)	(9.8)
C = A + B Deficit (surplus)	**5.9**	**4.3**	**5.0**
D - Present value of unfunded defined benefit obligations	**4.0**	**3.8**	**4.2**
E - Change in asset ceiling	-	-	-
F - Separate assets	-	-	-
C + D - E - F = Net balance recorded in the balance sheet	**9.9**	**8.1**	**9.2**

Notes:

1. 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.
2. 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)	Year ended December 31, 2016	2015	2014
Current service cost including social security contributions	1.2	1.3	1.1
Employee contributions	(0.2)	(0.2)	(0.2)
Past service cost / curtailments	-	-	(0.0)
Settlement	-	-	-
Net interest	0.1	0.1	0.2
Transfer from unrecognised assets	-	-	-
Components recognised in income statement	*1.2*	*1.2*	*1.1*
Expected return on plan assets (*)	0.2	(0.3)	(0.3)
Actuarial gains and losses due to changes in demographic assumptions	(0.4)	0.4	0.1
Actuarial gains and losses due to changes in economical and financial assumptions	1.8	(1.0)	1.8
Actuarial gains and losses due to experience	0.1	(0.1)	(0.3)
Change in asset ceiling		-	-
Components recognised in unrealised or deferred gains and losses	*1.7*	*(1.0)*	*1.3*
Total components of the cost of the defined benefits	**2.9**	**0.2**	**2.4**

(*) Return on plan assets from which the expected return on plan assets included in the net interest cost is deducted

Changes in net liabilities of post-employment benefit plans recorded in the balance sheet

Changes in the present value of defined benefit obligations:

(In EUR million)	2016	2015	2014
Balance at January 1,	**19.0**	**19.1**	**16.2**
Current service cost including social security contributions	1.2	1.3	1.1
Employee contributions	-	-	-
Past service cost / curtailments	-	-	(0.0)
Settlement	-	-	-
Net interest	0.4	0.3	0.5
Actuarial gains and losses due to changes in demographic assumptions	(0.4)	0.4	0.1
Actuarial gains and losses due to changes in economical and financial assumptions	1.8	(1.0)	1.8
Actuarial gains and losses due to experience	0.1	(0.1)	(0.3)
Foreign exchange adjustment	(0.1)	(0.3)	0.0
Benefit payments	(0.4)	(0.7)	(0.9)
Acquisition/(Sale) of subsidiaries	-	-	-
Transfers and others	-	-	0.6
Balance at December 31,	**21.6**	**19.0**	**19.1**

Changes in fair value of plan assets and separate assets:

(In EUR million)	2016	2015	2014
Balance at January 1,	**10.8**	**9.8**	**8.9**
Expected return on plan assets	0.2	0.2	0.3
Expected return on separate assets	-	-	-
Actuarial gains and losses due to assets	(0.2)	0.3	0.3
Foreign exchange adjustment	0.0	0.1	0.0
Employee contributions	0.2	0.2	0.2
Employer contributions to plan assets	0.7	0.8	0.7
Benefit payments	(0.1)	(0.5)	(0.5)
Acquisition/(Sale) of subsidiaries	-	-	-
Transfers and others	-	-	(0.1)
Balance at December 31,	**11.7**	**10.8**	**9.8**

Information regarding funding assets (for all benefits and future contribution)

The breakdown of the fair value of plan assets is as follows: 16 % bonds, 44% equities, 7 % money market instruments and 33 % others.

Employer contributions to be paid to post-employment defined benefit plans for 2016 are estimated at EUR 0.8 million.

Actual returns on funding assets

The actual returns on plan and separate assets were:

(In EUR million)	31-Dec-16	31-Dec-15	31-Dec-14
Plan assets	0.1	0.4	0.6
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:

(In EUR million)	31-Dec-16	31-Dec-15	31-Dec-14
Discount rate			
Europe	1.3%	2.0%	1.7%
Long-term inflation			
Europe	1.6%	1.9%	1.9%
Future salary increase			
Europe	1.4%	1.4%	1.4%
Average remaining working lifetime of employees (in years)			
Europe	12.7	13.2	12.5
Duration (in years)			
Europe	15.7	14.8	13.7

Notes:

1. The assumptions by geographical area are averages weighted by the present value of the liabilities (DBO).
2. 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.

3. The average remaining working lifetime of employees is calculated taking into account withdrawal assumptions.
4. The assumptions described above have been applied on post-employment benefit plans.

Obligations sensitivities to main assumptions ranges

(Percentage of item measured)	31-Dec-16	31-Dec-15	31-Dec-14
Variation of +1% in discount rate			
Impact on the present value of defined benefit obligations at December 31, N	-14.0%	-14.3%	-13.3%
Variation of +1% in long term inflation			
Impact on the present value of defined benefit obligations at December 31 N	7.7%	8.2%	6.9%
Variation of +1% in future salary increases			
Impact on the present value of defined benefit obligations at December 31 N	17.6%	18.1%	15.9%

Note:

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 9.7 million.

The total amount of charges for other long-term benefits is EUR 1.3 million.

NOTE 28. PROVISIONS

(in EUR million)	Damage risk retention	Other	Total
As at January 1, 2014	**144.9**	**15.3**	**160.1**
Additions	170.2	31.3	201.5
Reversal	(142.9)	(0.4)	(143.3)
Transfer total	(0.4)	-	(0.4)
Currency translation differences	(0.6)	0.8	0.2
Scope changes	-	(0.0)	(0.0)
As at December 31, 2014	**171.2**	**46.9**	**218.1**
Of which current	**77.1**	**39.6**	**116.8**
As at January 1, 2015	**171.2**	**46.9**	**218.1**
Additions	51.5	39.8	91.2
Reversal	(58.0)	(15.9)	(73.9)
Transfer total	-	-	-
Currency translation differences	(0.0)	1.2	1.2
Scope changes	-	-	-
As at December 31, 2015	**164.7**	**72.0**	**236.7**
Of which current	**87.2**	**62.4**	**149.6**
As at January 1, 2016	**164.7**	**72.0**	**236.7**
Additions	48.2	(8.1)	40.1
Reversal	(25.3)	(6.5)	(31.8)
Currency translation differences	0.0	(3.3)	(3.3)
Scope changes	0.2	0.3	0.4
As at December 31, 2016	**187.7**	**54.4**	**242.2**
Of which current	**100.6**	**41.5**	**142.1**

Other provisions relate mainly to provisions made against disputed invoices. These are considered separately to impairment of receivables and do not represent a credit risk.

The Group is also subject to competition law and from time to time is engaged in competition proceedings, including currently one such proceeding in Italy brought by Italian anti-trust authorities against all members of the Italian long term leasing association, for which the Group has recorded a provision of €9.8 million.

NOTE 29. TRADE AND OTHER PAYABLES

	Year ended December 31,		
(in EUR million)	2016	2015	2014
Trade payables	693.6	552.2	449.2
Deferred leasing income	391.0	346.8	327.5
Other accruals and other deferred income	378.2	320.0	279.3
Advance lease instalments received	229.1	200.0	175.8
Accruals for contract settlements	81.9	67.6	62.8
VAT and other taxes	210.2	149.4	122.9
Other	1.6	1.4	-
Trade and other payables	**1,985.6**	**1,637.4**	**1,417.5**

Trade and other payables, includes an amount of EUR 391 million (2015: EUR 346.8 million, 2014: EUR 327.5 million) of deferred leasing income. Deferred leasing income relates to maintenance and tyre revenue which is profiled in line with historical maintenance expenditure in order to match revenue and costs. This policy is explained above in Note 3 Financial Risk Management.

NOTE 30. DIVIDENDS PER SHARE

A dividend that related to the period ended December 31, 2015 for an amount of 149.5 million was paid to Société Générale on December 9, 2016 (A dividend of 100.1 million that related to the period ended December 31, 2014; no dividend that related to the period ended December 31, 2013).

NOTE 31. EARNINGS PER SHARE

Basic earnings per share

	As at December 31,		
(in EUR million)	2016	2015	2014
Net income attributable to owners of the parent	511.7	424.3	375.5
Weighted average number of ordinary shares (in thousands)	40,410	40,410	40,410
Total basic earning per share	**12.7**	**10.5**	**9.3**

Diluted earnings per share

As ALD Automotive did not issue any dilutive instruments for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 diluted earnings per share equal to basic earnings per share for all the periods presented.

NOTE 32. COMMITMENTS

Operating lease commitments - Group Company as lessee

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under cancellable operating lease agreements.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,		
(in EUR million)	2016	2015	2014
No later than 1 year	20.9	15.6	15.0
Later than 1 year and no later than 5 years	66.2	40.4	40.7
Later than 5 years	27.5	20.5	13.5
Total	**114.6**	**76.5**	**69.3**

The increase in 2016 is due to the renewal or addition of a number of lease agreements across the group relating to office premises.

NOTE 33. RELATED PARTIES

Identity of related parties

The Group is controlled by Société Générale Group. Transactions with Société Générale and its subsidiaries have been identified as related party transactions. All business relations with Société Générale Group are handled at normal market conditions.

In addition, one member of ALD International board of Directors was also Deputy Chairman of Kjaer Group, a Danish company specialized in import, distribution and servicing of vehicles until September 1, 2016. Business relations of Kjaer Group with ALD Group are however immaterial (ALD leases 4 vehicles to KJAER Group). The same person was also a Non-Executive Director at SBS A/S, a company listed on the Danish stock exchange specialized in developing, manufacturing and distributing brakes parts and related wear parts for cars, motorcycles and for energy and industrial systems including wind turbines until June 1, 2016. There is no business relationship between SBS and ALD Group.

In addition, this member became a Non-Executive Director at the Supervisory Board of a company based in the US, MT Americas (Virginia, US) on November 1, 2015. The company operates within the recycling industry in the US and South America. There is no business relationship between MT Americas 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 International and Société Générale as well as regional supervisors of the most important subsidiaries. The members are the Chief Executive Officer, the two Deputy Chief Executive Officers, the Chief Financial Officer, the Chief Administration Officer and the Chief Commercial Officer.

The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,		
(in EUR million)	2016	2015(*)	2014
Salaries and other short term employment benefits	7.8	6.0	5.5
Post employment benefits	0.3	0.3	0.4
Other long term benefits	0.6	0.6	0.8
Total	**8.7**	**6.9**	**6.7**

(*) Restated

The board is composed exclusively of employees of ALD International or Société Générale. There is no fee or compensation for the board members as they already receive compensation as such by either ALD International or its shareholder. The Group has not granted any loans, guarantees or advances to the board members.

Sales of goods and services

Société Générale ("SG") and its subsidiaries are customers of ALD Group. Total fleet leased to SG and its subsidiaries amounts to 7,291 cars in 28 countries. Rentals have been priced at normal market conditions. More than 50% of the total fleet leased to SG Group is leased by ALD France. Rental paid by SG Group to ALD France accounts for EUR 16.4 million, EUR 15.9 million and EUR 14.6 million in the years ended December 31, 2016, December 31, 2015, and December 31, 2014, respectively.

Purchases of goods and services

Information Technology ("IT") Services

ALD Group has a contract with SG Global Services centre (India), with which ALD subcontracted IT services including development, maintenance and support of international applications. The main advantage is to facilitate the roll out of common tools to all subsidiaries while ALD IT teams at a Group level still keep the knowledge of each project, train users and follow up the set up, usage and evolution locally. ALD has also subcontracted some technical infrastructure services to SG, mainly in France. Overall amount of IT services subcontracted to SG and its subsidiaries amounts to EUR 19.44 million in fiscal year 2016 (2015: EUR 18.27 million, 2014: EUR 19.92 million).

Premises

Some Group entities share premises with SG or with SG business divisions in some countries (mainly ALD International and ALD France which represent around 70 % of the total rentals paid to SG). Rentals have been priced at arm's length and amounted to EUR 2 million in fiscal year 2016 (2015: EUR 2 million, 2014: EUR 2.2 million) for ALD France and ALD International.

Brokerage

Société Générale retail banking network sells long term rental contracts to customers on behalf of ALD International against a commission for each contract sourced. In year 2016, around 14,500 contracts have been signed through Société Générale distribution network in 4 different countries. 84 % of contracts originated through this channel come from the French banking networks of SG Group. The commission paid to SG by ALD France represented EUR 2.51 million for the year ended December 31, 2016 and (2015: EUR 3.55 million, 2014: EUR 2.9 million).

Third Party Liabilities (TPL) Insurance policy

ALD Italy has subscribed a TPL insurance policy for part of their fleet through Sogessur, the Car insurance company of Société Générale Group. Sogessur acts as a frontier and is reinsured through ALD Re, the reinsurance company of ALD Group. Insurance premiums have been fixed at arm's length. The overall amount of insurance premium paid by ALD Italy to Sogessur amount EUR 61 million in fiscal year 2016 (2015: EUR 52 million, 2014: EUR 54.5 million).

Corporate services

Société Générale Group, as a shareholder, provides ALD Group with the following intercompany corporate services:

- Providing support and advice regarding general secretary, tax or compliance matters at a holding level;
- Performing periodical audits in order to verify the effectiveness of governance, risk management, and permanent control;
- Supervising the Human Resources departments of the subsidiaries.

These Corporate services provided by Société Générale have been subject to compensation of EUR 10,3 million in fiscal year 2016 and (2015: EUR 13.5 million, 2014: EUR 13.7 million).

NB: in addition, in fiscal year 2016, there were 48 employees coming from SG (41 in 2015, 31 in 2014) 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 International are still paid by SG and re-billed to ALD; the amount re-billed by SG was EUR 3.7 million in 2014, EUR 4.5 million in 2015 and 6.9 million in 2016.

Loans with related parties

Société Générale and its affiliates provide ALD Group with funding either through ALD Treasury centre or directly to ALD subsidiaries at a market rate. 72 % of the Group's funding was provided through SG in fiscal years 2016, i.e. EUR 9,297 million in 2016.

Société Générale provides also bank guarantees on behalf of ALD and its subsidiaries in case of external funding. Overall guarantees released by SG Group amounted up to EUR 789.7 million as of December 31, 2016 and (2015: EUR 715.76 million, 2014: EUR 471 million).

Société Générale also provides ALD Group with derivatives instruments which have a nominal amount of EUR 4,997 million, and are represented on the balance sheet for a total amount of EUR 77 million in assets and EUR 49.3 million in liabilities.

Tax consolidation agreement

In the 1989 financial year, Société Générale opted to apply a tax consolidation regime. At December 31, 2016, ALD International SA, Temsys (France), ALD Automotive A/S (Denmark) and Denmark NF Fleet had signed a tax consolidation agreement with SG Group, under which they are required to record in their accounts the tax expense they would have paid if they had not been consolidated with Société Générale for tax purposes.

NOTE 34. AUDITORS' FEES

The total fees of the Company's auditors, as charged to the consolidated income statement for the year ended December 31, 2016, amounted to:

- For Deloitte & Associés: EUR 865.2K, including EUR 544.2K for the certification of the accounts and EUR 321K for non audit services
- For Ernst & Young & Associés: EUR 950K, including EUR 663K for the certification of the accounts and EUR 287K for non audit services

NOTE 35. EVENTS AFTER THE REPORTING PERIOD

On February 9, 2017, Société Générale has announced in the press release on "Quarterly financial information": it intends to float its ALD subsidiary on the stock market in 2017, subject to market conditions, through the disposal of a limited stake. This strategic operation will enable ALD to accelerate its growth and become a leader in the mobility sector.

NOTE 36. SCOPE OF CONSOLIDATION

(in %)	2016	2015	2014
	As at December 31,		
ALD International SA	**Parent company**	**Parent company**	**Parent company**
Consolidated companies under global integration	**interest %**	**interest %**	**interest %**
ALD Autoleasing D GmbH (*)	100.00	100.00	100.00
ALD Automotive - Russia	100.00	100.00	100.00
ALD Automotive A/S - Denmark	100.00	100.00	100.00
ALD Automotive AB - SWEDEN	100.00	100.00	100.00
ALD Automotive AG - Switzerland	100.00	100.00	100.00
ALD Automotive AS - NORWAY	100.00	100.00	100.00
ALD Automotive D.O.O. Beograd - SERBIA	100.00	100.00	100.00
ALD Automotive Drustvo s Ogranicenom Odgovornoscu za Operativni - Croatia (*)	100.00	100.00	100.00
ALD Automotive for Cars Rental and Fleet Management S.A.E. - EGYPT	100.00	100.00	100.00
ALD Automotive Fuhrparkmanagement und Leasing GmbH - Austria	100.00	100.00	100.00
ALD Automotive Group PLC - UK (*)	100.00	100.00	100.00
ALD Automotive LTDA - BRAZIL	100.00	100.00	100.00
ALD Automotive Magyarorszag KFT - HUNGARY(*)	100.00	100.00	100.00
ALD Automotive Operational Leasing DOO - SLOVENIA	100.00	100.00	100.00
ALD Automotive Polska Spolka z Organiczona Odpowiedzialnoscia - POLAND	100.00	100.00	100.00
ALD Automotive Private Limited - INDIA	100.00	100.00	100.00
ALD Automotive Russia Sas	100.00	100.00	100.00
ALD Automotive S.A. de C.V. - MEXICO	100.00	100.00	100.00
ALD Automotive S.A. Lease of Cars - GREECE	100.00	100.00	100.00
ALD Automotive SA - SPAIN	100.00	100.00	100.00
ALD Automotive SRO - Czech Republic	100.00	100.00	100.00
ALD Automotive Turizm Ticaret Anonim Sirketi - TURKEY	100.00	100.00	100.00
ALD Fleet (SOFOM)	100.00	100.00	100.00
ALD International Participations SAS	100.00	100.00	100.00
ALD International SAS & CO KG (*)	100.00	100.00	100.00
ALD RE Limited - IRELAND	100.00	100.00	100.00
Axus Finland OY	100.00	100.00	100.00
Axus Italiana Sarl	100.00	100.00	100.00
Axus Luxembourg SA	100.00	100.00	100.00
Axus Nederland BV	100.00	100.00	100.00
AXUS SA NV - BELGIUM	100.00	100.00	100.00
First lease Ltd - UKRAINE	100.00	100.00	100.00
SG ALD Automotive Portugal Sociedade Geral de Comercio e Aluguer de Benz sa	100.00	100.00	100.00
TEMSYS - France (*)	100.00	100.00	100.00
ALD Automotive Limitada (Chile)	100.00	100.00	0.00
ALD Automotive Slovakia S.R.O	100.00	100.00	0.00
Parcours Iberia SA	100.00	0.00	0.00
Parcours France	100.00	0.00	0.00
ALD Automotive Peru S.A.	100.00	0.00	0.00
ALD Automotive Algeria SPA	99.99	99.99	99.99
ALD Automotive SRL - ROMANIA	80.00	80.00	80.00
Denmark NF fleet	80.00	80.00	80.00
Finland NF fleet	80.00	80.00	80.00
NF fleet AB - SWEDEN	80.00	80.00	80.00
Norway NF Fleet	80.00	80.00	80.00
ALD Automotive Eesti AS - Estonia	75.00	75.00	75.00
ALD Automotive SIA - LATVIA	75.00	75.00	75.00
UAB ALD Automotive - Lithuania	75.00	75.00	75.00
ALD Bulgaria	51.00	51.00	51.00
ALD Fortune Auto Leasing and Renting Co. Ltd - China	50.00	50.00	50.00
Consolidated companies under equity method			
ALD Automotive SA Morocco 35.00	35.00	35.00	35.00
Nedderfeld 95 Immobilien Gmbh & Co. KG	35.00	35.00	35.00

(*) Including subsidiaries

ALD International

Société Anonyme

15, allée de l'Europe
Immeuble Cap West 92110 Clichy

Rapport des Commissaires aux Comptes sur les comptes consolidés

Exercice clos le 31 décembre 2016

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

DELOITTE & ASSOCIES
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
S.A. au capital de € 1.723.040

ALD International

Société Anonyme

15, allée de l'Europe
Immeuble Cap West
92110 Clichy

Rapport des Commissaires aux Comptes sur les comptes consolidés

Exercice clos le 31 décembre 2016

Aux Actionnaires,

En exécution de la mission qui nous a été confiée par vos assemblées générales, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2016, sur :

- le contrôle des comptes consolidés de la société ALD International, tels qu'ils sont joints au présent rapport ;
- la justification de nos appréciations ;
- la vérification spécifique prévue par la loi.

Les comptes consolidés ont été arrêtés par le conseil d'administration. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I. Opinion sur les comptes consolidés

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives.

Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes consolidés.

Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

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

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur la note 2.2 « Changements de méthodes comptables et d'informations à présenter » de l'annexe aux comptes consolidés qui expose le changement de méthode comptable relatif à la présentation des marges du compte de résultat.

II. Justification des appréciations

En application des dispositions de l'article L. 823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

- Dans le cadre de l'arrêté des comptes, votre groupe constitue des dépréciations pour couvrir les risques de crédit inhérents à ses activités et procède également à des estimations comptables significatives portant notamment sur l'évaluation des écarts d'acquisition selon les modalités décrites dans les notes 2.7.1 « Goodwill » et 4.1 « Dépréciation du goodwill » ainsi que sur l'évaluation des provisions sur avantages du personnel selon les modalités décrites dans la note 27 « Engagements de retraite » de l'annexe aux comptes consolidés. Nous avons, d'une part, revu et testé les processus mis en place par la direction, les hypothèses retenues et les paramètres utilisés et, d'autre part, vérifié que ces estimations comptables s'appuient sur des méthodes documentées conformes aux principes décrits dans les notes de l'annexe aux comptes consolidés ci-dessus mentionnées.

- Comme indiqué dans la note 3.1.3 « Risque lié à la valeur résiduelle » de l'annexe aux comptes consolidés, votre groupe expose les règles et méthodes comptables relatives aux actifs en location. Nous avons examiné les évaluations retenues pour la valorisation de ces actifs et, sur la base des informations qui nous ont été communiquées, nos travaux ont consisté à vérifier la correcte application des principes retenus par votre groupe.

- Comme indiqué dans la note 3.1.3 « Risque inhérent aux services d'entretien et aux pneumatiques » de l'annexe aux comptes consolidés, votre groupe expose les règles et méthodes comptables relatives à la reconnaissance des revenus liés aux services d'entretien et aux pneumatiques. Nous avons examiné les évaluations retenues pour la reconnaissance de ces produits et, sur la base des informations qui nous ont été communiquées, nos travaux ont consisté à vérifier la correcte application des principes retenus par votre groupe.

- Comme indiqué dans la note 3.2 « Evaluation de la juste valeur », votre groupe procède à des estimations comptables significatives portant notamment sur l'évaluation en juste valeur des instruments financiers. Nous avons examiné et testé les processus mis en place par la direction, les hypothèses retenues et les paramètres utilisés et vérifié, sur la base des informations qui nous ont été communiquées, que ces estimations comptables s'appuient sur des méthodes documentées conformes aux principes retenus par votre groupe.

- Votre groupe procède à d'autres estimations dans le cadre habituel de la préparation de ses comptes consolidés, comme exposé dans la note 2.18 « Provisions » de l'annexe aux comptes consolidés. Nos travaux ont consisté à examiner les méthodes et les hypothèses retenues et à vérifier que les estimations comptables qui en résultent s'appuient sur des méthodes documentées conformes aux principes décrits dans la note de l'annexe aux comptes consolidés ci-dessus mentionnée.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes consolidés, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

III. Vérification spécifique

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

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

Paris-La Défense et Neuilly-sur-Seine, le 17 mars 2017

Les Commissaires aux Comptes

ERNST & YOUNG et Autres		DELOITTE & ASSOCIES
Vincent ROTY	Micha MISSAKIAN	Jean-Marc MICKELER

ALD International

Société Anonyme

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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report and in the documents addressed to the shareholders.
This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of ALD International;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 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.

Without qualifying our conclusion, we draw your attention to note 2.2 "Changes in accounting policies and disclosures" to the consolidated financial statements which describes the change in accounting method relating to the presentation of the margins of the consolidated income statement.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- During the financial statements closing, your group records impairment in respect of business-related credit risks and makes material accounting estimates in the measurement of goodwill as disclosed in note 2.7.1 "Goodwill" and note 4.1 "Estimated impairment of goodwill" to the consolidated financial statements and in the measurement of provisions for employee benefits as disclosed in note 27 "Retirement benefit obligations and long term benefits" to the consolidated financial statements. We have reviewed and tested the processes implemented by management, the underlying assumptions and the valuation parameters, and we have assessed whether these accounting estimates are based on documented procedures consistent with the accounting policies disclosed in the above-mentioned notes to the consolidated financial statements.
- As disclosed in note 3.1.3 "Residual value risk" to the consolidated financial statements, your group presents the accounting rules and methods applicable to leased assets. We have reviewed the valuations adopted for the measurement of these assets and, based on information received, we verified the correct application of the policies adopted by your group.

- As disclosed in note 3.1.3 “Risk related to services maintenance and tyres” to the consolidated financial statements, your group presents the revenue recognition accounting rules and methods for tyres and maintenance. We have reviewed the valuations adopted for the recognition of this revenue and, based on information received, we verified the correct application of the policies adopted by your group.
- As disclosed in note 3.2 “Fair value estimation” to the consolidated financial statements, your group makes material accounting estimates in the fair value measurement of financial instruments. We have reviewed and tested the processes implemented by management, the assumptions made and the parameters used, and based on information received, we verified that these estimates are based on documented methods in accordance with the policies adopted by your group.
- Your group performs other estimates in the preparation of the consolidated financial statements, as disclosed in note 2.18 “Provisions” to the consolidated financial statements. Our procedures consisted in reviewing the methods and assumptions adopted and verifying that the resulting accounting estimates are based on documented methods in accordance with the accounting policies disclosed in the above-mentioned notes to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the group’s management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense et Neuilly-sur-Seine, March 17, 2017

The Statutory Auditors

ERNST & YOUNG et Autres DELOITTE & ASSOCIES

Vincent ROTY Micha MISSAKIAN Jean-Marc MICKELER

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