ANNUAL FINANCIAL REPORT

AT 31 DECEMBER 2017

This document is a free translation into English of the original French "Rapport Financier Annuel au 31 décembre 2017", hereafter referred to as the "Annual Financial Report at 31 December 2017". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

Financial highlights

The 2017 figures for the Casino Group are as follows:

(€ millions)	2016	2017	Change (%)	Organic change[1]
Consolidated net sales	**36,030**	**37,822**	+5.0%	+3.2%[2]
Gross margin	**8,666**	**9,127**	+5.3%	
EBITDA[3]	**1,697**	**1,930**	+13.7%	+8.7%
Net depreciation and amortisation	**(663)**	**(688)**	+3.8%	
Trading profit	**1,034**	**1,242**	+20.1%	+13.4%
Other operating income and expenses	**(625)**	**(480)**	+23.2%	
Net financial expense, o/w:	**(359)**	**(446)**	-24.1%	
Net finance costs	**(324)**	**(367)**	-13.4%	
Other financial income and expenses	**(35)**	**(78)**	n.m.	
Profit before tax	**50**	**316**	n.m.	
Income tax	**(34)**	**(56)**	-63.4%	
Share of profit of equity associates	**20**	**13**	-37.0%	
Net profit from continuing operations	**36**	**273**	n.m.	
Group share	**33**	**127**	n.m.	
Minority interests	**2**	**146**	n.m.	
Net profit from discontinued operations	**2,161**	**47**	-97.8%	
Group share	**2,645**	**(7)**	n.m.	
Minority interests	**(484)**	**54**	n.m.	
Consolidated net profit	**2,196**	**320**	-85.4%	
Group share	**2,679**	**120**	-95.5%	
Minority interests	**(482)**	**200**	n.m.	
Underlying net profit, Group share[4]	**341**	**372**	+9.0%	+6.1%[5]

(1) *Based on a comparable scope of consolidation and constant exchange rates, excluding the impact of asset disposals (real estate mutual investment funds).*
(2) *Excluding fuel and calendar effects.*
(3) *EBITDA = Trading profit before depreciation and amortisation expense.*
(4) *Underlying net profit corresponds to net profit from continuing operations adjusted for the impact of other operating income and expenses, the impact of non-recurring financial items, and income tax expense/benefits related to these adjustments (see p14).*
(5) *At constant exchange rates.*

Significant events of the year

- On **31 January 2017**, following the tender offer for the ordinary shares of Cnova N.V. launched on 6 December 2016, Casino purchased 31.7 million shares (including 16.8 million shares under the American Offer and 15 million shares under the French Offer). A further 0.3 million shares were purchased in March 2017. Together, these shares represent 9.3% of Cnova's share capital. The Group now holds 98.97% of the share capital and 99.46% of the voting rights of Cnova N.V. Taking into account GPA's interest in Cnova N.V., the Group held a 76.1% interest at 31 December 2017.

- On **21 February 2017**, Cnova N.V. announced that it would be withdrawing its shares from Nasdaq. This decision was rendered effective on **3 March 2017**.

- On **30 May 2017**, the Casino Group launched a two-step bond exchange offer. It successfully issued a five-year €550 million bond, with a 1.865% coupon. At the same time, it launched a redemption offer for its bonds maturing in November 2018, August 2019 and March 2020. The proceeds of the new bond issue will finance the bond redemption offer and strengthen the Group's liquidity.

- On **7 June 2017**, the Group announced the results of its bond redemption offer closed on 6 June 2017. It redeemed €366 million of the bonds maturing in November 2018, August 2019 and March 2020, representing a total reduction in the total nominal amounts thereof of €366 million. The average maturity of Casino's debt has increased from 4.8 years to 5.0 years.

- On **28 November 2017**, Casino announced the signing of an international e-commerce agreement with Ocado Solutions, the world’s leading dedicated online grocery retailer providing home delivery. Ocado has a strong technological advantage thanks to its Smart Platform (OSP) solution. This highly effective technology platform covers the construction of a state-of-the-art automated warehouse in the Greater Paris area, an integrated software solution including best-in-class website functionality, optimised last-mile routing and real-time customer data management. Casino Group banners will benefit from this innovative e-commerce grocery platform, especially Monoprix.fr, which will provide its customers with the largest assortment of food products at the highest levels of service and at the lowest possible cost.

- On **30 November 2017**, the Group mandated Moody’s Investors Service (Moody’s) as a new rating agency. Moody’s assigned Casino, Guichard-Perrachon S.A. and its bond debt a Ba1 rating with a stable outlook. The Group terminated its contract with Fitch Ratings.

- On **4 December 2017**, Casino and Dia announced that they were extending their cooperation on private labels by creating a centre of expertise in logistics and innovation for private labels. A new joint subsidiary named CD Supply Innovation began its operations on 15 December 2017.

Business report

The comments contained in the Annual Financial Report reflect comparisons with 2016 for profit from continuing operations and in accordance with IFRS 5 are restated for the planned disposal of Via Varejo.
Organic and same-store changes exclude fuel and calendar effects.

Main change in the scope of consolidation and associated effect:

- Via Varejo is still classified as a discontinued operation

Currency effects:
Currency effects were favourable in 2017, with the Brazilian real and Colombian peso gaining an average 7.0% and 1.2% against the euro, respectively, compared with 2016. At constant exchange rates (CER), the main aggregates of the consolidated income statement were as follows:

Continuing operations (in € millions)	**2016**	**2017 at CER**
Consolidated net sales	36,030	**37,019**
EBITDA	1,697	**1,879**
Trading profit	1,034	**1,207**
Underlying net profit, Group share	341	**362**

- 2017 highlights are outlined below.
  - **France** saw a positive sales dynamic with same-store sales up by 0.8% and organic sales up by 0.1% compared to 2016. This performance was driven by strong profitability of qualitative, urban and service-led banners (Franprix, Monoprix and Casino Supermarkets), which are developing attractive and innovative new concepts (including Noé, Mandarine and Naturalia Vegan). These banners are enjoying good momentum in network growth and franchises, with 60 new Monoprix stores, 51 new Franprix stores, and the first independent retailer joining the Casino Supermarkets network. Leader Price is renovating its stores in line with its new Next concept and continues to improve its store network. Géant recovered thanks to a good performance from same-store food sales spurred by fresh market areas, fresh and organic products. Its net sales and margin per square metre improved. In Convenience, the expansion of the franchise network continued and the new Le Petit Casino concept was also rolled out. The Group stepped up the development of multi-channel and digital solutions in 2017, notably through its partnership with Ocado, the planned acquisition of Sarenza, new-look loyalty programmes and applications as well as Cdiscount corners.
  Total gross sales under banner including Cdiscount was up 2.3%(1) over the year, including 1.7%(1) growth in food and 5.6%(1) growth in non-food. Trading profit for France Retail was up 9.5% year on year to €556 million, of which €463 million excluding property development.

  - **Outside France**, the Group posted a good performance, with organic sales up 6.4% excluding fuel and calendar effects in a context of decelerating food price inflation. Organic net sales were up 1.2% for Éxito (excluding GPA Food), while in Brazil, organic sales climbed 8.7%.
  In 2017, Multivarejo (hypermarkets and supermarkets) posted same-store growth of 0.7%(2). The Extra hypermarkets performed well and Pão de Açúcar reported increased volumes. The cash & carry banner Assaí, which accounted for 41% of GPA Food's annual sales in 2017, enjoyed strong 27.8%(2) organic growth in net sales buoyed by network expansion and a strong business model. Assaí saw steady growth in volumes and in customer traffic, in a fiercely competitive market.

(1) Excluding fuel and calendar effects.
(2) Data published by the subsidiary.

Éxito kept up the pace of expansion, developing the cash & carry business in Colombia (7 Surtimayorista stores opened in 2017, including 5 conversions). It is also deploying its new Carulla Fresh Market concept, and repositioning its hypermarkets by improving its range of textile and non-food products. 2017 also saw further growth in the businesses that complement retail operations, such as property development and the Puntos Colombia multi-banner nationwide loyalty programme. Éxito's organic growth was driven by strong performances from its subsidiaries in Uruguay and Argentina.

- In France[(1)], the Group has excellent liquidity, with €1.9 billion in gross cash and €3.3 billion in available lines of credit that easily cover upcoming payments. At 31 December 2017, net financial debt stood at €4.1 billion for the Group and at €3.7 billion for France[(1)]. Free cash flow[(2)] from the Group's continuing operations before dividends and excluding non-recurring items paid in 2017 (mainly restructuring costs) was €446 million.

- In 2017, **Group consolidated net sales** climbed 5.0% at current exchange rates and 2.7% at constant exchange rates. Exchange rate fluctuations had a positive 2.2% effect, while changes in the scope of consolidation had a positive 0.1% impact.

- **Sales excluding fuel and calendar effects grew organically** by 3.2%:
    - **In France**, food retail sales excluding fuel and calendar effects were up 0.1% on an organic basis.
        - **Franprix** organic net sales climbed 1.3%. The banner retained its market share in 2017.
        - **Monoprix** sales were up 2.8% on an organic basis in 2017. Its market share remained stable.
        - **Casino Supermarkets** reported a 1.2% organic rise in sales. The banner retained its market share in 2017.
        - **Géant** reported stable organic growth compared to 2016.
          The banner retained its market share in 2017 and records a 0.1-point cumulative year-to-date gain according to P02 2018[(3)] data.

    - **E-commerce** grew organically by 8.7%, performing at a level similar to 2016.

    - **In Latin America**, sales were up by 6.4% organically excluding fuel and calendar effects.
        - **Éxito** (excluding GPA Food) delivered 1.2% organic growth.
        - At **GPA Food**, organic net sales rose 8.7%, notably lifted by growth in the cash & carry business.

- **Group trading profit** totalled €1,242 million, up 20.1% at current exchange rates and 16.7% at constant exchange rates.
    - In France, trading profit amounted to €556 million, up 9.5% versus 2016. The Group's property development business performed well, generating trading profit of €92 million.
    - Trading margin for the E-commerce business fell to a negative 1.3% from a negative 0.6% in 2016, reflecting the impact of investments made under the Cdiscount strategic plan.
    - Latam Retail trading profit amounted to €713 million, up by 32.7% overall and by 11.3% excluding the favourable impact of catch-up effect on tax credits. Trading margin for the Latam Retail segment is up 4.2%.

(1) Casino Group holding company scope, including the French businesses and the wholly-owned holding companies.
(2) Free cash flow before dividends paid to shareholders of the parent company, TSSDI holders and minority interests in 2017 in respect of 2016 and 2017, and excluding finance charges. See the note related to alternative performance indicators p14.
(3) Kantar.

Trading margin edged up 41 bps to 3.3%, buoyed by a good performance in France and Latam. In comparison to 2016 figures:

- Trading margin for the France Retail segment was up 26 bps at 2.9%.
- The E-commerce trading margin was down at a negative 1.3%.
- Trading margin for the Latin Retail segment climbed 69 bps to 4.2%.

FRANCE RETAIL

(€ millions)	**2016**	**2017**
Consolidated net sales	18,939	**18,903**
EBITDA	872	**901**
EBITDA margin	*4.6%*	*4.8%*
Trading profit	508	**556**
Trading margin	2.7%	*2.9%*

France Retail delivered sales of €18,903 million in 2017 versus €18,939 million in 2016. Sales were up 0.8% on a same-store basis and 0.1% on an organic basis excluding fuel and calendar effects.

France Retail trading profit increased 9.5% year on year to €556 million, or €463 million excluding property development. It benefited from the strong profitability of Franprix and Monoprix, improved contribution from Casino Supermarkets and increased profitability at Géant. The Group's property development business performed well, contributing €92 million to trading profit for France. Trading margin for the food retail business in France was 2.9% in 2017.

Over the full year, the following can be noted per format:

- **Monoprix** delivered a very good performance led by commercial innovation and expansion, with net sales up 2.8% on an organic basis and 2.0% on a same-store basis. Customer traffic was up 2.1% on a same-store basis. The banner is developing new services such as deliveries on foot within the hour and is extending its opening hours. The omni-channel strategy is gaining ground, with a 20% increase in online sales, the planned acquisition of Sarenza, numerous partnerships (Ocado, Epicery, Google Home, etc.) and innovation initiatives (Monop'Easy). Monoprix continued to successfully deploy its new loyalty programme and 66% of its net sales are now made with card-carrying customers. It stepped up the pace of expansion accelerating the organic store format Naturalia which is deploying the new Vegan concept (60 Monoprix stores opened in 2017 including 24 Naturalia) and recording a 5.7% rise in same-store traffic over the year.

- **Casino Supermarkets** consolidated their growth dynamic in 2017, posting a 1.5% rise in net sales on a same-store basis driven by a very good performance in fresh and organic products (up 18%). The banner upscaled its offering by rolling out its new Bijou concept and continued to pursue operational excellence in service counters, fruit & vegetables and organic lines. It also expanded its loyalty programme, with 500,000 new members in 2017 raising the total number of card-carrying customers to 2.1 million. The omni-channel offering performed well, led by new services ("lâché de caddie" on-foot and express delivery) and the Casino Max app, which has already had 400,000 downloads. The banner also continues its franchise expansion drive.

- **Franprix** reported upbeat trends over the year, with growth at 1.3% and customer traffic up 3.1% on a same-store basis. The banner's new and constantly improving Mandarine and Noé concepts continue to be rolled out (almost 80% of the network has been renovated under the Mandarine concept, including 158 stores under the advanced "Mandarine Vitaminée" version of the concept).

Franprix's strong innovation push has resulted in new services ("Partez-sans-payer" fast-track shopping, development of food services with a snack area and adjoined salad bar) and a mobile application. This mobile app, which has recorded over half a million downloads to date (mainly in the Greater Paris area) was named e-commerce app of the year by LSA, a specialist magazine. Franprix also enjoyed good network growth, with 51 new store openings, primarily in the Greater Paris area.

- Same-store sales in **Convenience** were up 0.3% in 2017, a marked improvement on 2016. The banner rolled out the new Le Petit Casino concept in 128 stores, and is currently developing new services (home delivery and new corners such as La Poste, Relai and PMU). The Convenience banner continues to optimise its store network and to develop the franchise, which saw same-store growth of 2.5% over the year.

- **Leader Price** reported 0.2% growth in same-store sales in the year. The banner deployed its new Next concept focusing on more quality-oriented stores that maintain a discount cost structure. The new stores carry a more modern and wider range of organic private label products, as well as a Perfume and Beauty offering (new Sooa private label). The pursuit of operational excellence continues, with an improved checkout process and a particular attention paid to cost control. Leader Price continues to enhance its store network.

- **Géant Casino** continued to recover, spurred by a very good performance in food, up 2.3% on a same-store basis. Food sales were led by fresh market areas, fresh and organic products. The banner continues to shrink its retail space, particularly on non-food area (total areas down 1.2% on annual average in 2017, including a 0.6% decrease compared to fourth-quarter 2016 and a 6.8% decrease since 2011). There was a strong improvement in margin per square metre for non-food products. Géant is developing its omni-channel offering, supported by 5 Cdiscount corners opened to date, an acceleration in e-commerce with drive-in net sales up 10%, a click & collect service for non-food products, and the Casino Max app. Loyalty also improved with the banner now boasting 3.2 million customers, including 900,000 newly signed up in 2017.

E-COMMERCE (CDISCOUNT)

(€ millions)	**2016**	**2017**
GMV (Gross Merchandise Volume) as reported by Cnova	**2,994**	**3,391**
EBITDA	**10**	-
o/w Cdiscount group	13	3
o/w Holding companies	(3)	(4)

In E-commerce, gross merchandise volume (GMV) climbed[(1)] 9.6% over the year to €3.4 billion. This performance was led by:

- Record growth in sales in third-quarter 2017 and for Black Friday in November.
- Deployment of the strategic plan in the second quarter of the year:
    - Expansion of the product range: an additional 17 million references in 2017, bringing total online listings to 37 million, a rise of 80% in the marketplace product offering and a three-fold increase in references eligible for the "Cdiscount à volonté" (CDAV) loyalty programme. CDAV now accounts for 31% of GMV sales, a 10 point increase on 2016.
    - Enhanced multi-channel strategy: 5 Cdiscount corners opened to date in Géant hypermarkets, with immediate pick-up available for almost 4,000 referenced items. The banner is also rolling out a click & collect service in stores.

[(1)] GMV growth on a same-store basis – same-store figures for Cdiscount are determined by eliminating i) data for the specialised e-commerce sites Comptoir des Parfums, Comptoir Santé and MonCornerDéco that were sold or shut down in 2016, ii) B2B sales due to the strategic decision to scale back these sales as from the third quarter of 2016, iii) the leap year effect in 2016 (negative 0.4 pt impact on GMV growth and negative 0.3 pt impact on net sales growth year on year) and iv) Cdiscount sales to customers of Casino Group hypermarkets and supermarkets in France, under the multi-channel agreement that came into effect on 19 June 2017 (positive 4.3 pt impact on GMV growth and positive 5.8 pt impact on net sales growth year on year).

- Enhanced delivery services and innovation initiatives: same-day delivery now available in the Greater Paris area, Lyon, Lille and Bordeaux.
- Development of new revenue streams: with "Coup de pouce", Cdiscount Energie, Cinstallé and roll-out of a range of services associated with the "Fulfillment by Cdiscount" solution.

Traffic increased 12% to 946 million visits in 2017, and the number of customers was 6% higher year on year, at 8.6 million. Cdiscount is France's second leading e-retailer, with 18 million unique visitors a month on average. It had a particularly dynamic second half, gaining almost 2 points in market share[(1)] on average.

EBITDA for the E-commerce segment, at breakeven in 2017, was impacted by the significant investments made under the Cdiscount strategic plan. These measures have delivered good results, enabling EBITDA to improve in the second half and to reach a slightly higher level in Q4 than in 2016.

LATAM RETAIL

(€ millions)	**2016**	**2017 at CER**	**2017**
Consolidated net sales	15,247	16,121	**16,923**
EBITDA	816	980	**1,029**
EBITDA margin	*5.3%*	*6.1%*	*6.1%*
Trading profit	538	679	**713**
Trading margin	*3.5%*	*4.2%*	*4.2%*

Latam Retail net sales were €16,923 million in 2017, up 6.4% on an organic basis excluding fuel and calendar effects in a context of decelerating food price inflation.

In Brazil, GPA Food put in a good trading performance, with 8.7% organic sales growth excluding fuel and calendar effects in 2017. Sales grew 4.7% on a same-store basis.

- Same-store sales for **Multivarejo** (hypermarkets and supermarkets) delivered 0.7%[(2)] growth in 2017 and the banner won additional market share[(3)] in the period. Spurred by the "Meu Desconto" (My Discount) program, which had already recorded 3 million downloads shortly after it was launched, the banner had 14 million card-carrying customers compared to 12 million in 2016. The Extra hypermarkets performed well in 2017, buoyed by the non-food offering which reported further double-digit growth. Volumes at Pão de Açúcar have been improving since the third quarter. The renovation drive continued apace, with 50 stores renovated at the end of 2017.

- **Assaí** (cash & carry) sales rose 27.8%[(2)] on an organic basis and 11.0%[(2)] on a same-store basis, buoyed by network expansion (new store openings and conversions and a move into two new states) and a strong business model. The banner, which accounted for 41% of GPA Food's annual sales in 2017, delivered steady growth in volumes and traffic and also won additional market share, in a context defined by falling prices for certain food categories (basic commodities, dairy and meat). The "Food at home" component of the IPCA index moved from a positive 11.9% in fourth-quarter 2016 to a negative 5.1% in fourth-quarter 2017.

- At the end of 2017, there were 126 stores operating under the cash & carry format. In all, 20 stores were opened in 2017, including 15 conversions of Extra hypermarkets to the Assaí format. Sales in converted stores were 2.5 times higher than sales in Extra hypermarkets.

(1) Gfk market share for technical goods, by volume (+1.3 pt by value).
(2) Data published by the subsidiary.
(3) Gain in market share on a same-store basis.

Éxito reported 1.2% organic growth excluding fuel and calendar effects in 2017. The banner kept up the pace of expansion, developing the cash & carry business: 7 Surtimayorista stores were opened in 2017, including 5 conversions, bringing the total number of stores to 9 at the end of 2017, with converted stores doubling their sales following the transfer to the new format. Éxito is also deploying its new Carulla Fresh Market concept. The banner is repositioning its hypermarkets by improving the apparel and non-food offering and rolling out its “Insuperables” (Unbeatable) special offer program. Éxito also continued to develop businesses that complement retail operations, including real estate with the continued development of Viva Envigado and Viva Tunja, and the Puntos Colombia multi-banner nationwide loyalty programme boasting 10 million customers.

Trading profit at Latam Retail came to €713 million, up 32.7% as reported and 11.3% excluding the favourable impact of catch-up effect on tax credits. Trading margin rose to 4.2% over the year, up 69 bps on 2016. Éxito saw a decline in profitability as its margin (excluding GPA Food) fell to 4.0%, down 120 bps. At GPA, trading margin climbed 148 bps to 4.3%.

Overview of the consolidated financial statements

Pursuant to European Commission regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Casino Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union as of the date of approval of the financial statements by the Board of Directors and applicable at 31 December 2017.
These standards are available on the European Commission’s website:
(https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en).

The accounting methods described in the notes to the consolidated financial statements have been applied continuously across the periods presented in the consolidated financial statements, after taking into account the new standards and interpretations. These standards, amendments and interpretations had no material impact on the Group's financial performance or position.

Sales

Consolidated net sales for 2017 amounted to €37,822 million compared to €36,030 million in 2016, a rise of 5.0%.
Changes in the scope of consolidation and in exchange rates had a positive impact of 0.1% and 2.2%, respectively.
A more detailed review of changes in net sales can be found above in the review of each of the Group’s three business segments.

Trading profit

Trading profit in 2017 was €1,242 million, up 20.1% on 2016.
Changes in the scope of consolidation in 2017 had a positive 3.3% impact on trading profit, while changes in exchange rates had a positive 3.5% impact. A more detailed review of changes in trading profit can be found above in the review of each of the Group’s three business segments.

Operating profit

Other operating income and expenses amounted to a net expense of €480 million in 2017 versus a net expense of €625 million in 2016.

In France, this item was down 34% as the Group gradually completed its transformation programmes:

- Reduction in Géant retail space
- Deployment of the Mandarine concept
- Redesign of the catering business
- Rationalisation of proximity stores network

The net operating expense of €625 million in 2016 mainly comprised:

- The reorganisation of the Franprix-Leader Price and Casino Supermarkets networks in France
- Restructuring costs, particularly in France, with the restructuring of operations upstream of the store network and the implementation of new concepts
- Provisions for litigation and risks, mainly related to tax risks for Brazil
- Other expenses, mainly reflecting the dual recognition of TASCOM in 2016

Net financial expense and profit before tax

Net financial expense totalled €446 million in 2017 (€359 million in 2016), reflecting:

- Net finance costs of €367 million, an increase on the 2016 figure (€324 million)
- Other net financial expenses of €78 million, compared with other net financial expenses of €35 million in 2016.

Profit before tax was up at €316 million in 2017 from €50 million in 2016.

Net profit, Group share

Income tax was €56 million (versus €34 million in 2016). Excluding non-recurring items, the effective tax rate stood at 20.7% versus 30.4% in the year-earlier period, in line with changes in tax regulations in France. The effective tax rate also takes into account the favourable impact from activation deferred tax assets.

The Group's share of profit of equity associates was €13 million (€20 million in 2016).

Minority interests came to €146 million compared to €2 million in 2016. After restating for non-recurring items, underlying minority interests were €249 million in 2017 versus €114 million in 2016.

Net profit from continuing operations, Group share totalled €127 million compared to €33 million one year earlier.

Consolidated net profit, Group share amounted to €120 million versus €2,679 million in 2016 owing to the capital gains generated on the disposal of the Group's operations in Thailand and Vietnam.

Underlying net profit from continuing operations, Group share amounted to €372 million versus €341 million in 2016. Net profit restatements to establish underlying net profit can be found in the notes.

Underlying diluted earnings per share climbed 13.4% year on year to €2.904 and include the dilutive effect of the TSSDI deeply subordinated perpetual bonds.

Financial position

Casino Group net debt at 31 December 2017 stood at €4.1 billion versus €3.4 billion at 31 December 2016.

Net debt of Casino in France[1] was up year on year, standing at €3.7 billion at 31 December 2017. Net debt reflects non-recurring expenses, financial investments made in the first half (especially the Cnova acquisition), and changes in working capital at the end of the year. The change in cash flow at Cdiscount can be explained primarily by the expanded product offering which led to an increase in inventories, the deployment of the multi-channel strategy with Géant, and capital expenditure on logistics and information systems.

[1] *Casino Group holding company scope, including the French businesses and wholly-owned holding companies.*

Cash flow statement for the Group's continuing operations (€ millions)	**2017**
Cash flow from continuing operations	1,573
o/w non-recurring items	*(267)*
Changes in working capital	(336)
Income tax	(114)
Cash from operating activities	**1,123**
Capex	(944)
Free cash flow from continuing operations before dividends[(1)]	**179**
o/w non-recurring items	*(267)*
Free cash flow from continuing operations, excluding non-recurring items and before dividends[(1)]	**446**

Free cash flow from the Group's continuing operations amounted to €446 million excluding non-recurring items paid in 2017 (mainly restructuring costs) and before dividends. Working capital fell €336 million, affected by receivables on tax credits and insurance indemnities in Brazil (€295 million) and tax and employee income receivables in France (€60 million).

Consolidated equity totalled €7,584 million versus €8,450 million at end-2016.

At 31 December 2017, **Casino in France[(2)]** had €5.1 billion in cash and cash equivalents corresponding to a significant **gross cash position** of €1.9 billion and **confirmed undrawn credit facilities** of €3.3 billion. Outstanding commercial paper at that date amounted to €210 million.

Casino has been rated BB+ (stable outlook) by Standard & Poor's since 21 March 2016 and Ba1 (stable outlook) by Moody's since 30 November 2017. The Group terminated its contract with Fitch Ratings.

[(1)] Before dividends paid to shareholders of the parent company, TSSDI holders and minority interests in 2017 in respect of 2016 and 2017, and excluding finance charges. See the note related to alternative performance indicators p14.
[(2)] Casino Group holding company scope, including the French businesses and wholly-owned holding companies.

Outlook

In 2018, the Group will pursue its strategic priorities, which include:

- Pursuing growth in the Group's best formats
- Accelerating the development of digital and omni-channel activities
- Pursuing action plans to cut costs and improve the supply chain
- Increasing cash generation and strengthening its financial structure

The Group's key objectives for 2018 are the following:

- For **trading profit**:
  - In **France**, it targets in food retail an organic[1] growth above 10% of trading profit excluding property development, led by growth in the most profitable formats, by improved hypermarket and convenience margins
  - **In all**, the Group is aiming to deliver organic[1] growth of its consolidated trading profit and above 10% excluding tax credits

- In France, a **free cash flow[2]** from continuing operations excluding exceptional items covering finance charges and dividends and enabling to improve the net financial debt.

- A **reduction in Group net financial debt** with:
  - Return to breakeven Cdiscount's free cash flow
  - Free cash flow[2] from continuing operations excluding exceptional items of over €1 billion in total
  - A Capex envelop of around €1 billion
  - And the significant potential effect of the sale of Via Varejo

[1] Excluding changes in the scope of consolidation and exchange rates.
[2] Before dividends paid to shareholders and TSSDI holders, and excluding finance charges. See the note related to alternative performance indicators p14.

Subsequent events

- On **24 January 2018**, the Casino Group announced that it had successfully placed a €200 million bond issue, adding to its existing bond debt maturing in June 2022. The new bond issue raised the total nominal amount of the paper from €550 million to €750 million.

- On **19 February 2018**, Monoprix announced that it was in exclusive negotiations to acquire Sarenza. Following the partnership deals recently signed by the banner, namely with Ocado, this acquisition aims to complete Monoprix's offering and position it as an "omni-channel lifestyle" leader (Fashion, Home, Beauty). The planned acquisition is a seamless fit with Monoprix's digitalisation strategy. Sarenza is a leading online shoe retailer and is among France's favourite online banners. This transaction will combine the forces of the Monoprix network, its Fashion, Home and Beauty offering and the expertise of its teams, with the e-commerce know-how of Sarenza, a shoe and accessories specialist, to create a truly unique omni-channel lifestyle leader.

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Appendix: Alternative performance indicators

Definitions of the key alternative performance indicators are available on Casino Group's website (https://www.groupe-casino.fr/fr/investisseurs/information-reglementee-amf-documents-amf/), including the underlying net profit which is described below.

Underlying net profit corresponds to net profit from continuing operations, adjusted for (i) the impact of other operating income and expenses, as defined in the "Significant accounting policies" section in the notes to the consolidated financial statements, (ii) the impact of non-recurring financial items, as well as (iii) income tax expense/benefits related to these adjustments.

Non-recurring financial items include fair value adjustments to equity derivative instruments (for example, total return swaps and forward instruments related to GPA shares) and effects of discounting tax liabilities in Brazil.

This financial indicator is a measure of the evolution of the Group's recurring profitability.

(€ millions)	2016	Restated items	2016 underlying	**2017**	**Restated items**	**2017 underlying**
Trading profit	**1,034**	**-**	**1,034**	**1,242**	**-**	**1,242**
Other operating income and expenses	(625)	625	-	**(480)**	480	-
Operating profit	**409**	**625**	**1,034**	**762**	**480**	**1,242**
Net finance costs	(324)	-	(324)	**(367)**	-	**(367)**
Other financial income and expenses(1)	(35)	(51)	(87)	**(78)**	(30)	**(108)**
Income tax(2)	(34)	(155)	(189)	**(56)**	(103)	**(159)**
Share of profit of equity associates	20	-	20	**13**	-	**13**
Net profit from continuing operations	**36**	**419**	**455**	**273**	**348**	**621**
Attributable to minority interests(3)	2	111	114	**146**	103	**249**
Group share	**33**	**307**	**341**	**127**	**244**	**372**

(1) Other financial income and expenses have been restated, primarily for the impact of discounting tax liabilities, as well as for changes in the fair value of total return swaps and forwards.
(2) Income tax has been restated for the tax impact of the restated items listed above.
(3) Minority (non-controlling) interests have been restated for the amounts relating to the restated items listed above.

CASINO, GUICHARD-PERRACHON

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

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Consolidated income statement

(€ millions)	Notes	2017	2016
CONTINUING OPERATIONS			
Net sales	6.1	**37,822**	36,030
Cost of goods sold	6.2	**(28,694)**	(27,364)
Gross margin		**9,127**	**8,666**
Other income	6.1	**414**	542
Selling expenses	6.3	**(6,942)**	(6,871)
General and administrative expenses	6.3	**(1,357)**	(1,303)
Trading profit	**5.1**	**1,242**	**1,034**
As a % of net sales		***3.3%***	*2.9%*
Other operating income	6.5	**185**	242
Other operating expenses	6.5	**(666)**	(867)
Operating profit		**762**	**409**
As a % of net sales		***2.0%***	*1.1%*
Income from cash and cash equivalents	11.3.1	**81**	110
Finance costs	11.3.1	**(449)**	(434)
Net finance costs	**11.3.1**	**(367)**	**(324)**
Other financial income	11.3.2	**161**	286
Other financial expenses	11.3.2	**(239)**	(321)
Profit before tax		**316**	**50**
As a % of net sales		***0.8%***	*0.1%*
Income tax expense	9.1	**(56)**	(34)
Share of profit of equity-accounted investees	3.3.3	**13**	20
Net profit from continuing operations		**273**	**36**
As a % of net sales		***0.7%***	*0.1%*
Attributable to owners of the parent		**127**	33
Attributable to non-controlling interests		**146**	2
DISCONTINUED OPERATIONS			
Net profit from discontinued operations	**3.5.2**	**47**	**2,161**
Attributable to owners of the parent	3.5.2	**(7)**	2,645
Attributable to non-controlling interests	3.5.2	**54**	(484)
CONTINUING AND DISCONTINUED OPERATIONS			
Consolidated net profit		**320**	**2,196**
Attributable to owners of the parent		**120**	2,679
Attributable to non-controlling interests	12.7	**200**	(482)

Earnings per share

(€)	Notes	2017	2016
From continuing operations, attributable to owners of the parent	**12.9.2**		
▪ Basic		**0.70**	(0.14)
▪ Diluted		**0.70**	(0.20)
From continuing and discontinued operations attributable to owners of the parent	**12.9.2**		
▪ Basic		**0.63**	23.65
▪ Diluted		**0.63**	23.59

Consolidated statement of comprehensive income

(€ millions)	2017	2016
Consolidated net profit	**320**	**2,196**
Items that may be subsequently reclassified to profit or loss	**(1,303)**	**1,656**
Cash flow hedges	**(40)**	(3)
Foreign currency translation adjustments (i)	**(1,259)**	1,603
Available-for-sale financial assets	**(1)**	3
Hedges of net investments in foreign operations (ii)	**-**	47
Share of items of equity-accounted investees that may be subsequently reclassified to profit or loss	**(15)**	22
Income tax effects	**13**	(16)
Items that will never be reclassified to profit or loss	**(32)**	**(10)**
Actuarial gains and losses	**(40)**	(10)
Income tax effects	**9**	-
Other comprehensive income (loss) for the year, net of tax	**(1,335)**	**1,646**
Total comprehensive income (loss) for the year, net of tax	**(1,015)**	**3,843**
Attributable to owners of the parent	***(505)***	*3,352*
Attributable to non-controlling interests	***(510)***	*491*

(i) The €1,259 million negative net translation adjustment in 2017 arose primarily from the depreciation of the Brazilian and Colombian currencies (€1,116 million and €89 million, respectively). The €1,603 million positive net translation adjustment in 2016 primarily reflected the appreciation of the Brazilian currency for €1,719 million.

(ii) The €47 million positive change in 2016 corresponded to the reclassification to the income statement of the hedge of net investments in Asian operations, following their disposal.

Changes in other comprehensive income are presented in Note 12.6.2.

Consolidated statement of financial position

ASSETS (€ millions)	**Notes**	**31 December 2017**	**31 December 2016**
Goodwill	10.1	**9,031**	9,595
Intangible assets	10.2	**2,879**	3,109
Property, plant and equipment	10.3	**7,289**	8,123
Investment property	10.4	**460**	411
Investments in equity-accounted investees	3.3.3	**587**	625
Other non-current assets	6.9	**1,220**	1,080
Deferred tax assets	9.2.1	**523**	687
Total non-current assets		**21,990**	**23,629**
Inventories	6.6	**3,871**	3,990
Trade receivables	6.7	**946**	880
Other current assets	6.8	**1,272**	1,542
Current tax assets		**138**	130
Cash and cash equivalents	11.1	**3,391**	5,750
Assets held for sale	3.5	**6,593**	6,120
Total current assets		**16,212**	**18,412**
TOTAL ASSETS		**38,202**	**42,042**

EQUITY AND LIABILITIES (€ millions)	**Notes**	**31 December 2017**	**31 December 2016**
Share capital	12.2	**170**	170
Additional paid-in capital, treasury shares and retained earnings		**7,414**	8,280
Equity attributable to owners of the parent		**7,584**	**8,450**
Non-controlling interests	**12.7**	**5,473**	**5,990**
Total equity	**12**	**13,057**	**14,440**
Non-current provisions for employee benefits	8.2	**358**	312
Other non-current provisions	13.1	**514**	615
Non-current financial liabilities	11.2	**7,229**	7,733
Non-current put options granted to owners of non-controlling interests	3.4.1	**28**	41
Other non-current liabilities	6.10	**481**	618
Deferred tax liabilities	9.2.2	**725**	1,094
Total non-current liabilities		**9,335**	**10,413**
Current provisions for employee benefits	8.2	**11**	12
Other current provisions	13.1	**162**	163
Trade payables		**6,649**	6,939
Current financial liabilities	11.2	**1,493**	2,482
Current put options granted to owners of non-controlling interests	3.4.1	**143**	341
Current tax liabilities		**88**	54
Other current liabilities	6.10	**2,584**	2,795
Liabilities associated with assets held for sale	3.5	**4,680**	4,404
Total current liabilities		**15,809**	**17,189**
TOTAL EQUITY AND LIABILITIES		**38,202**	**42,042**

Consolidated statement of cash flows

(€ millions)	Notes	2017	2016
Profit before tax from continuing operations		**316**	50
Profit before tax from discontinued operations	3.5.2	**74**	2,198
Consolidated profit before tax		**390**	**2,248**
Depreciation and amortisation expense	6.4	**688**	663
Provision expense	4.1	**51**	216
Losses/(gains) arising from changes in fair value	11.3.2	**(47)**	(69)
Expenses/(income) on share-based payment plans	8.3.1	**18**	15
Other non-cash items		**(44)**	(18)
(Gains)/losses on disposals of non-current assets		**11**	(1)
(Gains)/losses due to changes in percentage ownership of subsidiaries resulting in acquisition/loss of control		**29**	76
Dividends received from equity-accounted investees	3.3.1 / 3.3.2	**101**	39
Net finance costs	11.3.1	**367**	324
Non-recourse factoring costs	11.3.2	**83**	78
Gain on disposal of discontinued operations	3.5.2	**-**	(2,893)
Adjustments related to discontinued operations	3.5.3	**387**	947
Net cash from operating activities before change in working capital, net finance costs and income tax		**2,034**	**1,625**
Income tax paid		**(114)**	(226)
Change in operating working capital	4.2	**(336)**	640
Income tax paid and change in operating working capital: discontinued operations	3.5.3	**(78)**	(375)
Net cash from operating activities		**1,506**	**1,664**
Of which continuing operations		***1,123***	***1,786***
Cash outflows related to acquisitions of:			
▪ Property, plant and equipment, intangible assets and investment property	4.3	**(1,247)**	(1,160)
▪ Non-current financial assets		**(39)**	(118)
Cash inflows related to disposals of:			
▪ Property, plant and equipment, intangible assets and investment property	4.4	**303**	368
▪ Non-current financial assets		**12**	11
Effect of changes in scope of consolidation resulting in acquisition or loss of control	4.5	**(69)**	(116)
Effect of changes in scope of consolidation related to equity-accounted investees		**(17)**	(5)
Change in loans and advances granted		**(47)**	(48)
Net cash from/(used in) investing activities of discontinued operations	3.5.3	**(97)**	3,669
Net cash from/(used in) investing activities		**(1,203)**	**2,603**
Of which continuing operations		***(1,105)***	***(1,067)***
Dividends paid:			
▪ To owners of the parent	12.8	**(346)**	(521)
▪ To non-controlling interests	4.6	**(52)**	(78)
▪ To holders of deeply subordinated perpetual bonds	12.8	**(47)**	(47)
Repayment of mandatory convertible bonds		**-**	(500)
Increase/(decrease) in the parent's share capital		**-**	-
Transactions between the Group and owners of non-controlling interests	4.7	**(117)**	99
(Purchases)/sales of treasury shares		**(11)**	(30)
Additions to borrowings	4.8	**1,589**	995
Repayments of borrowings	4.8	**(2,534)**	(1,955)
Interest paid, net	4.9	**(505)**	(165)
Net cash used in financing activities of discontinued operations	3.5.3	**(451)**	(573)
Net cash used in financing activities		**(2,473)**	**(2,775)**
Of which continuing operations		***(2,022)***	***(2,202)***
Effect of changes in exchange rates on cash and cash equivalents of continuing operations		**(333)**	458
Effect of changes in exchange rates on cash and cash equivalents of discontinued operations		**(148)**	304
Change in cash and cash equivalents	**4.8**	**(2,651)**	**2,253**
Net cash and cash equivalents at beginning of period		**6,787**	**4,534**
• Of which net cash and cash equivalents of continuing operations	11.1	5,614	4,405
• Of which net cash and cash equivalents of discontinued operations		1,174	129
Net cash and cash equivalents at end of period		**4,137**	**6,787**
• Of which net cash and cash equivalents of continuing operations	11.1	3,236	5,614
• Of which net cash and cash equivalents of discontinued operations		901	1,174

Consolidated statement of changes in equity

(€ millions) (before appropriation of profit)	Share capital	Additional paid-in capital (i)	Treasury shares	Deeply subordinated perpetual bonds (TSSDI)	Retained earnings and profit for the year	Cash flow hedges	Net investment hedges	Foreign currency translation reserves	Actuarial gains and losses	Available-for-sale financial assets	Equity attributable to owners of the parent (ii)	Non-controlling interests	Total equity
As at 1 January 2016	**173**	**4,093**	**(80)**	**1,350**	**2,469**	**13**	**(31)**	**(2,061)**	**(54)**	**12**	**5,883**	**6,536**	**12,419**
Other comprehensive income (loss) for the year	-	-	-	-	-	(2)	31	654	(12)	2	673	973	1,646
Net profit for the year	-	-	-	-	2,679	-	-	-	-	-	2,679	(482)	2,196
Consolidated comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**2,679**	**(2)**	**31**	**654**	**(12)**	**2**	**3,352**	**491**	**3,843**
Issue of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases and sales of treasury shares (iii)	(3)	(101)	75	-	(1)	-	-	-	-	-	(29)	-	(29)
Dividends paid/payable to shareholders (iv)	-	-	-	-	(521)	-	-	-	-	-	(521)	(85)	(605)
Dividends paid/payable to holders of deeply subordinated perpetual bonds (iv)	-	-	-	-	(49)	-	-	-	-	-	(49)	-	(49)
Share-based payments	-	-	-	-	8	-	-	-	-	-	8	9	17
Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries (v)	-	-	-	-	10	-	-	-	-	-	10	(509)	(499)
Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries (vi)	-	-	-	-	(173)	-	-	(20)	-	-	(193)	(448)	(641)
Other movements	-	-	-	-	(10)	-	-	-	-	-	(10)	(4)	(14)
As at 31 December 2016	**170**	**3,992**	**(5)**	**1,350**	**4,412**	**11**	**(1)**	**(1,427)**	**(66)**	**14**	**8,450**	**5,990**	**14,440**
Other comprehensive income (loss) for the year	-	-	-	-	-	**(26)**	**-**	**(568)**	**(32)**	**-**	**(626)**	**(710)**	**(1,335)**
Net profit for the year	-	-	-	-	**120**	-	-	-	-	-	**120**	**200**	**320**
Consolidated comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**120**	**(26)**	**-**	**(568)**	**(32)**	**-**	**(505)**	**(510)**	**(1,015)**
Issue of share capital	-	**-**	**-**	-	-	-	-	-	-	-	**-**	**-**	**-**
Purchases and sales of treasury shares	-	-	**-**	-	**(7)**	-	-	-	-	-	**(7)**	**-**	**(7)**
Dividends paid/payable to shareholders (iv)	-	-	-	-	**(346)**	-	-	-	-	-	**(346)**	**(69)**	**(415)**
Dividends paid/payable to holders of deeply subordinated perpetual bonds (iv)	-	-	-	-	**(50)**	-	-	-	-	-	**(50)**	**-**	**(50)**
Share-based payments	-	-	-	-	**12**	-	-	-	-	-	**12**	**9**	**21**
Changes in percentage interest resulting in the acquisition/loss of control of subsidiaries	-	-	-	-	**-**	-	-	-	-	-	**-**	**1**	**1**
Changes in percentage interest not resulting in the acquisition/loss of control of subsidiaries (vi)	-	-	-	-	**32**	-	-	**(1)**	-	-	**31**	**53**	**84**
Other movements	-	-	-	-	**(1)**	**-**	-	-	-	-	**(1)**	**(2)**	**(2)**
As at 31 December 2017	**170**	**3,992**	**(5)**	**1,350**	**4,173**	**(16)**	**(1)**	**(1,997)**	**(97)**	**14**	**7,584**	**5,473**	**13,057**

(i) Additional paid-in capital includes (a) premiums on shares issued for cash or for contributions in kind, or in connection with mergers or acquisitions, and (b) legal reserves.
(ii) Attributable to the shareholders of Casino, Guichard-Perrachon.
(iii) In 2016, the change was mainly due to the cancellation of 2,200,690 shares, valued at €104 million.
(iv) See Note 12.8 for dividends paid and payable to holders of ordinary shares and deeply subordinated perpetual bonds. Dividends paid and payable to non-controlling interests during the year primarily concerned GPA, Éxito and subsidiaries in Uruguay for €31 million, €15 million and €8 million, respectively (2016: Éxito and Uruguay for €53 million and €21 million, respectively).
(v) In 2016, the €499 million negative impact primarily concerned the disposal of businesses in Vietnam and Thailand.
(vi) The €84 million positive impact primarily concerns (a) the additional contribution of €80 million made by the private equity fund Fondo Inmobiliaro Colombia to the Viva Malls real estate trust created by Éxito in 2016 (Note 3.2.7), and (b) the results of the public tender offer for Cnova N.V. shares, in the amount of €22 million (Note 2), offset by the €15 million negative fair value adjustment to the NCI put on Disco shares. The €641 million negative impact in 2016 mainly reflected (a) exercise of the call option on Monoprix mandatory convertible bonds (€502 million negative impact), (b) the public tender offer for Cnova N.V. shares (€193 million negative impact) and (c) the acquisitions of Éxito and GPA shares (€21 million negative impact), offset by (d) the creation of the Viva Malls real estate trust in Colombia (€113 million positive impact).

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION ABOUT THE CASINO, GUICHARD-PERRACHON GROUP

Casino, Guichard-Perrachon ("the Company") is a French *société anonyme* listed in compartment A of Euronext Paris. The Company and its subsidiaries are hereinafter referred to as "the Group" or "the Casino Group". The Company's registered office is at 1, Cours Antoine Guichard, 42008 Saint-Etienne, France.

The consolidated financial statements for the year ended 31 December 2017 reflect the accounting situation of the Company and its subsidiaries, as well as the Group's interests in associates and joint ventures.

The 2017 consolidated financial statements of Casino, Guichard-Perrachon were approved for publication by the Board of Directors on 7 March 2018.

Note 1 Significant accounting policies

1.1 Accounting standards

Pursuant to European Commission regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Casino Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union as of the date of approval of the financial statements by the Board of Directors and applicable at 31 December 2017.

These standards are available on the European Commission's website: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

The accounting policies set out below have been applied consistently in all periods presented, after taking account of the new standards, amendments to existing standards and interpretations listed below.

These amendments to existing standards and interpretations had no material impact on the Group's financial performance or position.

Standards, amendments to standards, and interpretations adopted by the European Union and mandatory for financial years beginning on or after 1 January 2017

The European Union has adopted the following standards, amendments to existing standards and interpretations that are applicable in the case of the Group as from the financial year beginning on 1 January 2017. These new standards, amendments and interpretations are applicable retrospectively by the Group unless otherwise indicated. They do not have a material impact on the consolidated financial statements.

- Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses

The amendments clarify certain principles applicable to the recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. They are designed to address the diversity in practice around this issue.

- Amendments to IAS 7 - Disclosure Initiative: financing activities

These amendments are applicable on a prospective basis. They require entities to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
To fulfil this obligation, entities are required to provide disclosures on the following changes in liabilities arising from financing activities:
(a) changes arising from cash flows from financing activities;
(b) changes arising from the acquisition or loss of control of subsidiaries;
(c) effects of changes in exchange rates;
(d) fair value adjustments; and
(e) other changes.

1.2 Basis of preparation and presentation of the consolidated financial statements

1.2.1 Basis of measurement

The consolidated financial statements have been prepared using the historical cost convention, with the exception of the following:

- assets and liabilities acquired in a business combination, which are measured at fair value in accordance with IFRS 3;
- derivative financial instruments and available-for-sale financial assets, which are measured at fair value. The carrying amounts of assets and liabilities hedged by a fair value hedge which would otherwise be measured at cost are adjusted for changes in fair value attributable to the hedged risk.

The consolidated financial statements are presented in millions of euros. The figures in the tables have been rounded to the nearest million euros and include individually rounded data. Consequently, the totals and sub-totals shown may not correspond exactly to the sum of the reported amounts.

1.2.2 Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that may affect the reported amounts of assets and liabilities and income and expenses, as well as the disclosures made in certain notes to the consolidated financial statements. Due to the inherent uncertainty of assumptions, actual results may differ from the estimates. Estimates and assessments are reviewed at regular intervals and adjusted where necessary to take into account past experience and any relevant economic factors.

The main judgements, estimates and assumptions are based on the information available when the financial statements are drawn up and concern the following:

- classification and measurement of Via Varejo's net assets, and other France Retail segment assets in accordance with IFRS 5 (Note 3.5);
- valuation of non-current assets and goodwill (Note 10.5);
- recoverable amounts of deferred tax assets (Note 9);
- provisions for risks (Note 13) – particularly tax and employee-related risks – and recognition, presentation and measurement of the recoverable amount of tax credits (VAT or similar, notably ICMS and PIS and COFINS) (Notes 5.1, 6.9 and 13).

Note 2 Significant events of the year

Significant events of the year included:

- **Planned disposal of Via Varejo**

On 23 November 2016, the Group announced that it had approved GPA's decision to start negotiations for the sale of its investment in its subsidiary Via Varejo, in line with its long-term strategic refocusing on the food retailing business.
In 2017, due to certain external factors that were beyond GPA's control, related mainly to the macro-economic environment in Brazil, it was not possible to adhere to the original timeline for the Via Varejo sale. The sale process is nevertheless continuing and GPA, assisted by its financial advisors, has updated the next stages in the plan which should lead to Via Varejo being sold in 2018.
Consequently, in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations:
- the assets and liabilities held for sale have been reported on a separate line (Note 3.5.1);
- Via Varejo's net profit and cash flows for the years ended 31 December 2017 and 2016 are reported on separate lines in the income statement and statement of cash flows;
- Via Varejo has been excluded from tables in notes, in particular relative to lease commitments (Note 7.2) and GPA's contingent liabilities (Note 13.3). If necessary, specific information for Via Varejo is provided in a footnote.

- **Final results of the Group's public tender offer for Cnova N.V. shares**

On 31 January 2017, the Group announced the final results of the tender offer for ordinary Cnova N.V. shares launched on 6 December 2016. A total of 31.7 million shares were tendered to the offer and a further 0.3 million shares were purchased in March 2017.

Together, these purchases concerned 9.3% of Cnova's share capital and led to:
- the derecognition of put options granted to owners of non-controlling interests that had been recognised in liabilities at 31 December 2016 for €187 million, a cash payment of €171 million (Note 4.7), and the recognition in equity attributable to owners of the parent of an amount of €22 million;
- the transfer of a negative €6 million from non-controlling interests to equity attributable to the owners of the parent, reflecting the Group's increased stake in Cnova N.V.

At 31 December 2017, the Group holds 98.97 % of the capital of Cnova N.V. and 99.46 % of the voting rights. Taking into account the interest held by GPA in Cnova N.V., the Group's percentage interest stands at 76.11%.

On 21 February 2017, Cnova N.V. made a formal application to delist its ordinary shares from Nasdaq. The decision was rendered effective on 3 March 2017. Since that date, US public reporting obligations under the Exchange Act have been suspended. Cnova N.V.'s ordinary shares continue to be listed on Euronext Paris.

- **Proceedings brought by the DGCCRF (French competition authority) against AMC and INCAA and inquiries**

On 28 February 2017, the French Ministry of the Economy, represented by the Department of Competition Policy, Consumer Affairs and Fraud Control (DGCCRF), brought an action against Casino in the Paris Commercial Court. The case involves a series of credit notes totalling €22 million issued in 2013 and 2014 by 41 suppliers. The DGCCRF is seeking repayment of this sum to the suppliers concerned together with a fine of €2 million. The proceedings are in progress. Casino reaffirms its position that these credit notes are perfectly legitimate and intends to challenge the grounds for this action.
Also, on 11 April 2017, the common purchasing entity INCA Achats, and their respective parent companies Intermarché and Casino, were similarly prosecuted for economic imbalance and abusive commercial practices that took place in 2015 against 13 multinational companies of the hygiene and fragrance industry, with a civil fine of €2 million.
The Group considers that it complied with the applicable regulations during negotiations with the suppliers concerned by both sets of proceedings and has therefore chosen not to set aside a provision in the early stages of challenging the proceedings (Note 13.3).

Moreover, the Group is undergoing two inquiries by the French and European competition authorities.

In early February 2017, France's Competition Authority launched an investigation into the practices of Vindémia Logistique and Vindémia Group in the areas of consumer goods supply and distribution on Reunion Island. At this stage, the Competition Authority has not issued any complaint and it is not currently possible to predict the probable outcome of the investigation.

Also, at the end of February 2017, the European Commission launched an investigation into contracts for the purchase of basic consumer goods, the sale of services to manufacturers of branded products and the sale to consumers of basic consumer goods. The companies targeted by the investigation included Achats Marchandises Casino – A.M.C. (formerly E.M.C. Distribution) and Intermarché-Casino Achats (INCAA). The European Commission has not issued any complaints and it is not currently possible to predict the probable outcome of the investigation.

- **Bond exchange**

On 30 May 2017, the Group issued €550 million worth of five-year 1.865% bonds (Note 11.2.2).
At the same time, €153 million, €153 million and €60 million worth of bonds maturing respectively in November 2018 (5.73% coupon), August 2019 (4.41% coupon) and March 2020 (5.24% coupon) were bought back, reducing the issues' respective nominal amounts to €355 million, €697 million and €540 million. Taking into account the difference between the buyback price and the bonds' face value, the cash outflow for this transaction totalled €400 million. Settlement and delivery took place on 13 June 2017.

This transaction was accounted for as an extension of financial liabilities given the non-material nature of the changes to the contractual terms. The €400 million impact of the bond exchange thus constitutes an adjustment to the carrying amount of the 2022 bonds and is being amortised by the yield-to-maturity method over the remaining term of the modified liability. This accounting treatment also applies to the bond premiums, unamortised issue expenses and hedging effects related to the exchanged bonds, and all exchange-related fees.

- **Refinancing of a credit facility**

On 26 July 2017, Casino announced that it had obtained a confirmed five-year credit facility for USD 750 million (around €645 million) from a group of 11 international banks (Note 11.2.4). The line of credit was used to refinance an existing USD 1 billion facility, extending the average maturity of the Group's confirmed lines of credit from 2.4 years to 3.4 years as of the transaction date.
Casino also has two one-year rollover options, subject to the banks' approval.

- **Interim dividend**

On 11 December 2017, the Company paid an interim dividend of €173 million (Note 12.8).

- **Partnership with Ocado Group**

On 28 November 2017, the Casino Group and Ocado Group plc ("Ocado"), the world's leading dedicated on-line grocery retailer, signed an agreement to develop the Ocado Smart Platform in France. The platform will comprise a purpose-built automated warehouse and an integrated software solution and website.
The agreement sets out plans for the launch, within two years, of a warehouse in the Greater Paris area using Ocado's proprietary equipment. In consideration of the investments made by Ocado, the Casino Group will pay Ocado certain upfront fees upon signing and during the development phase, then ongoing fees linked to its utilisation of capacity and service criteria.
In addition to the initial platform, Casino and Ocado will consider further development of other platforms close to other large urban areas.

- **Casino Group rating by Moody's**

In line with the policy of rotating rating agencies, as recommended by the European regulator, Moody's Investors Service has been appointed as the Group's new rating agency, replacing Fitch Ratings (Note 11.5.4).

- **Creation of CD Supply Innovation**

On 4 December 2017, Casino and Dia announced that they were extending their cooperation on private labels that began in 2015, by creating a new joint subsidiary named CD Supply Innovation. The new company, which began operations on 15 December 2017, manages the ordering, payment and supply of private label products for both groups.
Casino's investment in CD Supply Innovation did not have a material impact on the consolidated statement of financial position and income statement in 2017.

Note 3 Scope of consolidation

Accounting principles

Basis of consolidation

The consolidated financial statements include the financial statements of all material subsidiaries, joint ventures and associates over which the parent company exercises control, joint control or significant influence, either directly or indirectly (see list of consolidated companies in Note 17).

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group (i) has power over the entity, (ii) is exposed or has rights to variable returns from its involvement with the entity, and (iii) has the ability to affect those returns through its power over the entity.
The consolidated financial statements include the financial statements of subsidiaries from the date when control is acquired to the date at which the Group no longer exercises control. All controlled companies are fully consolidated in the Group's statement of financial position, regardless of the percentage interest held.

Potential voting rights

Control is assessed by taking potential voting rights into account, but only if they are substantive; that is, if the entity has the practical ability to exercise its rights with respect to the exercise price, date and terms.
The Group may own share warrants, share call options, debt or equity instruments that are convertible into ordinary shares or other similar instruments that have the potential, if exercised or converted, to give the Group voting power or reduce another party's voting power over the financial and operational policies of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control of another entity. Potential voting rights are not currently exercisable or convertible when, for example, they cannot be exercised or converted until a future date or until the occurrence of a future event.

Joint ventures

A joint venture is a joint arrangement in which the parties that exercise joint control over an entity have rights to its net assets. Joint control involves the contractually agreed sharing of control over an entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint ventures are accounted for in the consolidated financial statements using the equity method.

Associates

Associates are companies in which the Group exercises significant influence over financial and operational policies without having control. They are accounted for in the consolidated financial statements using the equity method.

Equity method of accounting

The equity method provides that an investment in an associate or a joint venture be recognised initially at acquisition cost and subsequently adjusted by the Group's share in profit or loss and, where appropriate, in other comprehensive income of the associate or joint venture. Goodwill related to these entities is included in the carrying amount of the investment. Any impairment losses and gains or losses on disposal of investments in equity-accounted entities are recognised in "Other operating income and expenses".
Profits/losses from internal acquisitions or disposals with equity-accounted associates are eliminated to the extent of the Group's percentage interest in these companies. In the absence of any guidance in IFRS concerning cases where the amount to be eliminated is greater than the carrying amount of the investment in the equity-accounted company, the Group has elected to cap the amount eliminated from the accounts in the transaction year and to deduct the uneliminated portion from its share of the equity-accounted company's profits in subsequent years. The Group follows a transparent approach to accounting for associates under the equity method and takes into account, if relevant, its final percentage interest in the associate for the purpose of determining the proportion of profit (loss) to be eliminated.
In the absence of any standard or interpretation covering dilution of the Group's interest in a subsidiary of an equity-accounted company, the dilution impact is recognised in the Group's share of the profit (loss) of the equity-accounted investee.

Business combinations

As required by IFRS 3 revised, the consideration transferred (acquisition price) in a business combination is measured at the fair value of the assets transferred, equity interests issued and liabilities incurred on the date of the transaction. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Acquisition-related costs are recognised in "Other operating expenses", except for those related to the issue of equity instruments.
Any excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognised as goodwill. At the date when control is acquired and for each business combination, the Group may elect to apply either the partial goodwill method (in which case, the amount of goodwill is limited to the portion acquired by the Group) or the full goodwill method. Under the full goodwill method, non-controlling interests are measured at fair value and goodwill is recognised on the full amount of the identifiable assets acquired and liabilities assumed.
Business combinations completed prior to 1 January 2010 were accounted for using the partial goodwill method, which was the only method applicable prior to publication of the revised version of IFRS 3.

In the case of an acquisition achieved in stages (step acquisition), the previously-held interest is remeasured at fair value as at the date control is acquired. The difference between the fair value and carrying amount of the previously-held interest is recognised directly in profit or loss (under "Other operating income" or "Other operating expenses").
The provisional amounts recognised on the acquisition date may be adjusted retrospectively if the information needed to revalue the assets acquired and the liabilities assumed corresponds to new information obtained by the buyer and concerns facts and circumstances that existed as of the acquisition date. Goodwill may not be adjusted after the measurement period (not exceeding 12 months from the date when control is acquired). Any subsequent acquisitions of non-controlling interests do not give rise to the recognition of additional goodwill.

Any contingent consideration is included in the consideration transferred at its acquisition-date fair value, whatever the probability that it will become due. Subsequent changes in the fair value of contingent consideration due to facts and circumstances that existed as of the acquisition date are recorded by adjusting goodwill if they occur during the measurement period or directly in profit or loss for the period under "Other operating income" or "Other operating expenses" if they arise after the measurement period, unless the obligation is settled in equity instruments. In that case, the contingent consideration is not remeasured subsequently.

Intra-group transfers of shares in consolidated companies

In the absence of any guidance in IFRS on the accounting treatment of intra-group transfers of shares in consolidated companies leading to a change in percentage interest, the Group applies the following principle:

- the transferred shares are maintained at historical cost and the gain or loss on the transfer is eliminated in full from the accounts of the acquirer;
- non-controlling interests are adjusted to reflect the change in their share of equity, and a corresponding adjustment is made to consolidated reserves, without affecting profit or total equity.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company. Each Group entity determines its own functional currency and all of their financial transactions are measured in that currency.

The financial statements of subsidiaries that use a different functional currency from that of the parent company are translated using the closing rate method, as follows:

- assets and liabilities, including goodwill and fair value adjustments, are translated into euros at the closing rate, corresponding to the spot exchange rate at the reporting date;
- income statement and cash flow items are translated into euros using the average rate of the period unless significant variances occur.

The resulting translation differences are recognised directly within a separate component of equity. When a foreign operation is disposed of, the cumulative differences recognised in equity on translation of the net investment in the operation concerned at successive reporting dates are reclassified to profit or loss. Because the Group applies the step-by-step method of consolidation, the cumulative translation differences are not reclassified to profit or loss if the foreign operation disposed is part of a sub-group. This reclassification will occur only at the disposal of the sub-group.

Foreign currency transactions are translated into euros using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate and the resulting translation differences are recognised in the income statement under "Foreign currency exchange gains" or "Foreign currency exchange losses". Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable on the transaction date.

Exchange differences arising on translation of the net investment in a foreign operation are recognised in the consolidated financial statements as a separate component of equity and reclassified to profit or loss on disposal of the net investment.

Exchange differences arising on translation of (i) foreign currency borrowings hedging a net investment denominated in a foreign currency or (ii) permanent advances made to subsidiaries are also recognised in equity and reclassified to profit or loss on disposal of the net investment.

3.1 Transactions affecting the scope of consolidation in 2017

3.1.1 Loss of control of a group of Casino supermarkets

In line with its ongoing franchising development plans, in February 2017, Distribution Casino France sold to a master franchisee a 51% stake in two sub-groups representing a total of 21 Casino supermarkets that were loss-making under the integrated management system. The net loss on the sale amounted to €30 million and was recorded in "Other operating expenses" (Note 6.5).

If the transaction had been completed on 1 January 2017, the impact on net sales for the year, trading profit, other operating income and expenses and the Group's share of profit of equity-accounted investees would have been non-material.

Distribution Casino France has two call options on these two groups of stores, which are exercisable between November 2018 and October 2020 (Note 3.4.2).

3.1.2 Changes in scope relating to the Franprix-Leader Price sub-group

On 10 February 2017 and 8 March 2017, Franprix-Leader Price acquired an additional 40% stake in the Sarjel group, which was previously 60%-owned. The amount disbursed for this acquisition was €19 million including transaction costs (Note 4.7). The operation was accounted for as a transaction between owners, leading to a €4 million reduction in equity attributable to owners of the parent, and a €14 million reduction in liabilities for put options granted to owners of non-controlling interests.

In addition, as part of the ongoing strategy to transform the store base and improve its profitability, Franprix-Leader Price began the process of selling a group of 105 Franprix and Leader Price stores to a master franchisee. At 31 December 2017, the assets and liabilities of these 105 stores – representing net assets of €33 million – were reclassified as “Assets held for sale” for €67 million and “Liabilities associated with assets held for sale” for €34 million, as required by IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. No material impairment losses were recognised on reclassification of the stores in accordance with IFRS 5.
A further 17 Franprix and Leader Price stores will be transferred to the master franchisee under business leases.
The sale was completed on February 28, 2018 once Competition Authority approval had been obtained. Meanwhile management of the stores was performed by the master franchisee since 13 October 2017.
Franprix-Leader Price has retained a 49% interest in the group of stores and has a call option exercisable at the end of 2021.

Lastly, Franprix-Leader Price acquired control of various stores during 2017, at a total cost of €43 million (including €23 million disbursed during the year). Provisional goodwill on these transactions amounted to €32 million. One of the acquired sub-groups was previously accounted for by the equity method in the Casino Group's consolidated financial statements. The previously-held interest was therefore remeasured at its acquisition-date fair value, leading to the recognition of a €9 million gain in “Other operating income”.
The contribution of these stores to consolidated net sales was €2 million. Their contribution to profit before tax for the year was a negative €3 million before taking into account the gain recognised on remeasurement of the previously-held interest.
If these acquisitions had been completed on 1 January 2017, the additional contribution to consolidated net sales and net profit before tax would have been €17 and €2 million respectively (before taking into account the gain recognised on remeasurement of the previously-held interest).

3.2 Transactions affecting the scope of consolidation in 2016

3.2.1 Disposal of operations in Asia

- **Disposal of operations in Thailand**

On 14 January 2016, the Group announced its intention to sell its stake in its subsidiary Big C Supercenter PCL ("Big C"), a company listed in Thailand. Big C was sold on 21 March 2016 to BJC, a TCC group subsidiary. The proceeds from the sale amounted to €3,066 million net of disposal costs, generating an after-tax gain of €2,314 million (Note 3.5.2).
As part of the transaction, Cnova sold its economic interests in Cdiscount Thailand to the BJC group for €28 million net of disposal costs (including repayment of a €6 million loan), realising an after-tax gain of €27 million (Note 3.5.2).

- **Disposal of operations in Vietnam**

On 29 April 2016, the Group announced that it had sold Big C Vietnam to the Central group for an enterprise value of €1 billion. As the decision to dispose of operations in Vietnam was made before the end of 2015, the assets and liabilities of the E-commerce and Retail businesses in Vietnam were classified as held for sale at 31 December 2015. The proceeds amounted to €875 million net of disposal costs, generating an after-tax gain of €524 million (Note 3.5.2).

Following the disposal of its operations in Thailand and Vietnam, representing the entire "Asia" operating segment and part of the "E-commerce" operating segment, the Group presented the net after-tax profit of its Thai and Vietnamese operations as well as the capital gain on the disposal of these businesses on a separate line of the income statement ("Net profit from discontinued operations").

3.2.2 Acquisition of Éxito shares

Between 1 March and 28 March 2016, the Group acquired 2.4 million shares in its subsidiary Éxito for a total of USD 11 million (€10 million) (Note 4.7), increasing its stake in the company to 55.30% from 54.77% previously. These transactions had a €6 million positive impact on equity attributable to owners of the parent and a €17 million negative impact on non-controlling interests.

3.2.3 Acquisition of GPA shares

In June 2016, the Group acquired 970 thousand preference shares, representing approximately 0.4% of GPA's capital, for €11 million (Note 4.7). These transactions had a €6 million positive impact on equity attributable to owners of the parent and a €17 million negative impact on non-controlling interests.

3.2.4 Changes in scope relating to the Franprix-Leader Price sub-group

In line with the ongoing franchising development plans at Franprix-Leader Price, in 2016 the subsidiary sold to two master franchisees a group of Franprix and Leader Price stores that were loss-making under the integrated management system. The Group sold a 51% interest in the stores, generating a €61 million net loss recognised in "Other operating expenses" (Note 6.5). If the transactions had been completed on 1 January 2016, (i) net sales for the year would have been reduced by €33 million, (ii) trading profit would have been increased by €13 million, (iii) other operating expenses would have been increased by €9 million (comprising impairment losses of €4.5 million and a €4.5 million remeasurement of the retained interest) and (iv) the Group's share of profit of equity-accounted investees would have been reduced by €6 million.
Franprix-Leader Price has various call options on the stores (Note 3.4.2).

Master franchisees also acquired a 49% interest in a group of profit-making Franprix and Leader Price stores. These disposals without loss of control, had no material impact on equity attributable to owners of the parent.

Furthermore, Franprix-Leader Price also acquired controlling interests in various groups in 2016. The amounts disbursed for these acquisitions totalled €32 million and generated provisional goodwill of €35 million. Since some of the sub-groups acquired were previously equity-accounted in the Casino Group's consolidated financial statements, the remeasurement of the interests previously held generated a €3 million gain.
The sub-groups' contribution to consolidated net sales for the period from the acquisition date to the 2016 year-end amounted to €23 million. Their contribution to pre-tax profit for the period was a negative €11 million.
If the acquisitions had been completed on 1 January 2016, net sales for the year would have been increased by €16 million and pre-tax profit would have been reduced by €1 million.

3.2.5 Loss of control of a group of Casino supermarkets

In line with its franchising development strategy, during the second half of 2016 Distribution Casino France sold to a master franchisee a 51% stake in a group of 12 Casino supermarkets that were loss-making under the integrated management system. The net loss on the sale amounted to €34 million and was recorded in "Other operating expenses" (Note 6.5). If the transaction had been completed on 1 January 2016, (i) net sales for the year would have been reduced by €14 million, (ii) trading profit would have been increased by €9 million, (iii) other operating expense would have been increased by €1 million and the Group's share of profit of equity-accounted investees would have been reduced by €3 million.
Distribution Casino France has a call option on the group of stores that is exercisable in 2019 (Note 3.4.2).

3.2.6 Acquisition of control of Geimex

The Group acquired control of Geimex in October 2016. Geimex was previously jointly controlled and was accounted for by the equity method on a 50% basis in the Group accounts until 31 October 2016. The purchase price amounted to €45 million and the transaction costs came to €1 million.
The change in accounting method from the equity method at 50% to full consolidation resulted in the recognition of a €16 million gain from remeasurement of the previously-held interest, which was recognised in "Other operating income" (Note 6.5).
Geimex's contribution to consolidated net sales and consolidated net profit for the period from 31 October to 31 December 2016 amounted to €25 million and €1 million respectively (excluding the gain from remeasurement at fair value of the previously-held interest). If control of Geimex had been acquired on 1 January 2016, it would have added €148 million to net sales and €1 million to consolidated net profit.
The final accounting for the business combination did not lead to any adjustment to the fair value of the assets and liabilities as determined in 2016. Goodwill recognised on the acquisition amounted to €69 million.

3.2.7 Creation of the Viva Malls real estate trust in Colombia

On 15 July 2016, Éxito created a Colombian real estate trust named Viva Malls to hold all of the Viva brand shopping centres and malls. On 22 December 2016, Éxito and Fondo Inmobiliario Colombia (FIC), a private equity fund managed by Fiduciara Bancolombia, signed an agreement providing for the acquisition by FIC of a 49% stake in the trust's capital. FIC's total capital commitment amounts to COP 773 billion (€245 million), of which €124 million excluding expenses was paid as of 31 December 2016, €80 million was paid in 2017 (Note 4.7) and the balance will be paid by 30 June 2018. FIC's stake in Viva Malls was valued based on the total value attributed to the trust's real estate assets of COP 1,600 billion (€506 million). Following this transaction, Éxito owns 51% of Viva Malls.

The operation was accounted for as a transaction between owners, leading to a €3 million reduction in equity attributable to owners of the parent (including €6 million in costs) and a €115 million increase in non-controlling interests (net of €5 million in costs) in 2016, and increases of €23 million and €58 million respectively in 2017.

3.3 Investments in equity-accounted investees

3.3.1 Significant associates and joint ventures

The following table presents the condensed financial statements (on a 100% basis) for the four main investees accounted for by the equity method. These condensed financial statements prepared in accordance with IFRS correspond to the investees' published financial statements, as restated where appropriate for the adjustments made by the Group, for example fair value adjustments on the date control is acquired or lost, adjustments to bring the investee's accounting policies into line with Group policies, or adjustments to eliminate gains and losses on intra-group acquisitions and disposals for the portion corresponding to the Group's percentage interest in the investee:

	2017				2016			
(€ millions)	**Mercialys (i)**	**Tuya (vii)**	**Banque du Groupe Casino**	**FIC (ii)**	**Mercialys (i)**	**Tuya (vii)**	**Banque du Groupe Casino**	**FIC (ii)**
Country	**France**	**Colombia**	**France**	**Brazil**	France	Colombia	France	Brazil
Business	**Real estate**	**Banking**	**Banking**	**Banking**	Real estate	Banking	Banking	Banking
Type of relationship	**Associate**	**Joint venture**	**Joint venture**	**Associate**	Associate	Joint venture	Joint venture	Associate
% interests and voting rights (iii)	**40%**	**50%**	**50%**	**50%**	40%	50%	50%	50%
Net sales	**188**	**403**	**139**	**274**	192	254	136	290
Net profit from continuing operations	**79**	**12**	**3**	**50**	94	3	3	61
Other comprehensive income	**-**	**-**	**-**	**-**	-	-	-	-
Total comprehensive income	**79**	**12**	**3**	**50**	**94**	**3**	**3**	**61**
Non-current assets	**2,882**	**-**	**17**	**17**	2,923	-	22	13
Current assets (iv)	**274**	**728**	**978**	**1,163**	149	793	864	1,184
Non-current liabilities	**(1,401)**	**-**	**(19)**	**(3)**	(1,263)	(296)	(6)	(4)
Current liabilities	**(335)**	**(657)**	**(864)**	**(1,013)**	(386)	(440)	(779)	(889)
of which credit activities-related liabilities	***-***	***(516)***	***(844)***	***(994)***	*-*	*(341)*	*(759)*	*(889)*
Net assets	**1,420**	**71**	**112**	**164**	**1,423**	**57**	**101**	**303**
Of which net assets attributable to owners of the parent	***1,322***	***71***	***112***	***164***	*1,317*	*57*	*101*	*303*
Share of net assets	**532**	**35**	**56**	**82**	**530**	**28**	**51**	**151**
Goodwill	**20**	**-**	**33**	**-**	20	-	33	-
Elimination of share of intra-group margins	**(190)**	**-**	**-**	**-**	(184)	-	-	-
IFRS 5 reclassifications	**-**	**-**	**-**	**(22)**	-	-	-	(42)
Other adjustments (v)	**-**	**(3)**	**-**	**(15)**	-	-	-	(17)
Investments in equity-accounted investees (Note 3.3.3)	**362**	**32**	**89**	**45**	**366**	**28**	**84**	**92**
Dividends received from associates or joint ventures	**38**	**-**	**-**	**59 (vi)**	**37**	**-**	**-**	**-**

(i) As at 31 December 2017, the Group held 40.24% of the capital of Mercialys. The Group considers that it exercises significant influence over the financial and operating policies of the Mercialys Group. This position is based on (a) the absence of a majority vote on strategic decisions at meetings of the company's Board of Directors, which is mostly made up of independent directors, (b) the governance rules stipulating that Casino's representatives on the Mercialys Board may not take part in decisions concerning transactions carried out with the Group, (c) business contracts entered into between the Group and Mercialys on an arm's length basis, and (d) an analysis of the votes cast at recent General Shareholders Meetings of Mercialys (showing that Casino and its related parties do not control shareholder decisions at General Meetings).

(ii) The main associate of the GPA sub-group is FIC, which was set up by GPA in partnership with Banco Itaú Unibanco SA ("Itaú Unibanco") to finance purchases by GPA's customers. Associates of the GPA sub-group are accounted for using the equity method as GPA exercises significant influence over their operating and financial policies. The data presented above only concern FIC as the other associates are not material.

(iii) The percentage interest corresponds to that held by Casino, except in the case of Tuya (interest held by the Éxito sub-group) and FIC (interest held by GPA). GPA holds 50% of the voting rights in FIC and 41.93% of the capital (including 6.17% through Via Varejo which is classified as held-for-sale in accordance with IFRS 5).

(iv) The current assets and liabilities of Banque du Groupe Casino, Tuya and FIC primarily concern their credit business.

(v) Concerning FIC, the adjustment concerns a statutory reserve over which Itaú Unibanco has exclusive rights.

(vi) This amount only concerns GPA's direct interest and does not include €25 million in dividends received by Via Varejo.

(vii) Tuya was set up in partnership with Bancolombia to manage the banking services offered to customers of the stores in Colombia, primarily the possibility of acquiring a store card. The partnership structure changed in October 2016 when Éxito became a 50% shareholder of Tuya.

3.3.2 Other investments in associates and joint ventures

At 31 December 2017, the carrying amounts of investments in other associates and joint ventures stood at €43 million and €15 million, respectively (Note 3.3.3). The aggregate amounts of key financial statement items for these associates and joint ventures are not material. Dividends received from these associates and joint ventures amounted to €4 million in 2017 (2016: €2 million).

3.3.3 Changes in investments in equity-accounted investees

(€ millions)	As at 1 January	Impairment loss	Share of profit for the year	Dividends	IFRS 5 reclassifications	Other	As at 31 December
Associates							
GPA Group associates (FIC & BINV)	88	-	28 (i)	(7)	(42) (ii)	26	92
Mercialys	376	-	35	(37)	-	(8) (iii)	366
Franprix–Leader Price Group associates	10	-	(40)	-	-	32 (v)	2
Other	35	-	-	(2)	-	6	39
Joint ventures							
Banque du Groupe Casino	80	-	1	-	-	3	84
Geimex (iv)	28	-	-	-	-	(28)	-
Tuya (Éxito)	-	-	3	-	-	25	28
Other	12	-	1	-	-	1	13
2016	**629**	**-**	**28 (i)**	**(46)**	**(42)**	**57**	**625**
Associates							
FIC (GPA)	**92**	**-**	**18**	**(53)**	**-**	**(12)**	**45**
Mercialys	**366**	**-**	**29**	**(38)**	**-**	**6 (iii)**	**362**
Franprix–Leader Price Group associates	**2**	**-**	**(39)**	**-**	**-**	**40 (v)**	**4**
Other	**39**	**-**	**1**	**(4)**	**-**	**3**	**39**
Joint ventures							
Banque du Groupe Casino	**84**	**-**	**1**	**-**	**-**	**4**	**89**
Tuya (Éxito)	**28**	**-**	**3**	**-**	**-**	**1**	**32**
Other	**13**	**-**	**(1)**	**-**	**-**	**3**	**15**
2017	**625**	**-**	**13**	**(96)**	**-**	**45**	**587**

(i) Of which €8 million in share of profit of associates classified as discontinued operations in 2016.
(ii) The investments in BINV and FIC held by Via Varejo were reclassified as "Assets held for sale" at 31 December 2016.
(iii) The €6 million increase in 2017 and €8 million decrease in 2016 correspond mainly to the elimination of gains and losses on purchases and sales of property assets between Casino and Mercialys for the portion corresponding to Casino's percentage interest in Mercialys.
(iv) The sub-group Geimex has been fully consolidated since 1 November 2016.
(v) The amounts of €40 and €32 million respectively in 2017 and 2016 relate to the reclassification of the share of losses from associates of Franprix-Leader Price that exceed the book value of the investments, when Franprix-Leader Price has an obligation to cover its share in the losses of those associates.

3.3.4 Impairment losses on investments in equity-accounted investees

With the exception of Mercialys, associates and joint ventures are privately-held companies for which no quoted market prices are available to estimate their fair value.
The fair value of the investment in Mercialys at the reporting date was €683 million, determined using the share price on 31 December 2017 (31 December 2016: €712 million). This value does not reflect any impairment. Mercialys' EPRA NNNAV at 31 December 2017 amounted to €1,887 million on a 100% basis, of which the Group’s share was €759 million.
The impairment tests carried out at 31 December 2017 and 31 December 2016 did not result in the recognition of any impairment loss.

3.3.5 Share of contingent liabilities of equity-accounted investees

As at 31 December 2017 and 31 December 2016, none of the Group's associates and joint ventures had any material contingent liabilities.

3.3.6 Related party transactions (equity-accounted investees)

The related party transactions shown below mainly concern transactions carried out in the normal course of business on arm's length terms with companies over which the Group exercises significant influence (associates) or joint control (joint ventures) that are accounted for in the consolidated financial statements using the equity method.

(€ millions)	2017		2016 (i)	
	Associates	**Joint ventures**	**Associates**	**Joint ventures**
Loans	**15**	**13**	21	24
of which impairment	***(63)***	**-**	*(31)*	-
Receivables	**78**	**49**	80	29
of which impairment	***(1)***	**-**	*(2)*	-
Payables	**10**	**256**	9	217
Expenses	**89** (ii)	**1,117** (iii)	**113** (ii)	**1,130** (iii)
Income	**944** (iv)	**34**	**774** (iv)	**42**

(i) Previously reported information for 2016 has been adjusted, mainly to include transactions with the Distridyn joint venture.
(ii) Of which rental revenue excluding occupancy costs for the 74 leases signed with Mercialys for €55 million in 2017 (2016: 79 leases for €59 million). At 31 December 2017, future minimum lease payments due to Mercialys on property assets amounted to €68 million, including €43 million due within one year.
(iii) Including €1,095 million in fuel purchases from Distridyn in 2017 (2016: €1,080 million).
(iv) Income of €944 million in 2017 (2016: €774 million) also includes sales of goods by Franprix-Leader Price and Distribution Casino France to master franchisees accounted for by the equity method, for €826 million (2016: €592 million). It also includes income related to property development transactions with Mercialys reported under "Other income" for €45 million (2016: €77 million).

<u>Transactions with Mercialys</u>

Casino has entered into various agreements with Mercialys:
- Leases: Casino leases units in certain shopping centres from Mercialys, for which the rent is included in the above table.
- Asset management agreement: Casino provides rental management services for nearly all Mercialys properties. In 2017, the related management fees amounted to €6 million (2016: €6 million).
- Partnership agreement: this agreement was approved by the Board of Directors on 22 June 2012 and an addendum was signed on 12 November 2014. The partnership's fundamental principle whereby Casino develops and manages a pipeline of projects that Mercialys acquires to feed its business growth has been maintained in the new agreement. The original agreement concerned a pipeline of projects identified in advance and offering satisfactory visibility. The new agreement enables Mercialys to propose new projects that will be examined by Casino and tracked during monitoring committee meetings.
  Casino will not undertake any work until the order is reconfirmed by Mercialys once the necessary permits have been obtained and leases have been signed on units representing at least 60% of total projected rental revenues from signed leases.
  The acquisition price of projects developed by Casino was calculated under the original agreement on the basis of (i) a rent capitalisation rate determined using a grid that is updated twice a year by reference to the rates used to value Mercialys' portfolio and (ii) projected rental revenues from the project. Under the new agreement, the projected internal rate of return (IRR) – within the range of 8% to 10% – may also be taken into account for pricing purposes.
  The principle whereby the upside and downside are shared equally between Casino and Mercialys has been maintained to take into account the actual conditions in which the assets will be marketed. For

example, the price will be increased or reduced by 50% of any positive (upside) or negative (downside) difference between the actual rents negotiated during the marketing process and the rents projected at the outset. The contracts require the parties to meet during the pre-acquisition process.
In exchange for the exclusive partnership, Mercialys has undertaken not to invest in any operations that could lead to a material increase in competition in the catchment area of any of the Casino Group's food stores.
At the end of January 2017, the partnership agreement was extended by three years, until end-2020.

- Support services agreement: the Group provides administrative, finance / accounting, IT and real estate support services to Mercialys. In 2017, the related fees amounted to €2 million (2016: €2 million).
- Consulting services agreement: Mercialys makes available to Casino the services of its team of real estate portfolio enhancement specialists. This agreement had no material impact in 2017 or 2016.
- Exclusive sale mandate: Casino seeks buyers for real estate assets on behalf of Mercialys. In 2017, the related fees amounted to €1 million (2016: €1 million).
- Current account and cash management agreement: Casino has provided Mercialys with a €50 million confirmed line of credit expiring in December 2020 at an annual interest rate based on the Euribor plus a spread ranging from 40 bps to 95 bps depending on the amount borrowed under the facility. The Group also charges a 38-bps commitment fee (40% of the maximum 95-bps spread) on undrawn amounts. This agreement had no material impact in 2017 or 2016.

In 2017, the Group purchased five service centres from Mercialys for a total amount of €39 million as well as the converted Toulouse Fenouillet hypermarket for €33 million.

According to the partnership agreement between Casino and Mercialys, during 2017:

- Casino sold the Jumbo Sacré Coeur shopping mall development project on Réunion Island to Mercialys for €27 million. After eliminating a percentage equal to the Group’s interest in Mercialys, the transaction led to the recognition of €16 million in “Other income” and a positive contribution to EBITDA of €3 million.
- Contingent consideration and margins recognised by the percentage of completion method in 2017 were recorded by Casino on property development projects sold to Mercialys in prior periods. After eliminating a percentage equal to the Group’s interest in Mercialys, the transactions led to the recognition of €8 million in “Other income” and a positive contribution to EBITDA of €7 million.

Mercialys sold the following assets resulting from property development projects originally sold by Casino to Mercialys:

- The Poitiers Beaulieu site, which was sold to a family office financed by HSBC. The transaction led to the recognition of €13 million in "Other income" in respect of the additional portion of the property development income previously eliminated in a proportion of 40%, and a €9 million contribution to EBITDA.
- The Fontaine-lès-Dijon shopping mall, which was sold to a fund, leading to the recognition of €5 million in "Other income" in respect of the additional portion of the property development income previously eliminated in a proportion of 40%, and a €3 million contribution to EBITDA.

3.3.7 Commitments to joint ventures

The Group has given guarantees to joint ventures (also presented in Note 6.11.1) for an amount of €125 million at 31 December 2017 (31 December 2016: €60 million) including €65 million for CD Supply Innovation (Note 2) and €60 million for Distridyn.

3.4 Commitments related to the scope of consolidation

3.4.1 Put options granted to owners of non-controlling interests – "NCI puts"

Accounting principle

The Group has granted put options to the owners of non-controlling interests in some of its subsidiaries. The exercise price may be fixed or based on a predetermined formula. In accordance with IAS 32, obligations under these NCI puts are recognised as "Financial liabilities" ; fixed price options are recognised at their discounted present value and variable price options at fair value. The options may be exercisable at any time or on a specified date. Since 2015, NCI puts are presented on a separate line of the consolidated statement of financial position, "Put options granted to owners of non-controlling interests".

IAS 27 revised, which is effective for annual periods beginning on or after 1 January 2010, and subsequently IFRS 10, effective for annual periods beginning on or after 1 January 2014, describe the accounting treatment of acquisitions of additional shares in subsidiaries. The Group has decided to apply two different accounting methods for these NCI puts, depending on whether they were granted before or after 1 January 2010, as recommended by France's securities regulator (*Autorité des marchés financiers*):

- NCI puts granted before the effective date of IAS 27 revised are accounted for using the goodwill method whereby the difference between the financial liability and the carrying amount of the non-controlling interests is recognised in goodwill. In subsequent years, this liability is remeasured and any changes adjust goodwill.
- NCI puts granted since IAS 27 revised came into effect are accounted for as transactions between shareholders, with the difference between the financial liability and the carrying amount of the non-controlling interests recognised as a deduction from equity. In subsequent years, this liability is remeasured and any changes adjust equity.

NCI puts can be analysed as follows at 31 December 2017:

(€ millions)	% Group interest	Commitment to non-controlling interests	Fixed or variable exercise price	Non-current liabilities (iii)	Current liabilities (iii)
Franprix–Leader Price (i)	50.00% to 70.00%	30.00% to 50.00%	F/V	26	21
Éxito (Disco) (ii)	62.49%	29.82%	V	-	119
Other				2	3
Total NCI put liabilities				**28**	**143**

(i) The value of NCI puts on subsidiaries of the Franprix-Leader Price sub-group is generally based on net profit. A 10% increase or decrease in the indicator would not have a material impact. The exercisable periods of the options range between 2017 and 2031.

(ii) This option is exercisable at any time until 21 June 2021. The exercise price is the lowest amount obtained using different calculation formulas. The formula applied at 31 December 2017 is based on a multiple of 12 times average net profit for the last two years. A 10% increase or decrease in net profit would lead to a €12 million increase or decrease in the financial liability as at 31 December 2017.

(iii) As at 31 December 2016, NCI put liabilities amounted to €382 million, including current liabilities of €341 million. The decrease in 2017 was mainly due to the public tender offer for Cnova N.V. shares (Note 2), which led to €187 million in NCI put liabilities being derecognised.

3.4.2 Off-balance sheet commitments

Accounting principle

Under the terms of the option contracts, the exercise price of written put and call options may be determined using earnings multiples of the companies concerned. In this case, the options are valued based on the latest published earnings for options exercisable at any time and earnings forecasts or projections for options exercisable as of a given future date. In many cases, the put option written by the Group is matched by a call written by the other party; in these cases, the value shown corresponds to that of the written put.

Written put options on shares in non-controlled companies stand at €16 million as at 31 December 2017 (31 December 2016: €5 million), and concerned the Monoprix and Franprix-Leader Price sub-groups.

Call options granted to the Group on shares in non-controlled companies stand at €499 million as at 31 December 2017 (31 December 2016: €506 million), and mainly concerned:

- The following call options in connection with transactions carried out with Mercialys:
  - call option on 100% of the assets or 100% of the shares of Hyperthetis Participations, exercisable from 31 December 2020 and until 31 March 2022 at the higher of the fair value of the underlying and a guaranteed minimum IRR;
  - call option on a property asset previously sold to Immosiris, exercisable between 31 March 2021 and 30 September 2022 at the higher of the fair value of the underlying and a guaranteed minimum IRR;
  - call option exercisable on 31 July 2018, at Casino's initiative and subject to certain conditions, on either (i) the property assets held by SCI Rennes – Anglet, valued at a fixed price of €64 million or (ii) the SCI Rennes – Anglet shares held by OPPCI SEREIT France, valued at the company's market value (NAV), based on the property portfolio's appraisal value of €64 million excluding transfer costs. On 30 January 2018, the Group notified OPPCI SEREIT France of its decision to exercise the call on the 70% of the SCI's shares held by OPPCI, at an exercise price provisionally estimated at €22 million excluding transfer costs.
- The Group also has call options on stores sold to master franchisees that are exercisable between 2018 and 2022 at prices based on a percentage of the improvement in EBITDA. Details of the transactions with these master franchisees are provided in Notes 3.1.1, 3.2.4 and 3.2.5.
- Lastly, the Group has a call option on SCI Simonop'1 shares exercisable between 1 and 29 January 2022 or between 1 and 29 January 2023 at a price based on the company's EPRA NNNAV.

3.5 Non-current assets held for sale and discontinued operations

Accounting principle

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this condition to be met, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Management must be committed to a plan to sell the asset which, in accounting terms, should result in the conclusion of a sale within one year of the date of this classification. Considering these characteristics, net assets held for sale attributable to owners of the parent of the selling subsidiary are presented as a deduction from net debt (Note 11).

Property, plant and equipment and intangible assets classified as held for sale are no longer depreciated or amortised.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents either a separate major line of business or a geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

An operation represents a separate major line of business when it constitutes a reportable segment. It is classed as discontinued if the criteria for classifying the related assets as "held for sale" have been met or when it has already been disposed of. Classification as a discontinued operation occurs when the operation is disposed of or on a prior date when it fulfils the criteria for classification as held for sale.

When an operation is classified as discontinued, the comparative income statement and statement of cash flows are restated as if the operation had fulfilled the criteria for classification as discontinued as from the first day of the comparative period. Discontinued operations are presented on a separate line of the consolidated income statement, “Profit from discontinued operations”, which includes the net profit or loss of the discontinued operation up to the date of disposal, and if appropriate, any impairment loss recognised to write down the net assets held for sale to their fair value less costs to sell and/or any after-tax disposal gains or losses.

3.5.1 Assets held for sale and liabilities associated with assets held for sale

(€ millions)	Notes	31 December 2017		31 December 2016	
		Assets	Liabilities	Assets	Liabilities
Via Varejo sub-group	2 / 3.5.2	**6,041**	**4,571**	6,039	4,404
Other (i)		**552**	**109**	81	-
Total		**6,593**	**4,680**	**6,120**	**4,404**
Net assets		**1,913**		1,716	
Of which attributable to owners of the parent of the selling subsidiary	*11.2*	***1,070***		*768*	

(i) At 31 December 2017, this line consisted mainly of property assets in the France Retail segment and various stores (including the 105 Franprix-Leader Price stores held for sale as described in Note 3.1.2 and the 105 stores making up the Sarjel sub-group).

3.5.2 Discontinued operations

Profit from discontinued operations, mostly composed of Via Varejo (including Cnova Brazil) (Note 2), breaks down as follows:

(€ millions)	2017 (i) (ii)	2016 (i)	*Of which Via Varejo*
Net sales	**7,115**	6,757	*6,009*
Expenses	**(7,006)**	(6,990)	*(6,280)*
Gain on disposal of discontinued operations	**-**	2,893	-
Disposal proceeds	**-**	4,054	-
Disposal costs	**-**	(92)	-
Carrying amount of net assets sold	**-**	(1,160)	-
Other items of comprehensive income (loss) reclassified to profit or loss, net of tax (iii)	**-**	91	-
Impairment loss resulting from the measurement of Via Varejo at fair value less costs to sell (iv)	**(36)**	(461)	*(461)*
Net profit before tax from discontinued operations	**74**	**2,198**	***(732)***
Income tax expense	**(34)**	(46)	*(9)*
Share of profit of equity-accounted investees	**7**	8	*8*
Net profit from discontinued operations	**47**	**2,161**	***(734)***
Attributable to owners of the parent	***(7)***	*2,645*	*(226)*
Attributable to non-controlling interests	***54***	*(484)*	*(508)*

(ii) The amounts reported for 2017 mainly represent 12 months of business for Via Varejo. The amounts reported for 2016 included 12 months of business for Via Varejo, the two months of business prior to disposal of operations in Thailand on 21 March 2016 and the four months of business prior to disposal of operations in Vietnam on 29 April 2016.

(iii) In 2017, Via Varejo reported net sales of €7,115 million and EBITDA of €414 million (2016: €6,009 million and €251 million, respectively).

(iv) The reclassification of Via Varejo in "Discontinued operations" had no impact on other comprehensive income in 2017 or 2016. The sale of Via Varejo will not lead to any related foreign currency translation adjustments being reclassified to profit or loss.

(v) When it was reclassified in "Discontinued operations" in 2016, in accordance with IFRS 5, Via Varejo's fair value (including Cnova Brazil) was estimated at €1,656 million (before estimated costs to sell of €20 million), based on the share price of BRL 10.75 as at 31 December 2016 plus an estimated control premium. The share price was approximately the same at 30 June 2017 and the valuation was therefore not adjusted as at that date. The fair value measurement led to the recognition of an impairment loss of €461 million as at 31 December 2016 and €36 million as at 30 June 2017. No additional impairment loss was recorded as at 31 December 2017, as the share price at the year-end was BRL 24.47, representing a market value of €2,653 million before the control premium.

Earnings per share of discontinued operations are presented in Note 12.9.

3.5.3 Net cash from/(used in) discontinued operations

Cash flows from discontinued operations in 2017 mainly concern Via Varejo. In 2016, they included reclassifications of cash flows from Via Varejo's operating, investing and financing activities, and the €3,962 million proceeds from the sale of the Group's businesses in Asia (Note 3.5.2 to the 2016 consolidated financial statements).

Note 4 Additional cash flow disclosures

Accounting principle

The statement of cash flows is prepared using the indirect method starting from consolidated net profit (loss) and is organised in three sections:

- Cash flows from operating activities, including taxes, transaction costs for acquisitions of subsidiaries, dividends received from associates and joint ventures and payments received in respect of government grants.
- Cash flows from investing activities, including acquisitions of subsidiaries (excluding transaction costs), proceeds from disposals of subsidiaries (including transaction costs), acquisitions and disposals of investments in non-consolidated companies, associates and joint ventures (including transaction costs), contingent consideration paid for business combinations during the measurement period and up to the amount of the identified liability, and acquisitions and disposals of intangible assets and property plant and equipment (including transaction costs and deferred payments), excluding finance leases.
- Cash flows from financing activities, including new borrowings and repayments of borrowings, issues of equity instruments, transactions between shareholders (including transaction costs and any deferred payments), net interest paid (cash flows related to finance costs and non-recourse factoring and associated transaction costs), treasury share transactions and dividend payments. This category also includes cash flows from trade payables requalified as debt.

4.1 Reconciliation of provision expense

(€ millions)	Notes	2017	2016
Goodwill impairment	10.1.2	**(5)**	(2)
Impairment of intangible assets	10.2.2	**(11)**	(15)
Impairment of property, plant and equipment	10.3.2	**(54)**	(98)
Impairment of investment property	10.4.2	**(6)**	-
Impairment of other assets		**(4)**	(3)
Net additions to provisions for risks and charges		**29**	(189)
Total provision expense		**(51)**	**(307)**
Provision expense reported under "Profit from discontinued operations"		**-**	91
Provision expense adjustment in the statement of cash flows		**(51)**	**(216)**

4.2 Reconciliation of changes in working capital to the statement of financial position

(€ millions)	Notes	2016	Cash flows from operating activities	Cash flows from operating activities, discontinued operations	Other cash flows	Changes in scope of consolidation	Effect of movements in exchange rates	IFRS 5 reclass.	Reclass. & other	2017
Goods inventories	6.6	(3,786)	**(207)**	**-**	**-**	**(3)**	**252**	**42**	**6**	**(3,696)**
Property development work in progress	6.6	(204)	**70**	**-**	**-**	**38**	**(1)**	**-**	**(78)**	**(175)**
Trade payables	B/S	6,939	**155**	**-**	**-**	**10**	**(423)**	**(40)**	**8**	**6,649**
Trade receivables	6.7	(880)	**(106)**	**-**	**-**	**(1)**	**42**	**-**	**(1)**	**(946)**
Other (receivables)/payables	6.8.1 / 6.9.1 / 6.10	791	**(248)**	**-**	**49**	**(29)**	**4**	**25**	**(20)**	**572**
TOTAL		**2,859**	**(336)**	**-**	**49**	**16**	**(126)**	**28**	**(86)**	**2,404**

(€ millions)	Notes	2015	Cash flows from operating activities	Cash flows from operating activities, discontinued operations (i)	Other cash flows	Changes in scope of consolidation	Effect of movements in exchange rates	IFRS 5 reclass.	Reclass. & other	2016
Goods inventories	6.6	(4,602)	48	48	-	318	(488)	891	(2)	(3,786)
Property development work in progress	6.6	(281)	139	-	-	11	(5)	-	(69)	(204)
Trade payables	B/S	8,073	438	(166)	-	(503)	776	(1,529)	(150)	6,939
Trade receivables	6.7	(911)	(21)	(228)	-	92	(65)	254	(1)	(880)
Trade receivables from credit activity	6.7	(377)	(120)	112	-	-	(98)	483	-	-
Liabilities of credit activity	6.10	574	137	-	-	-	164	(875)	-	-
Other (receivables)/payables	6.8.1 / 6.9.1 / 6.10	623	19	(134)	223	(19)	(17)	230	(135)	791
TOTAL		**3,099**	**640**	**(368)**	**223**	**(100)**	**268**	**(546)**	**(357)**	**2,859**

(i) This column reflects cash flows from discontinued operations from 1 January to the date of reclassification as assets held for sale.

4.3 Reconciliation of acquisitions of non-current assets

(€ millions)	Notes	2017	2016
Additions to and acquisitions of intangible assets	10.2.2	**183**	198
Additions to and acquisitions of property, plant and equipment	10.3.2	**931**	967
Additions to and acquisitions of investment property	10.4.2	**130**	79
Changes in amounts due to suppliers of non-current assets		**31**	27
New finance leases		**(14)**	(31)
Capitalised borrowing costs (IAS 23)	10.3.3	**(14)**	(15)
Effect of discontinued operations		**-**	(66)
Cash used in acquisitions of intangible assets, property, plant and equipment and investment property		**1,247**	**1,160**

4.4 Reconciliation of disposals of non-current assets

(€ millions)	Notes	2017	2016
Disposals of intangible assets	10.2.2	**19**	22
Disposals of property, plant and equipment	10.3.2	**249**	285
Disposals of investment property	10.4.2	**1**	-
(Gains) losses on disposals of non-current assets		**(12)**	1
Changes in receivables related to non-current assets		**(54)**	15
Reclassification of non-current assets as "Assets held for sale"		**101**	51
Effect of discontinued operations		**-**	(5)
Cash from disposals of intangible assets, property, plant and equipment and investment property		**303**	**368**

4.5 Effect on cash and cash equivalents of changes in scope of consolidation resulting in acquisition or loss of control

(€ millions)	2017	2016
Amount paid for acquisitions of control	**(48)**	(89)
Cash acquired/(bank overdrafts assumed) in acquisitions	**2**	(6)
Proceeds from losses of control	**8**	1
(Cash sold)/bank overdrafts transferred in losses of control	**(31)**	(22)
Effect of changes in scope of consolidation resulting in acquisition or loss of control	**(69)**	**(116)**

In 2017, the net impact of these transactions on the Group's cash and cash equivalents mainly comprised:

- the cash sold in the transaction resulting in the loss of control of all Casino supermarkets (cash outflow of €30 million) (Note 3.1.1)
- the acquisition of various controlling interests in the Franprix-Leader Price sub-group (cash outflow of €23 million) (Note 3.1.2).
- the settlement of the balance of the price for the 2015 acquisition of control of the Super Inter stores (cash outflow of €15 million).

In 2016, the net effect of these transactions on the Group's cash and cash equivalents resulted mainly from the acquisition of control of Geimex (cash outflow of €44 million) (Note 3.2.6) and the acquisition of various controlling interests in the Franprix-Leader Price sub-group (cash outflow of €32 million) (Note 3.2.4).

4.6 Reconciliation of dividends paid to non-controlling interests

(€ millions)	Notes	2017	2016
Dividends paid and payable to non-controlling interests	12.7	**(69)**	(85)
Payment during the year of dividends accrued at the prior year-end		**11**	1
Effect of movements in exchange rates		**(2)**	5
Effect of discontinued operations		**7**	-
Dividends paid to non-controlling interests as presented in the statement of cash flows		**(52)**	**(78)**

4.7 Effect on cash and cash equivalents of transactions with non-controlling interests

(€ millions)	Notes	2017	2016
Public tender offer for Cnova N.V. shares	2	**(171)**	-
Franprix-Leader Price sub-group – Acquisition of Sarjel	3.1.2	**(19)**	-
Éxito – Viva Malls	3.2.7	**80**	115
Acquisition of GPA shares	3.2.3	**-**	(11)
Acquisition of Éxito shares	3.2.2	**-**	(10)
Other		**(7)**	5
Effect on cash and cash equivalents of transactions with non-controlling interests		**(117)**	**99**

4.8 Reconciliation between change in cash and cash equivalents and change in net debt

(€ millions)	Notes	2017	2016
Change in cash and cash equivalents		**(2,651)**	**2,253**
Additions to borrowings (i)		**(1,589)**	(995)
Repayments of borrowings (i)		**2,534**	1,955
Non-cash changes in debt (i)		**388**	(323)
Change in net assets held for sale attributable to owners of the parent		**366**	*44*
Change in other financial assets		**-**	*(51)*
Effect of changes in scope of consolidation		**-**	*(1)*
Change in cash flow and fair value hedges		**(92)**	*(125)*
Change in accrued interest		**109**	*(172)*
Interest on Monoprix mandatory convertible bonds	11.3.1	**-**	*13*
Other		**5**	*(32)*
Effect of movements in exchange rates (i)		**350**	(297)
Change in debt of discontinued operations		**208**	113
Change in net debt		**(759)**	**2,706**
Net debt at beginning of period		**3,367**	6,073
Net debt at end of period	11.2	**4,126**	3,367

(i) These impacts relate exclusively to continuing operations.

4.9 Reconciliation of net interest paid

(€ millions)	Notes	2017	2016
Net finance costs reported in the income statement	**11.3.1**	**(367)**	**(324)**
Neutralisation of unrealised exchange gains and losses		**(4)**	5
Neutralisation of amortisation of debt issuance/redemption costs and premiums		**23**	31
Neutralisation of interest rate adjustment on Monoprix mandatory convertible bonds	11.3.1	**-**	(13)
Capitalised borrowing costs	10.3.3	**(14)**	(15)
Change in accrued interest and in fair value hedges of borrowings (i)		**(60)**	229
Non-recourse factoring and associated transaction costs	11.3.2	**(83)**	(78)
Interest paid, net as presented in the statement of cash flows		**(505)**	**(165)**

(i) In 2017, are included among others the impacts of unwinding of interest rate swaps in France for €90 million. In 2016, the amount included in particular the impact of unwinding and modifying of interest rate swaps in France for €150 million.

Note 5 Segment information

Accounting principle

In accordance with IFRS 8 - Operating Segments, segment information is disclosed on the same basis as the Group's internal reporting system used by the chief operating decision maker (the Chairman and Chief Executive Officer) in deciding how to allocate resources and in assessing performance.

Since 2016, following the disposal of operations in Thailand and Vietnam and the business merger between Cnova Brazil and Via Varejo followed by their reclassification as "Assets held for sale", the Group's reportable segments are now:

- France Retail: reportable segment comprising retail operating segments (mainly the Casino, Monoprix, Franprix-Leader Price and Vindémia sub-group banners);
- Latam Retail: reportable segment comprising food retailing operating segments in Latin America (mainly the GPA food banners and the Éxito, Disco - Devoto and Libertad sub-group banners);
- E-commerce: reportable segment comprising Cdiscount and the Cnova N.V. holding company.

The operating segments included in France Retail and Latam Retail have similar businesses in terms of product type, assets and human resources required for operations, customer profile, distribution methods, marketing offer and long-term financial performance.

These reportable segments reflect pure retail activities and retail-related activities. Given the dual strategy and the interconnection between retail and real estate, the operating segments include real estate asset management activities, property development activities and energy-related activities.

Management assesses the performance of these segments on the basis of net sales, trading profit (which includes the allocation of holding company costs to all of the Group's business units) and EBITDA. EBITDA (earnings before interest, taxes, depreciation and amortisation) is defined as trading profit plus recurring depreciation and amortisation expense.

Segment assets and liabilities are not specifically reported internally for management purposes and are therefore not disclosed in the Group's IFRS 8 segment information.

Segment information is determined on the same basis as the consolidated financial statements.

5.1 Key indicators by reportable segment

(€ millions)	France Retail	Latam Retail	E-commerce	2017
External net sales	**18,903**	**16,923**	**1,995**	**37,822**
EBITDA	**901 (i)**	**1,029 (ii)**	**-**	**1,930**
Recurring depreciation and amortisation expense (Note 6.4)	**(345)**	**(316)**	**(27)**	**(688)**
Trading profit/(loss)	**556(i)**	**713 (ii)**	**(27)**	**1,242**

(i) Of which €92 million for property development transactions carried out in France.

(ii) Of which BRL 723 million (€201 million) for ICMS-ST tax credits dating back prior to November 2016 and recognised by GPA during the year as a deduction from “Cost of goods sold”. The tax credits were recognised following the publication in April 2017 of the agreement for the enforcement of the October 2016 ruling by Brazil’s supreme federal court stipulating that the ICMS-ST tax is not a final tax and should not therefore be included in the basis of assessment of PIS and COFINS taxes, allowing GPA to apply for a refund from the Brazilian state administrations. Recognition of the pre-November 2016 ICMS-ST tax credits of Sendas Distribution (a subsidiary of GPA), in the amount of BRL 369 million (€102 million), had no impact on the consolidated income statement because they are not expected to be recovered and were written down in full.

(€ millions)	France Retail	Latam Retail	E-commerce	2016
External net sales	18,939	15,247	1,843	36,030
EBITDA	872 (i)	816 (ii)	10	1,697
Recurring depreciation and amortisation expense (Note 6.4)	(364)	(278)	(21)	(663)
Trading profit/(loss)	508 (i)	538 (ii)	(11)	1,034

(i) Of which €87 million for property development transactions carried out in France.

(ii) Including BRL 288 million (€75 million) of cumulative PIS/COFINS tax credits recognised in 2016 as a deduction from "Cost of goods sold" in the accounts of GPA (of which €68 million related to prior years) after all the conditions supporting their recognition and future use were fulfilled during the year.

5.2 Key indicators by geographical area

(€ millions)	France	Latin America	Other regions	Total
External net sales for 2017	**20,893**	**16,923**	**6**	**37,822**
External net sales for 2016	20,771	15,252	7	36,030

(€ millions)	France	Latin America	Other regions	Total
Non-current assets as at 31 December 2017 (i)	**11,521**	**8,822**	**49**	**20,391**
Non-current assets as at 31 December 2016 (i)	11,770	10,151	47	21,968

(i) Non-current assets include goodwill, intangible assets, property, plant and equipment, investment property, investments in associates and joint ventures as well as long-term prepaid expenses.

Note 6 Activity data

6.1 Total revenue

Accounting principle

Revenue is composed of two parts: net sales and other income.

Net sales include sales by the Group's stores, E-commerce sites, self-service restaurants and warehouses, as well as financial services revenues, rental revenues, consumer finance revenues and other miscellaneous services rendered by establishments.

“Other income" consists of income from the property development and property trading businesses, miscellaneous service revenues, incidental revenues and revenues from secondary activities, including travel package sales commissions, franchising fees, contractual penalties (termination penalties paid by tenants, franchisees, etc.) and revenues from energy efficiency activities.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and sales taxes. It is recognised as follows:

- revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer (in most cases when legal title is transferred), the amount of the revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Group;
- revenue from the sale of services, such as extended warranties, services directly related to the sale of goods and services rendered to suppliers are recognised in the period during which they are performed. When a service is combined with various commitments, such as volume commitments, the Group analyses facts and legal patterns in order to determine the appropriate timing of recognition. Accordingly, revenue may either be recognised immediately (the service is considered as having been performed) or deferred over the period during which the service is performed or the commitment fulfilled.

If payment is deferred beyond the usual credit period and is not covered by financing, the revenue is discounted and the impact of discounting, if material, is recognised in financial income over the deferral period.

Award credits granted to customers under loyalty programmes are recognised as a separately identifiable component of the initial sales transaction. The corresponding revenue is deferred until the award credits are used by the customer.

(€ millions)	2017	2016
Net sales	**37,822**	36,030
Other income (i)	**414**	542
Total revenue	**38,236**	**36,572**

(i) The decline in other income in 2017 was mainly due to a decrease in property development sales and in property trading activity for €99 million.

6.2 Cost of goods sold

Accounting principle

Gross margin

Gross margin corresponds to the difference between "Net sales" and the "Cost of goods sold".

“Cost of goods sold" comprises the cost of purchases net of discounts, commercial cooperation fees and any tax credits associated with the purchases, changes in retail inventories and logistics costs.

Commercial cooperation fees are measured based on contracts signed with suppliers. They are billed in instalments over the year. At each year-end, an accrual is recorded for the amount receivable or payable, corresponding to the difference between the value of the services actually rendered to the supplier and the sum of the instalments billed during the year.

Change in inventories

Changes in inventories, which may be positive or negative, are determined after taking into account any impairment losses. Changes in inventories related to property development and property trading business are included in "Selling expenses".

Logistics costs

Logistics costs correspond to the cost of logistics operations managed or outsourced by the Group, comprising all warehousing, handling and freight costs incurred after goods are first received at one of the Group's stores or warehouses. Transport costs included in suppliers' invoices (e.g. for goods purchased on a "delivery duty paid" or "DDP" basis) are included in purchase costs. Outsourced transport costs are recognised under "Logistics costs".

(€ millions)	Note	2017	2016
Purchases and change in inventories		**(27,161)**	(25,958)
Logistics costs	6.3	**(1,533)**	(1,406)
Cost of goods sold		**(28,694)**	**(27,364)**

6.3 Expenses by nature and function

Accounting principle

Selling expenses

Selling expenses consist of point-of-sale costs, property development and property trading business costs and changes in inventories.

General and administrative expenses

General and administrative expenses correspond to overheads and the cost of corporate units, including the purchasing and procurement, sales and marketing, IT and finance functions.

Pre-opening and post-closure costs

When they do not meet the criteria for capitalisation, costs incurred prior to the opening or after the closure of a store are recognised in operating expense when incurred.

(€ millions)	Logistics costs [(i)]	Selling expenses	General and administrative expenses	2017
Employee benefits expense	**(556)**	**(3,246)**	**(789)**	**(4,591)**
Other expenses	**(939)**	**(3,189)**	**(426)**	**(4,554)**
Depreciation and amortisation expense (Notes 5.1 / 6.4)	**(38)**	**(507)**	**(143)**	**(688)**
Total	**(1,533)**	**(6,942)**	**(1,357)**	**(9,833)**

(€ millions)	Logistics costs [(i)]	Selling expenses	General and administrative expenses	2016
Employee benefits expense	(486)	(3,158)	(766)	**(4,410)**
Other expenses	(883)	(3,216)	(408)	**(4,507)**
Depreciation and amortisation expense (Notes 5.1 / 6.4)	(37)	(497)	(129)	**(663)**
Total	**(1,406)**	**(6,871)**	**(1,303)**	**(9,580)**

(i) Logistics costs are reported in the consolidated income statement under "Cost of goods sold".

A competitiveness and employment tax credit (CICE) has been introduced in France, corresponding to a tax credit (refundable if not used within three years) based on a percentage of salaries that do not exceed 2.5x the French minimum wage (SMIC). The rate was 7% in 2017 (6% for salaries paid as from 1 January 2018) and 9% for Vindémia. In 2017, the CICE tax benefit of €104 million (2016: €96 million) was recognised as deduction from employee benefits expense. The receivable was sold on a no-recourse basis for €100 million net of the discount (2016: €88 million).

6.4 Depreciation and amortisation

(€ millions)	Notes	2017	2016
Amortisation of intangible assets	10.2.2	**(122)**	(136)
Depreciation of property, plant and equipment	10.3.2	**(553)**	(600)
Depreciation of investment property	10.4.2	**(12)**	(10)
Lease payments for land use		**-**	(2)
Total depreciation and amortisation expense		**(688)**	**(747)**
Depreciation and amortisation expense reported under "Profit from discontinued operations"		**-**	84
Depreciation and amortisation expense of continuing operations	**5.1 / 6.3**	**(688)**	**(663)**

6.5 Other operating income and expenses

Accounting principle

This caption covers two types of items:

- Income and expenses arising from major events occurring during the period that would distort analyses of the Group's recurring profitability. They are defined as significant items of income and expense that are limited in number, unusual or abnormal, whose occurrence is rare. Examples include restructuring costs (such as reorganisation costs and the costs of converting stores to new concepts) and provisions and expenses for litigation and risks (including discounting adjustments).
- Income and expenses which, by definition, are not included in an assessment of a business unit's recurring operating performance, such as gains and losses on disposals of non-current assets, impairment losses on non-current assets, and income/expenses related to changes in the scope of consolidation (for example, transaction costs and fees for acquisitions of control, gains and losses from disposals of subsidiaries, remeasurement at fair value of previously-held interests).

(€ millions)	2017	2016
Total other operating income	**185**	242
Total other operating expenses	**(666)**	(867)
	(480)	**(625)**
Breakdown by type		
Gains and losses on disposal of non-current assets (vi)	**1**	13
Net impairment losses on assets (i) (vi)	**(70)**	(49)
Net income/(expense) related to changes in scope of consolidation (ii) (vi)	**(90)**	(154)
Gains and losses on disposal of non-current assets, net impairment losses on assets and net income (expense) related to changes in scope of consolidation	**(159)**	**(190)**
Restructuring provisions and expenses (iii) (vi)	**(217)**	(252)
Provisions and expenses for litigation and risks (iv)	**(92)**	(123)
Other (v)	**(13)**	(60)
Other operating income and expenses	**(321)**	**(435)**
Total net other operating income (expenses)	**(480)**	**(625)**

(i) Impairment losses recorded in 2017 mainly concerned individual assets in the France Retail segment for €36 million (primarily Monoprix and Franprix-Leader Price for €16 million and €8 million, respectively), the Latam Retail segment (primarily GPA) for €28 million, and the E-commerce segment for €7 million. In 2016, impairment losses primarily concerned individual assets in the France Retail segment for €28 million (mainly Franprix-Leader Price and Distribution Casino France) and the E-commerce segment for €10 million.

(ii) The €90 million net expense recognised in 2017 resulted mainly from the loss of control of supermarket stores at Distribution Casino France for an amount of €30 million (Note 3.1.1), net expense related to various changes in scope at Franprix-Leader Price for €9 million, and fees of €31 million. In 2016, the €154 million net expense resulted primarily from changes in the scope of consolidation in the Franprix-Leader Price sub-group for €72 million (including €59 million for the transactions described in Note 3.2.4) and Distribution Casino France for €34 million (Note 3.2.5), together with related transaction costs of €19 million, partly offset by the €16 million effect of measuring at fair value the previously-held interest in Geimex when the Group acquired control of this company (Note 3.2.6).

(iii) Restructuring provisions and expenses in 2017 primarily concerned the France Retail segment for €169 million (including employee costs and store closure costs for €113 million and store transformation costs for €54 million) and the Latam Retail segment (mainly GPA) for €38 million. Restructuring provisions and expenses for 2016 mainly concerned the France Retail segment for €207 million (including employee costs of €58 million, rent on closed stores of €25 million, external costs of €57 million and impairment losses and scrapped assets of €67 million) and GPA for €26 million.

(iv) Provisions and expenses for litigation and risks represented a net expense of €92 million in 2017, including €60 million for tax amnesty programs in which GPA participated during the year, as described in Note 13.3. In 2016, provisions and charges for litigation and risks concerned GPA for €106 million, mainly covering tax risks.

(v) The net expense for 2016 included €43 million related to the 2015 tax on retail space (TaSCom) payable in France. Following the introduction of new tax rules which led to a change in the period in which this levy is recognised, the TaSCom due for 2015 was recognised in full at the beginning of 2016 (in "Other operating expenses") and the TaSCom for 2016 was recognised on a straight line basis over the year (in "Trading profit").

(vi) Reconciliation of the breakdown of asset impairment losses with the tables of asset movements:

(€ millions)	Notes	2017	2016
Goodwill impairment losses	10.1.2	**(5)**	(2)
Impairment (losses)/reversals on intangible assets, net	10.2.2	**(11)**	(15)
Impairment (losses)/reversals on property, plant and equipment, net	10.3.2	**(54)**	(98)
Impairment (losses)/reversals on investment property, net	10.4.2	**(6)**	-
Impairment (losses)/reversals on other assets, net		**(11)**	(1)
Net impairment losses of continuing operations		**(87)**	**(116)**
of which presented under "Restructuring provisions and expenses" (*)		***(11)***	*(58)*
of which presented under "Net impairment (losses)/reversals on assets"		***(70)***	*(49)*
of which presented under "Net income/(expense) related to changes in scope of consolidation"		***(8)***	*(8)*
of which presented under "Gains and losses on disposal of non-current assets"		***1***	*(1)*

(*) Of which €32 million concerning Franprix-Leader Price, €12 million concerning Distribution Casino France and €12 million concerning Monoprix in 2016.

6.6 Inventories

Accounting principle

Inventories are measured at the lower of cost and probable net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions for impairment of inventories is recognised if the probable net realisable value is lower than cost. This analysis takes into account the business unit's operating environment and the type, age, turnover characteristics and sales pattern of the products concerned.

The cost of inventories is determined by the first-in-first-out (FIFO) method, except for inventories held by the GPA sub-group which uses the weighted average unit cost method, primarily for tax reasons. As GPA's inventory turnover rate is very high, inventory values would not be materially different if the FIFO method was applied. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing them to their present location and condition. Accordingly, logistics costs are included in the carrying amount together with supplier discounts deducted from "Cost of goods sold". The cost of inventories also includes gains or losses on cash flow hedges of future inventory purchases initially accumulated in equity.

For its property development and property trading businesses, the Casino Group recognises assets and projects in progress in inventories.

(€ millions)	**31 December 2017**	**31 December 2016**
Goods	**3,744**	3,842
Property assets	**204**	247
Gross amount of inventories	**3,948**	**4,089**
Accumulated impairment losses on goods	**(47)**	(56)
Accumulated impairment losses on property assets	**(29)**	(43)
Accumulated impairment losses	**(76)**	**(99)**
Net inventories (Note 4.2)	**3,871**	**3,990**

6.7 Trade receivables

Accounting principle

Trade receivables are current financial assets (Note 11) initially recognised at fair value and subsequently measured at amortised cost less any impairment losses. The fair value of trade receivables usually corresponds to the amount on the invoice. An impairment loss is recognised for trade receivables as soon as a probable loss emerges. Trade receivables can be sold to banks and continue to be carried as assets in the statement of financial position for as long as all the related risks and rewards are not transferred to a third party.

6.7.1 Breakdown of trade receivables

(€ millions)	**Notes**	**31 December 2017**	**31 December 2016**
Trade receivables	11.5.3	**1,029**	957
Accumulated impairment losses on trade receivables	6.7.2	**(83)**	(76)
Net trade receivables	**4.2**	**946**	**880**

6.7.2 Accumulated impairment losses on trade receivables

(€ millions)	2017	2016
Accumulated impairment losses on trade receivables		
As at 1 January	**(76)**	**(95)**
Additions	**(55)**	(137)
Reversals	**51**	144
Change in scope of consolidation	**-**	1
IFRS 5 reclassifications	**-**	15
Other reclassifications	**(3)**	(2)
Effect of movements in exchange rates	**1**	(3)
As at 31 December	**(83)**	**(76)**
Accumulated impairment losses on consumer finance receivables		
As at 1 January	**-**	**(59)**
Additions	**-**	(17)
Reversals	**-**	3
Change in scope of consolidation	**-**	-
IFRS 5 reclassifications	**-**	90
Other reclassifications	**-**	-
Effect of movements in exchange rates	**-**	(17)
As at 31 December	**-**	**-**

The criteria for recognising impairment losses are presented in Note 11.5.3 "Counterparty risk".

6.8 Other current assets

6.8.1 Breakdown of other current assets

(€ millions)	Notes	31 December 2017	31 December 2016
Other receivables		**948**	1,151
Financial assets held for cash management purposes and short-term financial investments	11.2	**31**	32
Financial assets arising from a significant disposal of non-current assets	11.2	**7**	7
Tax and employee-related receivables in Brazil	6.9	**128**	158
Current accounts of non-consolidated companies		**33**	31
Accumulated impairment losses on other receivables and current accounts	6.8.2	**(24)**	(29)
Fair value hedges – assets	11.5.1	**4**	34
Derivatives not qualifying for hedge accounting and cash flow hedges – assets	11.5.1	**-**	23
Prepaid expenses		**145**	135
Other current assets		**1,272**	**1,542**

Other receivables primarily include tax and employee-related receivables and receivables from suppliers. Prepaid expenses mainly concern purchases, rent, other occupancy costs and insurance premiums.

6.8.2 Accumulated impairment losses on other receivables and current accounts

(€ millions)	2017	2016
As at 1 January	**(29)**	(35)
Additions	**(8)**	(29)
Reversals	**5**	32
Change in scope of consolidation	**-**	-
IFRS 5 reclassifications	**-**	4
Other reclassifications and movements	**8**	-
Effect of movements in exchange rates	**-**	-
As at 31 December	**(24)**	**(29)**

6.9 Other non-current assets

6.9.1 Analysis of other current assets

(€ millions)	Notes	31 December 2017	31 December 2016
Available-for-sale financial assets (AFS)		**40**	43
Non-current fair value hedges – assets	11.5.1	**94**	257
Other financial assets		**573**	531
Loans		***172***	*177*
Non-hedging derivatives – assets	*11.5.1*	***-***	*12*
Legal deposits paid by GPA	*13.2*	***192***	*193*
Other non-current receivables		***210***	*149*
Tax and employee-related receivables in Brazil (see below) (i)		**439**	184
Impairment of other non-current assets	6.9.2	**(69)**	(40)
Prepaid expenses		**144**	106
Other non-current assets		**1,220**	**1,080**

(i) The increase in 2017 mainly reflects the recognition of ICMS-ST tax credits discussed in Note 5.1.

GPA has a total of €567 million in tax receivables (of which €439 million in long-term receivables and €128 million in short-term receivables), corresponding primarily to ICMS (VAT) for €382 million, PIS/COFINS (VAT) and INSS (employer social security contributions). GPA estimates that the main tax receivable (ICMS) will be recovered in the following periods:

(€ millions)	31 December 2017
Within one year	**80**
In one to five years	**173**
In more than five years	**129**
Total	**382**

GPA recognises ICMS and other tax credits when it has formally established and documented its right to use the credits and expects to use them within a reasonable period. These credits are recognised as a deduction from the cost of goods sold.

6.9.2 Impairment of other non-current assets

(€ millions)	2017	2016
As at 1 January	**(40)**	(92)
Additions	**-**	(1)
Reversals	**2**	2
Change in scope of consolidation	**-**	77
IFRS 5 reclassifications	**-**	-
Other reclassifications and movements	**(31)**	(27)
Effect of movements in exchange rates	**-**	-
As at 31 December (1)	**(69)**	**(40)**

(i) Corresponding mainly to impairment losses recognised on loans granted by Franprix-Leader Price to master franchisees.

6.10 Other liabilities

(€ millions)	31 December 2017			31 December 2016		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Derivative instruments – liabilities (Note 11.5.1) (i)	**260**	**17**	**277**	343	1	344
Accrued tax and employee-related liabilities	**166**	**1,359**	**1,525**	173	1,443	1,616
Sundry liabilities	**37**	**755**	**792**	33	879	912
Amounts due to suppliers of non-current assets	**-**	**230**	**230**	60	263	324
Current account advances	**-**	**10**	**10**	-	10	10
Deferred income	**18**	**213**	**231**	9	199	208
TOTAL	**481**	**2,584**	**3,065**	**618**	**2,795**	**3,413**

(i) Primarily comprising the fair value of total return swap (TRS) and forward instruments (Note 11.3.2).

6.11 Off-balance sheet commitments

Accounting principle

At every year-end, Management determines, to the best of its knowledge, that there are no off-balance sheet commitments likely to have a material effect on the Group's current or future financial position other than those described in this note.

The completeness of this information is checked by the Finance, Legal and Tax departments, which also participate in drawing up contracts that are binding on the Group.

Commitments entered into in the ordinary course of business mainly concern the Group's operating activities except for undrawn confirmed lines of credit, which represent a financing commitment.

Off-balance sheet commitments related to the scope of consolidation are presented in Note 3.4.2 and lease commitments in Note 7.

6.11.1 Commitments given

The amounts disclosed in the table below represent the maximum (undiscounted) potential amounts that might have to be paid under guarantees issued by the Group. They are not netted against sums which might be recovered through legal action or counter-guarantees received by the Group.

(€ millions)	31 December 2017	31 December 2016
Assets pledged as collateral (i)	**236**	252
Bank guarantees given (ii)	**2,088**	2,139
Guarantees given in connection with disposals of non-current assets	**22**	35
Other commitments	**67**	64
Total commitments given	**2,413**	**2,491**
Expiring:		
Within one year	***194***	*130*
In one to five years	***2,198***	*2,347*
In more than five years	***21***	*13*

(i) Current and non-current assets pledged, mortgaged or otherwise given as collateral. As at 31 December 2017, concerns GPA for €218 million, mainly in connection with the tax disputes described in Note 13.2 (31 December 2016: €252 million).

(ii) As at 31 December 2017, this amount includes €1,937 million in bank guarantees given by GPA (31 December 2016: €2,057 million) mainly in connection with the tax disputes described in Note 13.2. It also comprises guarantees issued to joint ventures for €125 million (31 December 2016: €60 million), as described in Note 3.3.7.

6.11.2 Commitments received

The amounts disclosed in the table below represent the maximum (undiscounted) potential amounts in respect of commitments received.

(€ millions)	**31 December 2017**	**31 December 2016**
Bank guarantees received	**73**	75
Secured financial assets	**72**	80
Undrawn confirmed lines of credit (Note 11.2.4)	**3,697**	4,342
Other commitments	**29**	64
Total commitments received	**3,871**	**4,560**
Expiring:		
Within one year	***501***	*704*
In one to five years	***3,251***	*3,724*
In more than five years	***120***	*132*

Note 7 Leases

Accounting principle

At the inception of an agreement, the Group determines whether the agreement is or contains a lease agreement.
The Group's lease agreements are recognised in accordance with IAS 17 which distinguishes between finance leases and operating leases.

Finance lease agreements
Lease agreements for property, plant and equipment that transfer nearly all the risks and benefits inherent to ownership are classified as finance leases.
Leased assets are initially recorded at the lower of the fair value of the asset and the present value of the minimum lease payments. After initial recognition, the assets are depreciated over their expected useful life in the same way as other assets in the same category, or over the lease term if shorter, unless the Group has a reasonable certainty that it will obtain ownership at the end of the lease.
Minimum finance lease payments are apportioned between the interest expense and the reduction of the outstanding liability. The finance charge is allocated to each period covered by the lease agreement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases
The other lease agreements are classified as operating leases and are not recognised in the Group's statement of financial position.
Payments made under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. Incentives received from the lessor are an integral part of the total net rental expense and are recorded as a reduction of the rental expense over the lease term.
Operating lease commitments (Note 7.2) correspond to fixed future minimum payments calculated over the non-cancellable term of operating leases.

7.1 Operating lease expenses

Rental expenses related to operating leases amounted to €982 million in 2017 (including €852 million for real estate leases, of which €546 million in the France Retail segment and €222 million in Brazil) and €875 million in 2016 (including €791 million for real estate leases, of which €532 million in the France Retail segment and €183 million in Brazil). This information only concerns continuing operations.

The amount of future operating lease payments and minimum lease payments to be received under non-cancellable sub-leases are presented in Note 7.2.

7.2 Operating lease commitments (off-balance sheet)

REAL ESTATE LEASES WHERE THE GROUP IS LESSEE

The Group has operating leases on properties used in the business that it does not own. Future minimum lease payments, corresponding to the payments due over the non-cancellable term of operating leases plus any lease termination penalties, break down as follows:

(€ millions)	Future minimum lease payments	
	31 December 2017	31 December 2016
Due within one year	**643**	650
Due in one to five years	**944**	954
Due in more than five years	**551**	475
Total (i)	**2,139**	**2,079**
of which France	***1,258***	*1,361*
of which GPA Food	***99***	*99*
of which Éxito	***652***	*491*
of which Uruguay	***67***	*75*
of which E-commerce	***61***	*53*

(i) Minimum lease payments of Via Varejo discontinued operations not included in the above table amount to €279 million as at 31 December 2017 (31 December 2016: €332 million).

Future minimum lease payments receivable under non-cancellable sub-leases amount to €39 million as at 31 December 2017 (31 December 2016: €50 million).

EQUIPMENT LEASES WHERE THE GROUP IS LESSEE

The Group enters into operating leases on certain items of equipment that it does not wish to ultimately own. The future minimum lease payments under non-cancellable operating leases break down as follows:

(€ millions)	Future minimum lease payments	
	31 December 2017	31 December 2016
Due within one year	**125**	94
Due in one to five years	**377**	275
Due in more than five years	**85**	67
Total (i)	**587**	**435**

(i) Primarily in the France Retail segment.

Future minimum lease payments receivable under non-cancellable sub-leases amount to €10 million as at 31 December 2017 (31 December 2016: €8 million).

OPERATING LEASES WHERE THE GROUP IS LESSOR

The Group is also a lessor through its real estate business. Future minimum lease payments receivable under non-cancellable operating leases break down as follows:

(€ millions)	Future minimum lease payments	
	31 December 2017	31 December 2016
Due within one year	**67**	56
Due in one to five years	**109**	95
Due in more than five years	**121**	59
Total	**296**	**210**

Contingent rental revenue received by the Group and recorded in the income statement in 2017 amounted to €6 million (2016: €15 million).

7.3 Finance lease expenses

Contingent rental payments under finance leases recorded in the income statement amounted to €5 million in 2017 (2016: €7 million)

Future minimum lease payments under finance leases are presented in Note 7.5.

7.4 Finance leases

The Group's finance leases break down as follows:

(€ millions)	31 December 2017			31 December 2016		
	Gross amount	Accumulated depreciation	Net	Gross amount	Accumulated depreciation	Net
Intangible assets	**95**	**(59)**	**36**	102	(56)	47
Land	**26**	**(2)**	**24**	26	(2)	24
Buildings	**156**	**(97)**	**59**	186	(106)	81
Equipment and other	**414**	**(395)**	**18**	439	(415)	23
Total	**691**	**(554)**	**137**	**754**	**(579)**	**175**

7.5 Finance lease commitments

The Group's finance leases relate to real-estate assets and investment properties on the one hand and to equipment items on the other. The table below compares future minimum lease payments under finance leases before and after discounting.

As at 31 December 2017, the Group had lease liabilities of €65 million (Note 11.2), of which €14 million related to real estate assets and €50 million to equipment.

Finance leases on real estate where the Group is lessee

(€ millions)	31 December 2017		31 December 2016	
	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
Due within one year	**5**	**2**	6	2
Due in one to five years	**15**	**5**	19	7
Due in more than five years	**39**	**7**	49	9
Total future minimum lease payments	**59**	**14**	**73**	**18**
Interest expense	**(44)**		(55)	
Total present value of future minimum lease payments	**14**		**18**	

Finance leases on equipment where the Group is lessee

(€ millions)	31 December 2017		31 December 2016	
	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
Due within one year	**17**	**15**	16	13
Due in one to five years	**36**	**34**	50	47
Due in more than five years	**1**	**1**	1	1
Total future minimum lease payments	**54**	**50**	**67**	**61**
Interest expense	**(4)**		(7)	
Total present value of future minimum lease payments	**50**		**61**	

Note 8 Employee benefits expense

8.1 Employee benefits expense

Employee benefits expense is analysed by function in Note 6.3.

8.2 Provisions for pensions and other post-employment benefits

Accounting principle

Provisions for pensions and other post-employment benefits

Group companies provide their employees with various employee benefit plans depending on local laws and practice.

- **Under defined contribution plans,** the Group pays fixed contributions into a fund and has no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to these plans are expensed as incurred.

- **Under defined benefit plans**, the Group's obligation is measured using the projected unit credit method based on the agreements effective in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The final obligation is then discounted. The actuarial assumptions used to measure the obligation vary according to the economic conditions prevailing in the relevant country. The obligation is measured by independent actuaries annually for the most significant plans and for the employment termination benefit, and regularly for all other plans. Assumptions include expected rate of future salary increases, estimated average years of service, life expectancy and staff turnover rates.

  Actuarial gains and losses arise from the effects of changes in actuarial assumptions and experience adjustments (differences between results based on previous actuarial assumptions and what has actually occurred). All actuarial gains and losses arising on defined benefit plans are recognised immediately in other comprehensive income.

  Past service cost, corresponding to the increase in the benefit obligation resulting from the introduction of a new benefit plan or modification of an existing plan, is expensed immediately.

  The expense in the income statement comprises:
    - service cost, i.e. the cost of services provided during the year, recognised in trading profit;
    - past service cost and the effect of plan curtailments or settlements, generally recognised in "Other operating income and expenses";
    - interest cost, corresponding to the discounting adjustment to the projected benefit obligation net of the return on plan assets, recorded in "Other financial income and expenses". Interest cost is calculated by applying the discount rate defined in IAS 19 to the net obligation (i.e. the projected obligation less related plan assets) recognised in respect of defined benefit plans, as determined at the beginning of the year.

  The provision recognised in the statement of financial position is measured as the net present value of the obligation less the fair value of plan assets.

Provisions for other in-service long-term employee benefits

- **Other in-service long-term employee benefits**, such as jubilees, are also covered by provisions, determined on the basis of an actuarial estimate of vested rights as of the reporting date. Actuarial gains and losses on these benefit plans are recognised immediately in profit or loss.

8.2.1 Breakdown of provisions for pensions and other post-employment benefits and for long-term employee benefits

(€ millions)	31 December 2017			31 December 2016		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Pensions	**307**	**10**	**317**	263	10	**273**
Jubilees	**41**	**1**	**41**	36	1	**37**
Bonuses for services rendered	**10**	**-**	**11**	13	1	**14**
Provisions for pensions and other post-employment benefits and for long-term employee benefits	**358**	**11**	**369**	**312**	**12**	**324**

8.2.2 Presentation of pension plans

DEFINED CONTRIBUTION PLAN

Defined contribution plans are plans in which the company pays regular contributions into a fund. The company's obligation is limited to the amount it agrees to contribute to the fund and it offers no guarantee that the fund will have sufficient assets to pay all of the employees' entitlements to benefits. This type of plan predominantly concerns employees of the Group's French subsidiaries, who are covered by the general social security system, which is administered by the French government.

In 2017, defined contribution plans represented a cost of €334 million of which 87% concerned the Group's French subsidiaries (2016: €335 million excluding discontinued operations and 87%).

DEFINED BENEFIT PLAN

In certain countries, local laws or conventional agreements provide for the payment of a lump sum to employees either when they retire or at certain times post-retirement, based on their years of service and final salary at the age of retirement.

8.2.3 Main assumptions used in determining total defined benefit obligations (pension plans)

Defined benefit plans are exposed to risks concerning future interest rates, salary increase and mortality rates.

The following table presents the main actuarial assumptions used to measure the projected benefit obligation:

	France		International	
	2017	2016	2017	2016
Discount rate	**1.5%**	1.7%	**1.5% - 7.7%**	1.7% - 7.8%
Expected rate of future salary increases	**1.5% - 2.0%**	1.5% - 2.0%	**1.0% - 3.5%**	1.9% - 3.5%
Retirement age	**62 - 65 years**	62 - 64 years	**57 - 65 years**	57 - 65 years

For French companies, the discount rate is determined by reference to the Bloomberg 15-year AA corporate composite index.

SENSITIVITY ANALYSIS

A 50-basis point increase (decrease) in the discount rate would have the effect of reducing the projected benefit obligation by 5.6% (increasing the projected benefit obligation by 6.2%).

A 50-basis point increase (decrease) in the expected rate of salary increases would have the effect of increasing the projected benefit obligation by 6.0% (reducing the projected benefit obligation by 5.5%).

8.2.4 Change in retirement benefit obligations and plan assets

The following tables show a reconciliation of the projected benefit obligations of all Group companies to the provisions recognised in the consolidated financial statements for the years ended 31 December 2017 and 31 December 2016.

(€ millions)		France		International		Total	
		2017	2016	2017	2016	2017	2016
Projected benefit obligation as at 1 January		**288**	**269**	**14**	**26**	**302**	**295**
Items recorded in the income statement		**16**	**14**	**1**	**1**	**16**	**15**
Service cost		**17**	14	**-**	1	**17**	14
Interest cost		**5**	5	**1**	1	**6**	6
Past service cost		**-**	-	**-**	-	**-**	-
Curtailments/settlements		**(6)**	(5)	**-**	-	**(6)**	(5)
Items included in other comprehensive income		**42**	**17**	**-**	**2**	**42**	**19**
(1) Actuarial (gains) and losses related to:		**42**	17	**1**	1	**43**	18
(i) changes in financial assumptions		***5***	*11*	***-***	*1*	***5***	*12*
(ii) changes in demographic assumptions (*)		***34***	*5*	***1***	-	***34***	*5*
(iii) experience adjustments		***3***	*1*	***1***	-	***4***	*1*
(2) Effect of movements in exchange rates		**-**	-	**(1)**	1	**(1)**	1
Other		**(20)**	**(13)**	**(1)**	**(15)**	**(20)**	**(28)**
Paid benefits		**(16)**	(12)	**(1)**	(1)	**(16)**	(12)
Changes in scope of consolidation		**(1)**	(2)	**-**	(15)	**(1)**	(16)
Other movements		**(3)**	1	**-**	-	**(3)**	1
Projected benefit obligation as at 31 December	**A**	**326**	**288**	**14**	**14**	**340**	**302**
Weighted average duration of plans						**16**	**15**

(*) In 2017, the impact was primarily the result of excluding terminations from the calculation of staff turnover rates.

(€ millions)		France		International		Total	
		2017	2016	2017	2016	2017	2016
Fair value of plan assets as at 1 January		**29**	**31**	**-**	**-**	**29**	**31**
Items recorded in the income statement		**-**	**-**	**-**	**-**	**-**	**-**
Interest on plan assets		**-**	-	**-**	-	**-**	-
Items included in other comprehensive income		**1**	**1**	**-**	**-**	**1**	**1**
Actuarial (losses) gains (experience adjustments)		**1**	1	**-**	-	**1**	1
Effect of movements in exchange rates		**-**	-	**-**	-	**-**	-
Other		**(8)**	**(3)**	**-**	**-**	**(8)**	**(3)**
Paid benefits		**(8)**	(3)	**-**	-	**(8)**	(3)
Changes in scope of consolidation		**-**	-	**-**	-	**-**	-
Other movements		**-**	-	**-**	-	**-**	-
Fair value of plan assets as at 31 December	**B**	**23**	**29**	**-**	**-**	**23**	**29**

(€ millions)		France		International		Total	
		2017	2016	2017	2016	2017	2016
NET POST-EMPLOYMENT BENEFIT OBLIGATION	**A-B**	**303**	**259**	**14**	**14**	**317**	**273**
Unfunded projected benefit obligation under funded plans		**82**	**79**	**-**	**-**	**82**	**79**
Projected benefit obligation under funded plans		**104**	108	**-**	-	**104**	108
Fair value of plan assets		**(23)**	(29)	**-**	-	**(23)**	(29)
Projected benefit obligation under unfunded plans		**221**	**180**	**14**	**14**	**235**	**194**

Plan assets consist mainly of units in fixed-rate bond funds.

Reconciliation of provisions recorded in the statement of financial position

(€ millions)	France		International		Total	
	2017	2016	2017	2016	2017	2016
As at 1 January	**259**	**238**	**14**	**26**	**273**	**264**
Expense for the year	**15**	14	**1**	1	**16**	15
Actuarial gains or losses recognised in equity	**41**	16	**1**	1	**42**	18
Effect of movements in exchange rates	**-**	-	**(1)**	1	**(1)**	1
Paid benefits	**(8)**	(7)	**(1)**	(1)	**(9)**	(7)
Partial reimbursement of plan assets	**-**	-	**-**	-	**-**	-
Changes in scope of consolidation	**(1)**	(2)	**-**	(15)	**(1)**	(16)
Other movements	**(3)**	(1)	**-**	-	**(3)**	(1)
As at 31 December	**303**	**259**	**14**	**14**	**317**	**273**

Breakdown of expense for the year

(€ millions)	France		International		Total	
	2017	2016	2017	2016	2017	2016
Service cost	**17**	14	**-**	1	**17**	14
Interest cost (i)	**5**	5	**1**	1	**5**	6
Past service cost	**-**	-	**-**	-	**-**	-
Curtailments/settlements	**(6)**	(5)	**-**	-	**(6)**	(5)
Expense for the year	**15**	**14**	**1**	**1**	**16**	**15**

(i) Reported under "Other financial income and expenses".

Undiscounted future cash flows

(€ millions)	Statement of financial position	Undiscounted cash flows					
		2018	2019	2020	2021	2022	Beyond 2022
Post-employment benefits	**317**	**9**	**6**	**10**	**13**	**20**	**956**

8.3 Share-based payment

Accounting principle

Share-based payments

Management and selected employees of the Group receive stock options (options to purchase or subscribe for shares) and free shares.

The benefit represented by stock options, measured at fair value on the grant date, constitutes additional compensation. The grant-date fair value of the options is recognised in "Employee benefits expense" over the option vesting period or in "Other operating expenses" when the benefit relates to a transaction that is also recognised in "Other operating income and expenses" (Note 6.5). The fair value of options is determined using the Black & Scholes option pricing model, based on the plan attributes, market data (including the market price of the underlying shares, share price volatility and the risk-free interest rate) at the grant date and assumptions concerning the probability of grantees remaining with the Group until the options vest.

The fair value of free shares is also determined on the basis of the plan attributes, market data at the grant date and assumptions concerning the probability of grantees remaining with the Group until the shares vest. If the free shares are not subject to any vesting conditions, the cost of the plan is recognised in full on the grant date. Otherwise it is deferred and recognised over the vesting period as and when the vesting conditions are met. When free shares are granted to employees in connection with a transaction affecting the scope of consolidation, the related cost is recorded in "Other operating income and expenses".

Free shares are granted to certain company managers and store managers. In certain cases, the shares vest in tranches, subject to the attainment of a performance target for the period concerned. In all cases, the shares are forfeited if the grantee leaves the Group before the end of the vesting period.

8.3.1 Impact of share-based payments on earnings and equity

The total net cost of share-based payment plans recognised in the income statement in 2017 was €18 million (2016: €15 million), including €12 million for Casino, Guichard-Perrachon and €6 million for GPA. The net cost is balanced by a positive impact on equity for the same amount.

8.3.2 Casino, Guichard-Perrachon stock option plans

As at 31 December 2017, no Casino, Guichard-Perrachon stock options were outstanding.

8.3.3 Casino, Guichard-Perrachon free share plans

FREE SHARE PLAN FEATURES AND ASSUMPTIONS

Date of plan	Vesting date	Number of free shares authorised	Of which number of performance shares (i)	Number of shares to be delivered as at 31/12/2017	Share price (€) (ii)	Fair value of the share (€) (ii)
20/04/2017	20/04/2022	5,666	5,666	**5,666**	51.00	27.25
20/04/2017	20/04/2020	156,307	139,310	**139,310**	51.00	28.49
20/04/2017	31/01/2020	245	-	**245**	51.00	43.17
20/04/2017	20/04/2018	9,555	-	**9,555**	51.00	46.31
20/04/2017	20/04/2018	97,885	-	**97,885**	51.00	46.44
15/12/2016	15/12/2018	11,418	-	**11,418**	46.42	41.70
14/10/2016	14/10/2019	20,859	-	**20,859**	41.96	32.53
14/10/2016	01/07/2019	3,477	1,159	**3,477**	41.96	32.52
14/10/2016	31/03/2019	870	-	**870**	41.96	35.68
14/10/2016	14/10/2018	33,157	-	**21,568**	41.96	35.69
14/10/2016	01/07/2018	3,477	1,159	**3,477**	41.96	34.77
14/10/2016	31/03/2018	939	-	**939**	41.96	37.01
14/06/2016	14/01/2019	9,780	-	**9,780**	49.98	43.70
14/06/2016	14/06/2018	15,007	-	**13,185**	49.98	43.70
13/05/2016	13/05/2020	7,178	7,178	**7,178**	53.29	34.45
13/05/2016	13/05/2019	25,800	9,699	**9,699**	53.29	31.89
13/05/2016	13/01/2019	17,610	-	**14,835**	53.29	43.89
13/05/2016	13/05/2018	100,685	87,299	**87,299**	53.29	34.38
13/05/2016	13/05/2018	57,735	-	**26,633**	53.29	47.04
13/05/2016	13/01/2018	52,176	-	**51,322**	53.29	45.11
06/05/2014	06/05/2019	3,750	960	**960**	90.11	69.28
06/05/2014	06/05/2018	1,139	-	**1,139**	90.11	76.79
18/10/2013	18/10/2018	7,857	-	**5,281**	83.43	66.27
TOTAL				**542,580**		

(i) Performance conditions mainly concern organic sales growth and the level of trading profit or EBITDA of the company that employs the grantee.
(ii) Weighted average.

CHANGES IN FREE SHARES

Free share grants	2017	2016
Unvested shares as at 1 January	**598,634**	**117,055**
Free share rights granted	**269,658**	581,226
Free share rights cancelled	**(108,114)**	(44,264)
Shares issued	**(217,598)**	(55,383)
Unvested shares as at 31 December	**542,580**	**598,634**

8.3.4 Features of GPA stock option plans

- "B Series" stock options are exercisable between the 37th and the 42nd months following the grant date. The exercise price is BRL 0.01 per option.
- "C Series" stock options are exercisable between the 37th and the 42nd months following the grant date. The exercise price corresponds to 80% of the average of the last 20 closing prices for GPA shares quoted on Bovespa.

Name of plan	Grant date	Exercise period start date	Expiry date	Number of options granted *(thousands)*	Option exercise price *(BRL)*	Number of options outstanding as at 31 December 2017 *(thousands)*
C4 Series	30/05/2017	31/05/2020	30/11/2020	537	56.78	**525**
B4 Series	30/05/2017	31/05/2020	30/11/2020	537	0.01	**380**
C3 Series	30/05/2016	30/05/2019	30/11/2019	823	37.21	**651**
B3 Series	30/05/2016	30/05/2019	30/11/2019	823	0.01	**536**
C2 Series	29/05/2015	01/06/2018	30/11/2018	337	77.27	**266**
B2 Series	29/05/2015	01/06/2018	30/11/2018	337	0.01	**181**
					29.48	**2,539**

MAIN ASSUMPTIONS USED TO VALUE STOCK OPTIONS

GPA uses the following assumptions to value its plans ("Series" 2, 3 and 4 respectively):

- dividend yield: 1.37%, 2.50% and 0.57%;
- projected volatility: 24.34%, 30.20% and 35.19%;
- risk-free interest rate: 12.72%, 13.25% and 9.28%/10.07%.

The average fair value of outstanding stock options at 31 December 2017 was BRL 39.07.

The table below shows changes in the number of outstanding options and weighted average exercise prices in the years presented:

	2017		2016	
	Number of outstanding options *(thousands)*	Weighted average exercise price *(BRL)*	Number of outstanding options *(thousands)*	Weighted average exercise price *(BRL)*
Options outstanding as at 1 January	**2,394**	**29.21**	**1,267**	**39.57**
Of which exercisable options	***169***	***80.00***	*2*	*64.13*
Options granted during the period	**1,073**	**28.40**	1,645	18.61
Options exercised during the period	**(699)**	**22.14**	(374)	13.39
Options cancelled during the period	**(110)**	**40.56**	(144)	40.40
Options that expired during the period	**(119)**	**83.33**	-	-
Options outstanding as at 31 December	**2,539**	**29.48**	**2,394**	**29.21**
Of which exercisable options	**-**	**-**	*169*	*80.00*

8.4 Gross remuneration and benefits of the members of the Group Executive Committee and the Board of Directors

(€ millions)	2017	2016
Short-term benefits excluding social security contributions [(i)]	**22**	25
Social security contributions on short-term benefits	**4**	3
Termination benefits for key executives	**2**	-
Share-based payments [(ii)]	**6**	1
Total	**34**	**29**

(i) Gross salaries, bonuses, discretionary and statutory profit-sharing, benefits in kind and directors' fees.
(ii) Expense recognised in the income statement in respect of stock option and free share plans.

The members of the Group Executive Committee are not entitled to any specific supplementary pension benefits.

8.5 Average number of Group employees

Average full-time equivalent employees by category	2017	2016
Managers	**11,225**	11,021
Staff	**180,989**	182,144
Supervisors	**22,565**	22,720
Group total	**214,779**	**215,885**

Note 9 Income tax

Accounting principle

Income tax expense corresponds to the sum of the current taxes due by the various Group companies, adjusted for deferred taxes.
Substantially all qualifying French subsidiaries are members of the tax group headed by Casino, Guichard-Perrachon and file a consolidated tax return.
Current tax expense reported in the income statement corresponds to the tax expense of the parent company of the tax group and of companies that are not members of a tax group.
Deferred tax assets correspond to future tax benefits arising from deductible temporary differences, tax loss carryforwards, unused tax credits and certain consolidation adjustments that are expected to be recoverable.
Deferred tax liabilities are recognised in full for:

- taxable temporary differences, except where the deferred tax liability results from recognition of a non-deductible impairment loss on goodwill or from initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or the tax loss; and
- taxable temporary differences related to investments in subsidiaries, associates and joint ventures, except when the Group controls the timing of the reversal of the difference and it is probable that it will not reverse in the foreseeable future.

Deferred taxes are recognised using the balance sheet approach and in accordance with IAS 12. They are calculated by the liability method, which consists of adjusting deferred taxes recognised in prior periods for the effect of any enacted changes in the income tax rate.
The Group reviews the probability of deferred tax assets being recovered on a periodic basis for each tax entity. This review may, if necessary, lead to the derecognition of deferred tax assets recognised in prior years. The probability for recovery is assessed based on a tax plan indicating the level of projected taxable profits.
The taxable profit used in the assessment is based on that generally obtained over a five-year period. The assumptions underlying the tax plan are consistent with those used in the medium-term business plans and budgets prepared by Group entities and approved by management.

The French corporate value-added tax (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE) which is based on the value-added reflected in the separate financial statements, is included in "Income tax expense" in the consolidated income statement.

When payments to holders of equity instruments are deductible for tax purposes, the tax effect is recognised by the Group in the income statement.

9.1 Income tax expense

9.1.1 Analysis of income tax expense

(€ millions)	2017			2016		
	France	International	Total	France	International	Total
Current income tax	20	(107)	(87)	(30)	(82)	(112)
Other taxes (CVAE)	(60)	-	(60)	(67)	-	(67)
Deferred taxes	102	(10)	91	129	16	145
Total income tax benefit (expense) recorded in the income statement	**61**	**(117)**	**(56)**	**32**	**(66)**	**(34)**
Income tax on items recognised in "Other comprehensive income" (Note 12.6.2)	**19**	**2**	**21**	-	(17)	(16)
Income tax on items recognised in equity	**3**	**-**	**3**	-	(26)	(26)

9.1.2 Tax proof

(€ millions)	2017		2016	
Profit before tax	**316**		**50**	
Theoretical income tax expense (i)	**(109)**	**-34.43%**	**(17)**	**-34.43%**
Reconciliation of theoretical income tax expense to actual income tax expense				
Impact of differences in foreign tax rates	**18**	**5.6%**	4	7.5%
Recognition of previously unrecognised tax benefits on tax losses and other deductible temporary differences (ii)	**32**	**10.1%**	4	8.0%
Unrecognised deferred tax assets/valuation allowances on recognised deferred tax assets on tax loss carryforwards or other deductible temporary differences (iii)	**(55)**	**-17.4%**	(47)	-95.3%
Reduction in standard French tax rate (iv)	**13**	**4.2%**	51	102.0%
CVAE net of income tax	**(40)**	**-12.5%**	(44)	-88.9%
Non-deductible interest expense (v)	**(21)**	**-6.5%**	(16)	-31.4%
Non-taxable CICE tax credits (vi)	**36**	**11.3%**	33	66.6%
3% surtax on distributed earnings (vii)	**54**	**17.0%**	(16)	-31.8%
Deductible interest on deeply subordinated perpetual bonds	**17**	**5.5%**	17	34.1%
Taxation of Mercialys shares (viii)	**13**	**4.1%**	(21)	-41.9%
Other	**(15)**	**-4.6%**	18	36.4%
Actual income tax expense/Effective tax rate	**(56)**	**-17.7%**	**(34)**	**-69.2%**

(i) The reconciliation of the effective tax rate paid by the Group is based on the current French rate of 34.43%, unchanged from 2016.

(ii) Following the review of earnings outlooks and tax options implemented at Ségisor (French holding company for the voting shares of its Brazilian subsidiary), tax loss carryforwards in an amount of €153 million were recognised, giving rise to deferred tax assets of €44 million. After taking into account profit for the year, deferred tax assets stand at €34 million at 31 December 2017.

(iii) In 2017, this concerned the E-commerce segment for €32 million and the Latam Retail segment for €19 million. In 2016, this concerned the E-commerce segment (mainly Cdiscount France) for €48 million.

(iv) Following adoption on 21 December 2017 of the 2018 Finance Act providing for a gradual reduction in the French corporate tax rate, deferred taxes have been remeasured at the tax rate that is expected to apply when the temporary differences reverse, i.e. 25.825% in 2022. This change had a positive impact on deferred taxes of €13 million.

(v) Tax laws in some countries cap the deductibility of interest paid by companies. In France, since the 2012 amended Finance Act, companies are required to add back 25% of interest expense to their taxable profit. The resulting income tax amounts disclosed for the periods presented mainly concern French entities.

(vi) See Note 6.3.

(vii) In 2017, the Group recorded a tax benefit of €60 million corresponding to a refund of the tax on distributed earnings received from the French State at the end of the year.

(viii) A deferred tax expense of €10 million has been recorded in 2017 on the taxable temporary difference between the carrying amount of Mercialys shares and their tax basis, in accordance with IAS 12 (excluding the effect of the gradual reduction of the tax rate resulting from the 2018 Finance Act, see (iv) above). This deferred tax liability was reduced at the year-end to take into account the tax rate that is expected to apply when the temporary difference reverses, leading to the recognition of a deferred tax benefit of €23 million in 2017.

9.2 Deferred taxes

9.2.1 Change in deferred tax assets

(€ millions)	2017	2016 (i)
As at 1 January	**687**	**529**
(Expense)/benefit for the year	**(158)**	(39)
Impact of changes in scope of consolidation	**2**	(18)
IFRS 5 reclassifications	**-**	141
Effect of movements in exchange rates and other reclassifications	**(32)**	86
Changes in deferred tax assets recognised directly in equity	**24**	(13)
As at 31 December	**523**	**687**

(i) Opening and closing balances in 2016 have been adjusted by €39 million and €91 million respectively, to reflect the reclassification of tax credits for philanthropic spending in France, from current tax receivables to deferred tax assets.

The net tax expense / income of deferred tax liabilities (Note 9.2.2) of discontinued operations was respectively -€46 million (income) in 2017 and €14 million (expense) in 2016.

9.2.2 Change in deferred tax liabilities

(€ millions)	2017	2016
As at 1 January	**1,094**	**1,225**
Expense/(benefit) for the year	**(295)**	(169)
Impact of changes in scope of consolidation	**1**	(54)
IFRS 5 reclassifications	**-**	(38)
Effect of movements in exchange rates and other reclassifications	**(74)**	135
Changes in deferred tax liabilities recognised directly in equity	**(2)**	(4)
As at 31 December	**725**	**1,094**

9.2.3 Deferred tax assets and liabilities by source

(€ millions)	Notes	Net	
		31 December 2017	31 December 2016
Intangible assets		**(710)**	(845)
Property, plant and equipment		**(318)**	(241)
of which finance leases		***(30)***	*(9)*
Inventories		**31**	17
Financial instruments		**70**	164
Other assets		**(85)**	(114)
Provisions		**205**	108
Regulated provisions		**(141)**	(162)
Other liabilities		**63**	54
of which finance lease liabilities		***2***	*(4)*
Tax loss carryforwards and tax credits		**683**	610
Net deferred tax assets (liabilities)		**(202)**	**(408)**
Deferred tax assets recognised in the statement of financial position	9.2.1	**523**	687
Deferred tax liabilities recognised in the statement of financial position	9.2.2	**725**	1,094
Net		**(202)**	**(408)**

The tax saving realised by the Casino, Guichard-Perrachon tax group amounted to €243 million in 2017 (2016: €280 million).

Recognised tax loss carryforwards and tax credits mainly concern the Casino Guichard-Perrachon, Éxito and GPA tax groups. The corresponding deferred tax assets have been recognised in the statement of financial position as their utilisation is considered probable in view of the forecast future taxable profits of the companies concerned. At 31 December 2017, deferred tax assets amount to €471 million for Casino, Guichard-Perrachon, €68 million for Éxito and €50 million for GPA. These amounts are expected to be recovered by 2025 for Casino, Guichard-Perrachon, 2021 for Éxito and 2022 for GPA.

9.2.4 Unrecognised deferred tax assets

As at 31 December 2017, unrecognised deferred tax assets for tax loss carryforwards amount to €501 million, representing an unrecognised deferred tax effect of €133 million (31 December 2016: €522 million, representing an unrecognised deferred tax effect of €150 million). The loss carryforwards mainly concern Cdiscount, the Franprix-Leader Price sub-group and Wilkes.

Expiry dates of unrecognised tax loss carryforwards

(€ millions)	31 December 2017	31 December 2016
Within one year	**1**	2
In one to two years	**-**	-
In two to three years	**-**	-
In more than three years	**3**	5
Without expiry date	**130**	143
Total	**133**	**150**

Note 10 Intangible assets, property, plant and equipment, and investment property

Accounting principle

The cost of non-current assets corresponds to their purchase cost plus transaction expenses including tax. For intangible assets, property, plant and equipment, and investment property, these expenses are added to the assets' carrying amount and follow the same accounting treatment.

10.1 Goodwill

Accounting principle

At the acquisition date, goodwill is measured in accordance with the accounting principle applicable to "Business combinations", described in Note 3. It is allocated to the cash generating unit or groups of cash generating units that benefit from the synergies of the combination, based on the level at which the return on investment is monitored for internal management purposes. Goodwill is not amortised. It is tested for impairment at each year-end, or whenever events or a change of circumstances indicate that it may be impaired. Impairment losses on goodwill are not reversible. The methods used by the Group to test goodwill for impairment are described in the "Impairment of non-current assets" section in Note 10.5. Negative goodwill is recognised directly in the income statement for the period of the business combination, once the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities have been verified.

10.1.1 Breakdown by business line and geographical area

(€ millions)	31 December 2017 Net	31 December 2016 Net
France Retail	**5,594**	**5,670**
Hypermarkets, supermarkets and convenience stores	*1,451*	*1,481*
Franprix-Leader Price	*2,606*	*2,651*
Monoprix	*1,301*	*1,301*
Indian Ocean	*176*	*176*
Other	*61*	*61*
E-commerce (France)	**59**	**56**
Latam Retail	**3,378**	**3,869**
Argentina	*8*	*11*
Brazil (GPA Food)	*2,531*	*2,932*
Colombia	*521*	*573*
Uruguay	*318*	*354*
Casino Group	**9,031**	**9,595**

10.1.2 Movements for the year

(€ millions)	2017	2016
Carrying amount as at 1 January	**9,595**	**10,351**
Goodwill recognised during the year (i)	**41**	113
Impairment losses recognised during the year	**(5)**	(2)
Goodwill written off on disposals (ii)	**(15)**	(791)
Effect of movements in exchange rates	**(506)**	856
IFRS 5 reclassifications (iii)	**(70)**	(903)
Other reclassifications and movements	**(8)**	(30)
Carrying amount as at 31 December	**9,031**	**9,595**

(ii) The €41 million increase in goodwill as at 31 December 2017 mainly reflects goodwill of €32 million recognised on the acquisition of various controlling interests by Franprix-Leader Price (Note 3.1.2). The €113 million increase as at 31 December 2016 was attributable to the acquisition of control of Geimex (Note 3.2.6) for €69 million and to acquisitions of controlling interests by Franprix-Leader Price for €35 million (Note 3.2.4).
(iii) In 2016, goodwill written off on disposals mainly concerned operations in Thailand.
(iv) Goodwill reclassified as "Assets held for sale" in 2016 mainly concerned Via Varejo.

10.2 Other intangible assets

Accounting principle

Intangible assets acquired separately by the Group are initially recognised at cost and those acquired in business combinations are initially recognised at fair value. Intangible assets consist mainly of purchased software, software developed for internal use, trademarks, patents and lease premiums. Trademarks that are created and developed internally are not recognised in the statement of financial position. Intangible assets are amortised on a straight-line basis over their estimated useful lives, as determined separately for each asset category. Capitalised development costs are amortised over three years and software over three to ten years. Indefinite life intangible assets (including lease premiums and purchased trademarks) are not amortised, but are tested for impairment at each year-end or whenever there is an indication that their carrying amount may not be recovered.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an asset is determined as the difference between the net sale proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss ("Other operating income and expenses") when the asset is derecognised.

Residual values, useful lives and amortisation methods are reviewed at each year-end and revised prospectively if necessary.

10.2.1 Breakdown of other intangible assets

(€ millions)	31 December 2017			31 December 2016		
	Gross amount	Accumulated amortisation and impairment	Net	Gross amount	Accumulated amortisation and impairment	Net
Concessions, trademarks, licences and banners	**1,652**	**(33)**	**1,618**	1,812	(34)	1,777
Lease premiums	**725**	**(17)**	**708**	789	(23)	766
Software	**1,160**	**(766)**	**394**	1,117	(695)	423
Other	**207**	**(48)**	**160**	195	(53)	142
Intangible assets	**3,743**	**(864)**	**2,879**	**3,913**	**(804)**	**3,109**

10.2.2 Movements for the year

(€ millions)	Concessions, trademarks, licences and banners	Lease premiums	Software	Other intangible assets	Total
As at 1 January 2016	**2,083**	**907**	**466**	**167**	**3,622**
Changes in scope of consolidation	-	(7)	(7)	(2)	(15)
Additions and acquisitions	1	5	109	84	198
Assets disposed of during the year	(1)	(14)	(6)	(1)	(22)
Amortisation for the year	(2)	(1)	(113)	(21)	(136)
Impairment (losses)/reversals, net	-	(4)	(11)	-	(15)
Effect of movements in exchange rates	351	114	65	18	548
IFRS 5 reclassifications	(656)	(223)	(112)	(82)	(1,072)
Other reclassifications and movements	1	(11)	31	(21)	-
As at 31 December 2016	**1,777**	**766**	**423**	**142**	**3,109**
Changes in scope of consolidation	**-**	**-**	**1**	**(1)**	**-**
Additions and acquisitions	**1**	**12**	**77**	**93**	**183**
Assets disposed of during the year	**-**	**(17)**	**-**	**(1)**	**(19)**
Amortisation for the year	**(2)**	**-**	**(110)**	**(9)**	**(122)**
Impairment (losses)/reversals, net	**-**	**5**	**(17)**	**-**	**(11)**
Effect of movements in exchange rates	**(158)**	**(46)**	**(30)**	**(2)**	**(236)**
IFRS 5 reclassifications	**-**	**(5)**	**-**	**-**	**(5)**
Other reclassifications and movements	**-**	**(6)**	**50**	**(63)**	**(19)**
As at 31 December 2017	**1,618** (i)	**708**	**394**	**160**	**2,879**

(i) Including trademarks for €1,613 million.

Internally-generated intangible assets (mainly information systems developments) represented €35 million in 2017 (2016: €31 million).

Intangible assets as at 31 December 2017 include trademarks and lease premiums with an indefinite life, carried in the statement of financial position for €1,613 million and €708 million respectively. These assets are allocated to the following groups of CGUs:

(€ millions)	31 December 2017	31 December 2016
Latam Retail	**1,330**	**1,533**
of which Brazil (GPA Food) [(i)]	***1,135***	*1,313*
of which Colombia	***164***	*185*
of which Uruguay	***31***	*34*
France Retail	**987**	**1,000**
of which Casino France	***67***	*73*
of which Franprix-Leader Price	***54***	*60*
of which Monoprix [(i)]	***860***	*861*
E-commerce	**4**	**4**

(i) Trademarks and lease premiums are allocated to the following GPA Food banners in Brazil and Monoprix banners in France:

(€ millions)	31 December 2017		31 December 2016	
	Trademarks	Lease premiums	Trademarks	Lease premiums
GPA Food	**842**	**293**	**975**	**338**
Pão de Açúcar	262	91	304	105
Extra	452	179	523	220
Assaí	128	22	148	11
Other	-	2	-	2
Monoprix	**572**	**289**	**572**	**289**
Monoprix	552	265	552	268
Naturalia	14	24	14	20
Monshowroom	6	-	6	-

Intangible assets were tested for impairment as at 31 December 2017 using the method described in Note 10.5 "Impairment of non-current assets". The test results are presented in the same note.

10.3 Property, plant and equipment

Accounting principle

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.
Subsequent expenditures are recognised in assets if they satisfy the recognition criteria of IAS 16. The Group examines these criteria before incurring the expenditure.

Land is not depreciated. All other items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives for each category of assets, with generally no residual value. The main useful lives are as follows:

Asset category	Depreciation period (years)
Land	-
Buildings (structure)	50
Roof waterproofing	15
Fire protection of the building structure	25
Land improvements	10 to 40
Building fixtures and fittings	5 to 20
Technical installations, machinery and equipment	5 to 20
Computer equipment	3 to 5

"Roof waterproofing" and "Fire protection of the building structure" are classified as separate items of property, plant and equipment only when they are installed during major renovation projects. In all other cases, they are included in the "Building (structure)" category.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from derecognition of an asset is determined as the difference between the net sale proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss ("Other operating income and expenses") when the asset is derecognised.

Residual values, useful lives and depreciation methods are reviewed at each year-end and revised prospectively if necessary.

10.3.1 Breakdown of property, plant and equipment

(€ millions)	31 December 2017 Gross amount	Accumulated depreciation and impairment	Net	31 December 2016 Gross amount	Accumulated depreciation and impairment	Net
Land and land improvements	**1,932**	**(93)**	**1,839**	2,133	(95)	2,038
Buildings, fixtures and fittings	**4,479**	**(1,686)**	**2,794**	5,085	(1,851)	3,234
Other	**7,407**	**(4,750)**	**2,657**	7,599	(4,748)	2,851
Property, plant and equipment	**13,818**	**(6,529)**	**7,289**	**14,816**	**(6,694)**	**8,123**

10.3.2 Movements for the year

(€ millions)	Land and land improvements	Buildings, fixtures and fittings	Other	Total
As at 1 January 2016	**2,103**	**3,546**	**3,120**	**8,769**
Changes in scope of consolidation [(i)]	(174)	(466)	(150)	(790)
Additions and acquisitions	50	134	783	967
Assets disposed of during the year	(33)	(77)	(176)	(285)
Depreciation for the year	(5)	(164)	(431)	(600)
Impairment (losses)/reversals, net	(2)	(9)	(87)	(98)
Effect of movements in exchange rates	125	397	227	749
IFRS 5 reclassifications	(24)	(211)	(216)	(452)
Other reclassifications and movements [(ii)]	(2)	84	(220)	(138)
As at 31 December 2016	**2,038**	**3,234**	**2,851**	**8,123**
Changes in scope of consolidation	**-**	**-**	**-**	**(1)**
Additions and acquisitions	**40**	**162**	**729**	**931**
Assets disposed of during the year	**(17)**	**(105)**	**(126)**	**(249)**
Depreciation for the year	**(4)**	**(148)**	**(400)**	**(553)**
Impairment (losses)/reversals, net	**1**	**(30)**	**(25)**	**(54)**
Effect of movements in exchange rates	**(99)**	**(278)**	**(141)**	**(518)**
IFRS 5 reclassifications	**(80)**	**(188)**	**(42)**	**(310)**
Other reclassifications and movements [(ii) (iii)]	**(39)**	**148**	**(189)**	**(80)**
As at 31 December 2017	**1,839**	**2,794**	**2,657**	**7,289**

(i) In 2016, mainly reflected the disposal of the Group's operations in Thailand.
(ii) Primarily a €59 million decrease concerning the property development business in 2017 (2016: €56 million decrease).
(iii) Including €39 million worth of property, plant and equipment in Colombia reclassified as investment property in 2017.

Property, plant and equipment were tested for impairment as at 31 December 2017 using the method described in Note 10.5 "Impairment of non-current assets." The test results are presented in the same note.

10.3.3 Capitalised borrowing costs

Accounting principle

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (typically more than six months) are capitalised in the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds.

Interest capitalised in 2017 amounted to €14 million, reflecting an average interest rate of 7.7% (2016: €15 million at an average rate of 8.4%). The decrease in the capitalised amount in 2017 compared to the prior year concerned operations in Argentina.

10.4 Investment property

Accounting principle

Investment property is property held by the Group to earn rental revenue or for capital appreciation or both. The shopping malls owned by the Group are classified as investment property.

Subsequent to initial recognition, they are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Their fair value is disclosed in the notes to the consolidated financial statements. Investment property is depreciated over the same useful life and according to the same rules as owner-occupied property.

10.4.1 Breakdown of investment property

(€ millions)	31 December 2017			31 December 2016		
	Gross amount	Accumulated depreciation and impairment	Net	Gross amount	Accumulated depreciation and impairment	Net
Investment property	**534**	**(73)**	**460**	**473**	**(62)**	**411**

10.4.2 Movements for the year

(€ millions)	2017	2016
As at 1 January	**411**	**771**
Changes in scope of consolidation (i)	**1**	(427)
Additions and separately acquired assets	**130**	79
Assets disposed of during the year	**(1)**	-
Depreciation for the year	**(12)**	(10)
Impairment (losses)/reversals, net	**(6)**	-
Effect of movements in exchange rates	**(50)**	26
IFRS 5 reclassifications	**(42)**	-
Other reclassifications and movements (ii)	**29**	(28)
As at 31 December	**460**	**411**

(i) In 2016, this corresponds to the disposal of the Group's operations in Thailand.
(ii) Including €39 million worth of property, plant and equipment in Colombia reclassified as investment property in 2017.

As at 31 December 2017, investment property totalled €460 million, of which 70% (€321 million) concerned Éxito. Investment property as at 31 December 2016 amounted to €411 million, of which 65% concerned Éxito.

Amounts recognised in the income statement in respect of rental revenue and operating expenses on investment properties were as follows:

(€ millions)	2017	2016
Rental revenue from investment properties	**100**	65
Directly attributable operating expenses on investment properties		
- that generated rental revenue during the year	**(21)**	(18)
- that did not generate rental revenue during the year	**(27)**	(14)

FAIR VALUE OF INVESTMENT PROPERTY

The main investment properties as at 31 December 2017 were held by Éxito.
As at 31 December 2017, the fair value of investment property was €798 million (31 December 2016: €644 million). For most investment properties, fair value is determined on the basis of valuations carried out by independent external appraisers. In accordance with international valuation standards, they are based on market value as confirmed by market indicators, representing a level 3 fair value input.
The fair value of investment property classified as “Assets held for sale” amounted to €56 million as at 31 December 2017 and concerned the France Retail segment.

10.5 Impairment of non-current assets

Accounting principle

The procedure to be followed to ensure that the carrying amount of assets does not exceed their recoverable amount (recovered by use or sale) is defined in IAS 36.
Intangible assets and property, plant and equipment are tested for impairment whenever there is an indication that their carrying amount may not be recoverable and at least annually, at the end of the year, for goodwill and intangible assets with an indefinite useful life.

Cash Generating Units (CGUs)
A cash generating unit is the smallest identifiable group of assets that includes the asset and that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
The Group has defined its cash generating units as follows:
- for hypermarkets, supermarkets and discount stores, each store is treated as a separate CGU;
- for other networks, each network represents a separate CGU.

Impairment indicators
Apart from the external sources of data monitored by the Group (economic environment, market value of the assets, etc.), the impairment indicators used are based on the nature of the assets:
- land and buildings: loss of rent or early termination of a lease;
- operating assets related to the business (assets of the CGU): ratio of net carrying amount of store assets divided by sales (including VAT) higher than a defined level determined separately for each store category;
- assets allocated to administrative activities (headquarters and warehouses): site closure or obsolescence of equipment used at the site.

Recoverable amount
The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. It is generally determined separately for each asset. When this is not possible, the recoverable amount of the group of CGUs to which the asset belongs is used.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In the retail industry, fair value less costs to sell is generally determined on the basis of a sales or EBITDA multiple.

Value in use is the present value of the future cash flows expected to be derived from continuing use of an asset plus a terminal value. It is determined internally or by external experts on the basis of:
- cash flow projections contained usually in business plans covering three years. Cash flows beyond this projection period are usually estimated over a period of three years by applying a growth rate as determined by Management (generally constant);
- a terminal value determined by applying a perpetual growth rate to the final year's cash flow projection.

The cash flows and terminal value are discounted at long-term after-tax market rates reflecting market estimates of the time value of money and the specific risks associated with the asset.

Impairment losses
An impairment loss is recognised when the carrying amount of an asset or the CGU to which it belongs is greater than its recoverable amount. Impairment losses are recorded as an expense under "Other operating income and expenses".

Impairment losses recognised in a prior period are reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. However, the increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment losses on goodwill cannot be reversed.

10.5.1 Movements for the year

Impairment losses recognised in 2017 on goodwill, intangible assets, property, plant and equipment and investment property totalled €76 million (Note 6.5), of which €11 million arose from restructuring operations (mainly in the France Retail segment) and €63 million corresponded to write-downs of individual assets (mainly in the France Retail segment for €34 million and the Latam Retail segment for €28 million).

Following the tests carried out in 2016, impairment losses totalling €115 million had been recognised on goodwill, intangible assets and property, plant and equipment, of which €58 million arose from restructuring operations mainly in the France Retail segment and €49 million corresponded to write-downs of individual assets (primarily in the France Retail and E-commerce segments).

10.5.2 Goodwill impairment losses

Annual impairment testing consists of determining the recoverable amounts of the cash generating unit (CGU) or groups of CGUs to which the goodwill is allocated and comparing them with the carrying amounts of the relevant assets. Goodwill arising on the initial acquisition of networks is allocated to the groups of CGUs in accordance with the classifications presented in Note 10.1.1. Some goodwill may also occasionally be allocated directly to CGUs.

Annual impairment testing consists of determining the recoverable amount of each CGU based on value in use, in accordance with the principles described in Note 10.1. Value in use is determined by the discounted cash flows method, based on after-tax cash flows and using the following rates.

Assumptions used in 2017 for internal calculations of values in use

Region	2017 perpetual growth rate (i)	2017 after-tax discount rate (ii)	2016 perpetual growth rate (i)	2016 after-tax discount rate (ii)
France (retail) (iii)	**1.8%**	**5.6%**	1.7%	5.6%
France (other businesses) (iii)	**1.8% and 2.3%**	**5.6% and 7.0%**	1.7% and 2.2%	5.6% and 7.2%
Argentina	**8.8%**	**15.5%**	8.5%	17.1%
Brazil (iv)	**5.5%**	**9.9%**	6.0%	12.4% and 11.6% (vi)
Colombia (iv)	**3.0%**	**8.8%**	3.0%	8.9%
Uruguay	**6.1%**	**11.8%**	6.6%	13.2%
Indian Ocean (v)	**1.8% to 5.0%**	**5.6% to 14.8%**	1.7% to 5.5%	5.6% to 14.2%

(i) The inflation-adjusted perpetual growth rate ranges from 0% to 1.5% depending on the nature of the CGU's business/banner and country.

(ii) The discount rate corresponds to the weighted average cost of capital (WACC) for each country. WACC is calculated at least once a year during the annual impairment testing by taking account of the sector's levered beta, a market risk premium and the Group's cost of debt.

(iii) In France, the discount rate also takes account of the CGU's type of business/banner and the associated operational risks.

(iv) As at 31 December 2017, the market capitalisation of the listed subsidiaries GPA, Éxito and Cnova was €5,296 million, €2,073 million and €1,516 million, respectively. With the exception of Cnova, these market capitalisations were less than the carrying amount of the subsidiaries' net assets. Impairment tests on GPA and Éxito goodwill were performed based on their value in use (see below).

(v) The Indian Ocean region includes Reunion, Mayotte, Madagascar and Mauritius. The discount rates used reflect the risks inherent in each of these regions.

(vi) The discount rate applied to cash flows is 12.4% for the three-year business plan period and 11.6% beyond to take into account inflation and interest rate assumptions for the projection period.

No impairment loss was recognised as at 31 December 2017 from the annual goodwill impairment test conducted at the end of the year. However, an impairment loss of €5 million was recognised during the year on goodwill allocated to an isolated CGU.

With the exception of Franprix-Leader Price, in view of the positive difference between value in use and carrying amount, the Group believes that on the basis of reasonably foreseeable events, any changes in the key assumptions set out above would not lead to the recognition of an impairment loss. The Group considers reasonably foreseeable changes in key assumptions to be a 100-basis point increase in the discount rate or a 25-basis point decrease in the perpetual growth rate used to calculate terminal value or a 50-basis point decrease in the EBITDA margin for the cash flow projection used to calculate the terminal value.

The recoverable amount of the Franprix-Leader Price CGU was determined by reference to its value in use, calculated from cash flow projections based on three-year financial budgets approved by executive management, extrapolation of projections over a period of three years and a 5.6% discount rate (2016: 5.6%).

The cash flow projections for the budget period were based on the following assumptions:
- deployment of the new concept at Leader Price
- ongoing deployment of a banner strategy based on a balance between integrated management stores and franchisees
- restoration of the two banners' profitability (EBITDA margins) to a rate in line with the historical average, led by larger product volumes and optimised store and upstream function cost bases

Management believes that a change in a key assumption could result in a carrying amount greater than the recoverable amount. The table below shows the individual change in each of the key assumptions that would be required for the estimated recoverable amount of the Franprix-Leader Price CGU to be the same as its carrying amount (including €2,536 million in goodwill).

Change required for the Franprix-Leader Price CGU's carrying amount to be the same as its recoverable amount	31 December 2017 (i)	31 December 2016
After-tax discount rate (5.6%)	**+90 bps**	+100 bps
Perpetual growth rate net of inflation (0%)	**-110 bps**	-120 bps
EBITDA margin used for the annual cash flow projection	**-125 bps**	-120 bps

(i) A reasonable 100-bps increase in the discount rate, and/or a 50-bps decrease in the EBITDA margin used for the cash flow projection, would result in the carrying amount of the Franprix-Leader Price CGU exceeding its recoverable amount by between €0 and €300 million.

10.5.3 Trademark impairment losses

The recoverable amounts of trademarks were estimated at the year-end using the "discounted cash flows" method. The main trademarks concern GPA. The Extra banner's trademark (representing a carrying amount of €452 million as at 31 December 2017) is the most exposed to a risk of impairment. However, the tests carried out as at 31 December 2017 did not reveal any evidence that the trademark's carrying amount might not be recoverable.

The table below shows the individual change in each of the key assumptions that would be required for the estimated recoverable amount of the Extra trademark to be the same as its carrying amount:

Change required for the Extra trademark's carrying amount to be the same as its recoverable amount	31 December 2017 (i)
After-tax discount rate (9.9%)	**+180 bps**
Perpetual growth rate net of inflation (1.5%)	**-315 bps**
EBITDA margin used for the annual cash flow projection	**-165 bps**

(i) A reasonable 100-bps increase in the discount rate, combined with a 50-bps decrease in the EBITDA margin used for the cash flow projection and a 25-bps decrease in the perpetual growth rate, would result in the carrying amount of the Extra CGU (including the trademark) exceeding its recoverable amount by approximately €60 million.

Note 11 Financial structure and finance costs

Accounting principle

Financial assets

All financial assets are initially recognised at fair value.

Financial assets are classified as current if they are due in less than one year at the closing date and non-current if they are due in more than one year.

The Group does not own any financial assets qualified as held-to-maturity financial assets.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset is classified as a financial asset at fair value through profit or loss if it is classified as held for trading or designated as such on initial recognition. These assets are initially recognised at fair value and any subsequent changes in fair value, taking into account interest and dividends, are recorded in profit or loss.
The Group can thus designate its short-term investments at fair value on initial recognition.

LOANS AND RECEIVABLES

Loans and receivables are financial assets issued or acquired by the Group in exchange for cash, goods or services that are paid, delivered or rendered to a debtor. They are measured at amortised cost using the effective interest method. Long-term loans and receivables that are not interest-bearing or that bear interest at a below-market rate are discounted when the amounts involved are material. Any impairment loss is recognised in the income statement.
This category primarily includes trade receivables, liquid assets as well as other loans and receivables.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets correspond to all other financial assets. They are measured at fair value. Gains and losses arising from re-measurement at fair value are recognised in other comprehensive income until the asset is sold, collected or otherwise disposed of or until there is evidence of material or other-than-temporary impairment of the asset. In these cases, gains and losses that were previously recognised in other comprehensive income are reclassified to the income statement.
Impairment losses on available-for-sale equity instruments are irreversible and any subsequent increase in fair value is recognised directly in other comprehensive income.
Any subsequent increase in fair value of available-for-sale debt instruments is recognised in the income statement to the extent of the impairment loss previously recognised in the income statement.
This category mainly comprises investments in non-consolidated companies.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and short-term investments.
To be classified as cash equivalents under IAS 7, investments must be :

- short-term investments;
- highly liquid investments;
- readily convertible to known amounts of cash;
- subject to an insignificant risk of changes in value.

Usually, the Group uses interest bearing bank accounts or term deposits of less than three months.

DERECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognised in the following two cases:

- the contractual rights to the cash flows from the financial asset have expired; or,
- the contractual rights have been transferred. In this latter case:
  - if substantially all the risks and rewards of ownership of the financial asset have been transferred, the asset is derecognised in full;
  - if substantially all the risks and rewards of ownership are retained by the Group, the financial asset continues to be recognised in the statement of financial position for its total amount.

The Group has set up receivables discounting programmes with banks. These programmes generally meet the conditions for derecognition of financial assets under IAS 39 described above. The Group considers as insignificant the risk of discounted receivables being cancelled by credit notes or being set off against liabilities. The main receivables discounting programmes relate to GPA. The programmes are set up with banks and credit card issuers and correspond for the most part to sales of credit card receivables (in Brazil, it takes several weeks for vendors to receive settlement of credit card transactions). The contract terms do not include any rights of subrogation or related obligations and the risks and rewards of ownership of the receivables are transferred to the bank or credit card issuer which controls them.
The other receivables discounting programmes have been set up in France and relate to trade and tax receivables; risks and rewards of ownership of those receivables are also transferred to the bank.

Financial liabilities

Financial liabilities are classified as current if they are due in less than one year at the closing date and non-current if they are due in more than one year.

Financial liabilities recognised at amortised cost

Borrowings and other financial liabilities at amortised cost are initially measured at the fair value of the consideration received, and subsequently at amortised cost, using the effective interest method. Transaction costs and issue and redemption premiums directly attributable to the acquisition or issue of a financial liability are deducted from the liability's carrying amount. The costs are then amortised over the life of the liability by the effective interest method.
Within the Group, some loans and other financial liabilities at amortised cost are hedged.

Several subsidiaries have set up reverse factoring programmes with financial institutions to enable their suppliers to collect receivables more quickly in the ordinary course of the purchasing process.
The accounting policy for these transactions depends on whether or not the characteristics of the liabilities concerned have been changed. For example, when trade payables are not substantially modified (term and due date, consideration, face value) they continue to be recorded under "Trade payables". Otherwise, they are qualified as financing transactions and included in financial liabilities under "Trade payables – structured programme".

Financial liabilities at fair value through profit or loss

These are financial liabilities intended to be held on a short-term basis for trading purposes. They are measured at fair value and gains and losses arising from remeasurement at fair value are recognised in the income statement. The Group does not recognise any financial liabilities at fair value through profit or loss.
The accounting treatment of put options granted to owners of non-controlling interests ("NCI puts") is described in Note 3.4.1.

Derivative instruments

All derivative instruments are recognised in the statement of financial position and measured at fair value.

Derivative financial instruments that qualify for hedge accounting: recognition and presentation

In accordance with IAS 39, the Group applies hedge accounting to:

- fair value hedges (for example, swaps to convert fixed rate debt to variable rate). In this case, the debt is recognised at fair value up to the amount of the hedged risk and any change in fair value is recognised in profit or loss. Gains and losses arising from remeasurement at fair value of the derivative are also recognised in profit or loss. If the hedge is entirely effective, the loss or gain on the hedged debt is offset by the gain or loss on the derivative;
- cash flow hedges (for example, swaps to convert floating rate debt to fixed rate or to change the borrowing currency, and hedges of budgeted purchases billed in a foreign currency). For these hedges, the ineffective portion of the change in the fair value of the derivative is recognised in profit and loss and the effective portion is recognised in other comprehensive income and subsequently reclassified to profit or loss on a symmetrical basis with the hedged cash flows in terms of both timing and classification (i.e. in trading profit for hedges of operating cash flows and in net financial income and expense for other hedges);
- hedges of net investments in foreign operations. For these hedges, the effective portion of the change in fair value attributable to the hedged foreign currency risk is recognised net of tax in other comprehensive income and the ineffective portion is recognised directly in financial income or expense. Gains or losses accumulated in other comprehensive income are reclassified to profit or loss on the date of liquidation or disposal of the net investment.

Hedge accounting may only be used if:

- the hedging relationship is clearly defined and documented at inception; and
- the effectiveness of the hedge can be demonstrated at inception and throughout its life.

Derivative financial instruments that do not qualify for hedge accounting: recognition and presentation

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, successive changes in its fair value are recognised directly in profit or loss for the period under "Other financial income and expenses".

Definition of net debt

Net debt corresponds to loans and other borrowings including derivatives designed as fair value hedge (liabilities) and trade payables – structured programme, less (i) cash and cash equivalents, (ii) financial assets held for cash management purposes and as short-term investments, (iii) derivatives designated as fair value hedge (assets), (iv) financial assets arising from a significant disposal of non-current assets and (v) net assets held for sale attributable to owners of the parent of the selling subsidiary.

11.1 Net cash and cash equivalents

(€ millions)	31 December 2017	31 December 2016
Cash equivalents	**1,531**	2,429
Cash	**1,860**	3,321
Cash and cash equivalents	**3,391**	**5,750**
Bank overdrafts (Note 11.2.4)	**(154)**	(136)
Net cash and cash equivalents	**3,236**	**5,614**

As at 31 December 2017, cash and cash equivalents were not subject to any material restrictions, except for the €24 million placed in escrow in connection with the class action against Cnova N.V. (Note 13.3). Bank guarantees are presented in Note 6.11.1.

11.2 Financial liabilities

11.2.1 Breakdown of financial liabilities

Financial liabilities amounted to €8,722 million as at 31 December 2017 (31 December 2016: €10,215 million), breaking down as follows:

(€ millions)	Notes	31 December 2017			31 December 2016		
		Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds (i)	11.2.3	**6,008**	**498**	**6,506**	6,165	804	6,969
Other borrowings and financial liabilities	11.2.4	**1,164**	**956**	**2,120**	1,479	1,601	3,080
Finance lease liabilities	7.5	**47**	**17**	**65**	63	16	79
Fair value hedges – liabilities (ii)	11.5.1	**10**	**22**	**32**	26	61	87
Financial liabilities		**7,229**	**1,493**	**8,722**	**7,733**	**2,482**	**10,215**
Fair value hedges – assets (iii)	11.5.1	**(94)**	**(4)**	**(98)**	(257)	(34)	(291)
Other financial assets	6.8.1	**-**	**(38)**	**(38)**	-	(39)	(39)
Net assets held for sale attributable to owners of the parent of the selling subsidiary	3.5	**-**	**(1,070)**	**(1,070)**	-	(768)	(768)
Cash and cash equivalents	11.1	**-**	**(3,391)**	**(3,391)**	-	(5,750)	(5,750)
Cash and cash equivalents, other financial assets and net assets held for sale		**(94)**	**(4,502)**	**(4,596)**	**(257)**	**(6,591)**	**(6,848)**
NET DEBT		**7,136**	**(3,010)**	**4,126**	**7,476**	**(4,109)**	**3,367**

(i) Of which bond issues totalling €5,757 million in France and €749 million at GPA as at 31 December 2017 (31 December 2016: of which bond issues totalling €6,269 million in France and €700 million at GPA).
(ii) Of which fair value hedges totalling €16 million in Brazil, €10 million in Colombia and €6 million in France as at 31 December 2017 (31 December 2016: €80 million in Brazil, €5 million in Colombia and €3 million in France).
(iii) Of which fair value hedges totalling €89 million in France, €7 million in Brazil and €2 million in Colombia as at 31 December 2017 (31 December 2016: €257 million in France, €31 million in Brazil and €3 million in Colombia).

BREAKDOWN OF NET DEBT BY OPERATING SEGMENT

(€ millions)	31 December 2017				31 December 2016			
	Debt (i)	Cash and cash equivalents	Net assets classified under IFRS 5 attributable to owners of the parent	Net debt	Debt (i)	Cash and cash equivalents	Net assets classified under IFRS 5 attributable to owners of the parent	Net debt
France Retail	**6,022**	**(1,872)**	**(435)**	**3,715**	**6,884**	**(3,614)**	**(70)**	**3,200**
Latam Retail	**2,326**	**(1,475)**	**(7)**	**845**	**2,973**	**(1,939)**	**(1)**	**1,032**
of which GPA Food	*1,147*	*(952)*	*(6)*	*189*	*1,713*	*(1,492)*	*-*	*221*
of which Éxito (ii)	*1,179*	*(522)*	*(1)*	*655*	*1,259*	*(447)*	*(1)*	*810*
Latam Electronics	**-**	**-**	**(628)**	**(628)**	**-**	**-**	**(697)**	**(697)**
E-commerce	**238**	**(44)**	**-**	**194**	**28**	**(196)**	**-**	**(168)**
Total	**8,586**	**(3,391)**	**(1,070)**	**4,126**	**9,885**	**(5,750)**	**(768)**	**3,367**

(i) Financial liabilities net of fair value hedging derivatives assets and other financial assets.
(ii) Éxito excluding GPA, including Argentina and Uruguay.

11.2.2 Change in financial liabilities

(€ millions)	2017	2016
Financial liabilities at beginning of period	***10,215***	*11,735*
Fair value hedges – assets	***(291)***	*(675)*
Financial liabilities at beginning of period (including hedging instruments)	**9,924**	**11,059**
New borrowings (i) (v)	**1,589**	1,577
Repayments of borrowings (ii) (v)	**(2,534)**	(2,826)
Change in fair value of hedged debt	**92**	46
Change in accrued interest	**(109)**	215
Effect of movements in exchange rates	**(352)**	528
Changes in scope of consolidation (iii)	**10**	(534)
Reclassification of financial liabilities associated with non-current assets held for sale	**(17)**	(349)
Other and reclassifications (iv)	**22**	209
Financial liabilities at end of period (including hedging instruments)	**8,625**	**9,924**
Financial liabilities at end of period (Note 11.2.1)	***8,722***	*10,215*
Fair value hedges - assets (Note 11.2.1)	***(98)***	*(291)*

(i) New borrowings in 2017 primarily consisted of the following: (a) a bond issue by GPA for €300 million along with a GPA promissory notes issue in BRL for €222 million and new borrowings for €132 million; (b) drawdowns on lines of credit and new borrowings at Éxito for €216 million and €493 million, respectively; and (c) the impact of the bond exchange in France for €147 million net of transaction costs (Note 2). New borrowings in 2016 mainly included: (a) net increase in negotiable European commercial paper (NEU CP) for €97 million; (b) new borrowings by Éxito for €224 million, by Brazilian subsidiaries for €458 million (including €106 million for GPA and €353 million for Cnova Brazil), and Big C Thailand for €207 million, and (c) a bond issue by GPA for €262 million together with two promissory notes issues for €260 million.
(ii) Repayments of borrowings in 2017 primarily concerned Casino, Guichard-Perrachon for €883 million (including (a) redemption of a €552 million bond issue and (b) the €311 million net change in borrowings under the negotiable European commercial paper program), GPA for €974 million and Éxito for €649 million. In 2016, repayments of borrowings mainly concerned Casino, Guichard-Perrachon for €1,384 million (including (a) €978 million in bond buybacks and (b) redemption of a €386 million bond issue) and GPA for €993 million (including (a) €385 million in settlements of reverse factored trade payables ("structured programme"), (b) €528 million in miscellaneous debt repayments, and (c) €130 million in repayments of promissory notes.
(iii) Including, in 2016, a negative €502 million following the disposal of operations in Thailand and a negative €67 million relating to the disposal of operations in Vietnam (Note 3.5.2).
(iv) Including €238 million in reverse factored trade payables in 2016.
(v) In 2017, cash flows relating of financing activities can be summarised as a net disbursement of €1,450 million; they consist of repayments of borrowings for €2,354 million and net interest paid for €505 million (Note 4.9), offset by new borrowings for €1,589 million.

11.2.3 Breakdown of bonds

(€ millions)	Principal [(i)]	Nominal interest rate [(ii)]	Effective interest rate [(ii)]	Issue date	Maturity date	2017 [(iii)]	2016 [(iii)]
CGP bonds in euros	**5,614**					**5,757**	**6,269**
2017 bonds		F: 4.38	5.27%	February 2010	February 2017	**-**	552
2018 bonds	355	F: 5.73	6.47%	May 2010	November 2018	**361**	527
2019 bonds	697	F: 4.41	4.04%	August 2012 April 2013	August 2019	**714**	884
2020 bonds	540	F: 5.24	5.28%	March 2012	March 2020	**559**	631
2021 bonds	850	F: 5.98	6.38%	May 2011	May 2021	**898**	919
2022 bonds	550	F: 1.87	2.90%	June 2017	June 2022	**523**	-
2023 bonds	758	F: 4.56	4.47%	January 2013 May 2013	January 2023	**811**	833
2024 bonds	900	F: 4.50	5.44%	March 2014	March 2024	**912**	932
2025 bonds	450	F: 3.58	3.62%	December 2014	February 2025	**449**	448
2026 bonds	514	F: 4.05	4.09%	August 2014	August 2026	**530**	543
GPA bonds in BRL	**753**					**749**	**700**
2017 bonds	-	V: 108.0% CDI	V: 108.0% CDI	August 2016	January 2017	**-**	146
2019 bonds	227	V: 107.0% CDI	V: 107.0% CDI	September 2014	September 2019 [(iv)]	**227**	262
2019 bonds	255	V: 97.5% CDI	V: 97.5% CDI	December 2016	December 2019	**255**	291
2020 bonds	272	V: 96.0% CDI	V: 96.0% CDI	April 2017	April 2020	**268**	-
Total bonds						**6,506**	**6,969**

(i) Corresponds to the principal of the bonds outstanding as at 31 December 2017.
(ii) F (Fixed rate) - V (Variable rate) - CDI (*Certificado de Depósito Interbancário*). The effective interest rates on Casino, Guichard-Perrachon bonds do not reflect the possible impact of the remeasurement component relating to fair value hedges.
(iii) The amounts above include the remeasurement component relating to fair value hedges. They are presented excluding accrued interest.
(iv) The repayment of this bond will take place for equal parts in September 2018 and September 2019.

11.2.4 Other borrowings

(€ millions)	Principal	Type of rate	Issue date	Maturity date	2017	2016
France						
Negotiable European commercial paper (Casino Guichard-Perrachon)	210	Fixed	[(i)]	[(i)]	**210**	522
Other Franprix-Leader Price borrowings	72	Variable/Fixed [(ii)]	2010 to 2015	2019 to 2024	**72**	85
Other [(iii)]					**24**	31
International						
GPA	297	Variable [(iv)]/Fixed [(v)]	*January 2012 to September 2017*	*January 2018 to May 2027*	**296**	744
Éxito	1,155	Variable [(iv)]	*August 2015 to December 2017*	*February 2018 to August 2025*	**1,149**	1,241
Bank overdrafts [(vi)]					**154**	136
Accrued interest [(vii)]					**215**	321
Total other borrowings					**2,120**	**3,080**
Of which variable rate					***1,682***	***2,218***

(i) Negotiable European commercial paper (NEUCP) is short-term financing generally with a maturity of less than 12 months.
(ii) Of which fixed-rate loans amounting to €2 million as at 31 December 2017 (31 December 2016: €4 million).
(iii) Of which €15 million concerning Cdiscount (31 December 2016: €17 million).
(iv) Most of GPA and Éxito's variable-rate loans pay interest at rates based on the CDI and IBR, respectively.
(v) Of which fixed-rate loans amounting to €11 million as at 31 December 2017 (31 December 2016: €15 million).
(vi) Overdrafts are mostly in France.
(vii) Accrued interest relates to all financial liabilities including bonds. As at 31 December 2017, this accrued interest primarily concerned Casino, Guichard-Perrachon for €164 million and GPA for €44 million (31 December 2016: Casino, Guichard-Perrachon for €157 million and GPA for €156 million).

CONFIRMED BANK CREDIT LINES 2017

(€ millions)	Interest rate	Expiry date: Within one year	Expiry date: In more than one year	Amount of the facility	Drawdowns
Casino, Guichard-Perrachon syndicated credit lines (i)	Variable (i)	-	1,825	1,825	-
Casino, Guichard-Perrachon bilateral credit lines	Variable (ii)	50	823	873	-
Other confirmed bank credit lines (iv)	Variable (iii)	457	570	1,027	28
Total		**507**	**3,218**	**3,725**	**28**

(i) Syndicated credit lines comprise a €1,200 million line expiring in February 2021 and a USD 750 million line expiring in July 2022 (Note 2). Interest is based on Euribor (drawdowns in euros) or US Libor (drawdowns in US dollars) for the drawdown period plus a spread that depends on the amount borrowed and the Group's net debt/EBITDA ratio.
(ii) Interest on the bilateral credit lines is based on the Euribor for the drawdown period plus a spread. In some cases, the spread varies depending on the amount borrowed (lines totalling €250 million) and/or the Group's net debt/EBITDA ratio (lines totalling €250 million). For one line, the spread is partially indexed to the Group's Sustainalytics CSR rating.
(iii) Interest on the other lines is based on the reference rate (which depends on the borrowing currency) plus a spread. In some cases, the spread varies depending on the subsidiary's net debt/EBITDA ratio (lines totalling €370 million) and/or the amount borrowed (lines totalling €450 million).
(iv) The other confirmed bank credit lines concern Monoprix (€570 million), GPA (€289 million) and Éxito (€168 million).

11.3 Net financial income (expense)

Accounting principle

Net finance costs

Net finance costs correspond to all income and expenses generated by cash and cash equivalents and financial liabilities during the period, including income from cash and cash equivalents, gains and losses on disposals of cash equivalents, interest expense on financial liabilities, gains and losses on interest rate hedges (including the ineffective portion) and related currency effects, and trade payable – structured program costs.

Other financial income and expenses

This item corresponds to financial income and expenses that are not included in net finance costs.

It includes dividends received from non-consolidated companies, non-recourse factoring and associated transaction costs, discounting adjustments (including to provisions for pensions and other post-employment benefit obligations), gains and losses arising from remeasurement at fair value of equity derivatives, and impairment losses and realised gains and losses on financial assets other than cash and cash equivalents. Exchange gains and losses are also recorded under this caption, apart from (i) exchange gains and losses on cash and cash equivalents and financial liabilities, which are presented under net finance costs, and (ii) the effective portion of accounting hedges of operating transactions, which are included in trading profit.

Financial discounts for prompt payments are recognised in financial income for the portion corresponding to the normal market interest rate and as a deduction from cost of goods sold for the supplement.

11.3.1 Net finance costs

(€ millions)	2017	2016
Gains (losses) on disposals of cash equivalents	-	-
Income from cash and cash equivalents	81	110
Income from cash and cash equivalents	**81**	**110**
Interest expense on borrowings after hedging (i)	(439)	(427)
Interest expense on finance lease liabilities	(10)	(8)
Finance costs	**(449)**	**(434)**
Net finance costs	**(367)**	**(324)**

(i) In 2016, income of €13 million was recognised following exercise of the call option on the mandatory convertible bonds issued by Monoprix as well as a €33 million gain as a result of bond buybacks (not including the effect of future interest savings).

11.3.2 Other financial income and expenses

(€ millions)	2017	2016
Investment income	**1**	-
Foreign currency exchange gains (other than on borrowings)	**19**	40
Discounting and accretion adjustments	**2**	2
Gains on remeasurement at fair value of non-hedging derivative instruments (i)	**89**	185
Other	**50**	58
Other financial income	**161**	**286**
Foreign currency exchange losses (other than on borrowings)	**(25)**	(38)
Discounting and accretion adjustments	**(8)**	(12)
Losses on remeasurement at fair value of non-hedging derivative instruments (i)	**(42)**	(116)
Non-recourse factoring and associated transaction costs	**(83)**	(78)
Other	**(81)**	(77)
Other financial expenses	**(239)**	**(321)**
Total other financial income and expenses	**(78)**	**(35)**

(i) The net gain of €47 million on remeasurement at fair value of non-hedging derivative instruments reported in 2017 mainly reflects (a) positive fair value adjustments to the GPA TRS (€32 million) and GPA forward (€51 million), less the cost of carry associated with these instruments (€15 million); and (b) negative fair value adjustments to other derivative instruments (€21 million). In 2016, the net gain of €69 million primarily reflected positive fair value adjustments to the GPA TRS (€30 million), the GPA forward (€15 million) and the Big C Thailand TRS (€23 million) which was unwound during the period.

The total return swap (TRS) and forward contracts on GPA shares are cash-settled instruments. The documentation states that when the contracts expire, the shares will be sold on the market by the banking counterparties, and the Group will receive or pay the difference between the sale proceeds and the amount paid by the counterparties to purchase the shares at the contracts' inception. The Group retains the economic benefits of ownership of the shares (exposure to changes in the subsidiaries' share prices and collection of dividends) but does not have legal title to the shares and cannot exercise the related voting rights. Details of the contracts are as follows:

- In December 2011, the Group entered into a 2.5-year TRS with a financial institution on 7.9 million GPA American Depositary Receipts (ADRs). The contract's maturity was extended on 23 December 2016 and again on 27 October 2017. The interest rate is currently set at the 3-month Euribor plus 199 bps and the contract expires in June 2020. This TRS is a derivative instrument measured at fair value through profit or loss. As at 31 December 2017, it related to 7.8 million ADRs (2.9% of GPA's capital) representing a notional amount of €332 million, and had a negative fair value of €177 million (31 December 2016: 7.8 million ADRs, a notional amount of €332 million and a negative fair value of €209 million).

- At the end of December 2012, the Group entered into a 2-year forward contract with a financial institution on 5.8 million GPA shares. On 28 July 2016, the maturity was extended and the notional amount was reduced by USD 105 million (€95 million), resulting in a cash payment made by the Group on the same day. The maturity was extended again in June 2017. The interest rate currently corresponds to the 3-month Libor plus 204 bps and the contract expires in February 2020. This forward is a derivative instrument measured at fair value through profit or loss. As at 31 December 2017, it related to 5.8 million shares (2.2% of GPA's capital) representing a notional amount of USD 239 million (€199 million), and had a negative fair value of €83 million (31 December 2016: 5.8 million shares, a notional amount of USD 239 million (€227 million) and a negative fair value of €134 million).

In 2012, the Group entered into a TRS with a financial institution on 20.6 million Big C Thailand shares. The TRS was settled in 2016, leading to the recognition of €23 million in "Other financial income" corresponding to the net cash settlement on the TRS for €2 million and the positive change of fair value for €21 million.

These instruments' fair value is determined based on the estimated settlement price on 31 December, using the share price on that date. The instruments had a negative fair value of €260 million as at 31 December 2017 (2016: negative fair value of €343 million) (Note 11.5.1).

11.4 Fair value of financial instruments

Accounting principle

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of financial instruments traded in an active market is the quoted price on the reporting date. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are classified as Level 1.

The fair value of financial instruments which are not quoted in an active market (such as over-the-counter derivatives) is determined using valuation techniques. These techniques use observable market data wherever possible and make little use of the Group's own estimates. If all the inputs required to calculate fair value are observable, the instrument is classified as Level 2.

If one or more significant inputs are not based on observable market data, the instrument is classified as Level 3.

11.4.1 Financial assets and liabilities by category of instrument

FINANCIAL ASSETS

The following table shows financial assets by category.
The Group does not hold any assets that would be classified in the categories "financial assets at fair value through profit or loss" or "held-to-maturity financial assets".

(€ millions)	Total financial assets	Breakdown by category of instrument				
		Held-for-trading financial assets	Hedging instruments	Loans and receivables	AFS – measured at fair value	AFS – measured at cost
As at 31 December 2017						
Other non-current assets (i)	**703**	**-**	**94**	**573**	**32**	**4**
Trade receivables	**946**	**-**	**-**	**946**	**-**	**-**
Other current assets (i)	**780**	**-**	**4**	**776**	**-**	**-**
Cash and cash equivalents	**3,391**	**4**	**-**	**3,386**	**-**	**-**
As at 31 December 2016						
Other non-current assets (i)	787	12	257	481	35	2
Trade receivables	880	-	-	880	-	-
Other current assets (i)	979	2	54	922	-	-
Cash and cash equivalents	5,750	23	-	5,727	-	-

(i) Excluding non-financial assets.

FINANCIAL LIABILITIES

The following table shows financial liabilities by category.

(€ millions)	Total financial liabilities	Breakdown by category of instrument		
		Liabilities at amortised cost	NCI Puts	Derivative instruments
As at 31 December 2017				
Bonds	**6,506**	**6,506**	**-**	**-**
Other borrowings and financial liabilities	**2,152**	**2,120**	**-**	**32**
Put options granted to owners of non-controlling interests	**171**	**-**	**171**	**-**
Finance lease liabilities	**65**	**65**	**-**	**-**
Trade payables	**6,649**	**6,649**	**-**	**-**
Other liabilities (i)	**2,086**	**1,809**	**-**	**277**
As at 31 December 2016				
Bonds	6,969	6,969	-	-
Other borrowings and financial liabilities	3,167	3,080	-	87
Put options granted to owners of non-controlling interests	382	-	382	-
Finance lease liabilities	79	79	-	-
Trade payables	6,939	6,939	-	-
Other liabilities (i)	2,166	1,822	-	344

(i) Excluding non-financial liabilities.

11.4.2 Fair value hierarchy for assets and liabilities

The tables below compare the carrying amount and fair value of consolidated financial assets and liabilities, other than those for which the carrying amount corresponds to a reasonable approximation of fair value such as trade receivables, trade payables, cash and cash equivalents and bank overdrafts. The fair value of investment property is presented in Note 10.4 and the fair value of Via Varejo's net assets held for sale in Note 3.5.2.

			Fair value hierarchy		
As at 31 December 2017 (€ millions)	**Carrying amount**	**Fair value**	**Market price = Level 1**	**Models with observable inputs = Level 2**	**Models with unobservable inputs = Level 3**
Assets	**130**	**130**	**-**	**98**	**32**
Available-for-sale financial assets (i)	**32**	**32**	**-**	**-**	**32**
Fair value hedges – assets (ii)	**98**	**98**	**-**	**98**	**-**
Other derivative instruments – assets	**-**	**-**	**-**	**-**	**-**
Liabilities	**9,170**	**9,701**	**6,288**	**3,242**	**171**
Bonds (iii)	**6,506**	**7,040**	**6,288**	**752**	**-**
Other borrowings and finance lease liabilities (iv)	**2,184**	**2,181**	**-**	**2,181**	**-**
Fair value hedges – liabilities (ii)	**32**	**32**	**-**	**32**	**-**
Other derivative instruments – liabilities (ii)	**277**	**277**	**-**	**277**	**-**
Put options granted to owners of non-controlling interests (v)	**171**	**171**	**-**	**-**	**171**

			Fair value hierarchy		
As at 31 December 2016 (€ millions)	**Carrying amount**	**Fair value**	**Market price = Level 1**	**Models with observable inputs = Level 2**	**Models with unobservable inputs = Level 3**
Assets	**361**	**361**	**-**	**313**	**48**
Available-for-sale financial assets (i)	35	35	-	-	35
Fair value hedges – assets (ii)	291	291	-	291	-
Other derivative instruments – assets	35	35	-	23	12
Liabilities	**10,940**	**11,435**	**6,964**	**4,276**	**195**
Bonds (iii)	6,969	7,470	6,778	692	-
Other borrowings and finance lease liabilities (iv)	3,158	3,152	-	3,152	-
Fair value hedges – liabilities (ii)	87	87	-	87	-
Other derivative instruments – liabilities (ii)	344	344	-	344	-
Put options granted to owners of non-controlling interests (v)	382	382	186	-	195

(i) The fair value of available-for-sale financial assets is generally measured using standard valuation techniques. If their fair value cannot be determined reliably, they are not included in this note.
(ii) Derivative financial instruments are valued (internally or externally) on the basis of the widely used valuation techniques for this type of instruments. Valuation models are based on observable market inputs (mainly the yield curve) and counterparty quality. Derivatives held as fair value hedges are almost fully backed by borrowings.
(iii) The fair value of bonds is based on the latest quoted price on the reporting date.
(iv) The fair value of other borrowings has been measured using other valuation techniques such as the discounted cash flow method, taking into account the Group's credit risk and interest rate conditions at the reporting date.
(v) The fair value of put options granted to owners of non-controlling interests is measured by applying the contract's calculation formulas and is discounted, if necessary. These formulas are considered to be representative of fair value and notably use net profit multiples.

11.5 Financial risk management objectives and policies

The main risks associated with the Group's financial instruments are market risks (foreign currency risk, interest rate risk and equity risk), counterparty risk and liquidity risk.

Financial risk monitoring and management is the responsibility of the Corporate Finance department, which is part of the Group Finance department. This team manages all financial exposures in coordination with the finance departments of the Group's main subsidiaries and reports to executive management. It has issued a Good Financial Practice Guide governing all financing, investment and hedging transactions carried out by Group entities.

The Group manages its exposure to interest rate risks and foreign currency risks using derivative financial instruments such as interest rate swaps and options (caps, floors, swaptions), currency swaps, forward currency contracts and currency options. These instruments are mainly over-the-counter instruments contracted with first-class bank counterparties. Most of these transactions or derivative instruments qualify for hedge accounting.
However, like many other large corporates, the Group may take very small, strictly controlled speculative positions as part of its hedging policy, for more dynamic and flexible management of its interest rate and currency exposures.

11.5.1 Breakdown of derivative financial instruments

The table below shows a breakdown of derivative financial instruments by type of hedged risk and accounting classification:

(€ millions)	Note	2017	Interest rate risk	Foreign currency risk	Other market risks	2016
Derivatives – assets						
Derivatives at fair value through profit or loss	6.8.1 - 6.9	**-**	**-**	**-**	**-**	15
Cash flow hedges	6.8.1	**-**	**-**	**-**	**-**	21
Fair value hedges	6.8.1 - 6.9 - 11.2	**98**	**95**	**2**	**-**	291
Total derivatives – assets		***98***	***95***	***2***	***-***	**326**
of which non-current		***94***	***91***	***2***	***-***	*269*
of which current		***4***	***4***	***-***	***-***	*57*
Derivatives – liabilities						
Derivatives at fair value through profit or loss	6.10	**260**	**-**	**-**	**260**	343
Cash flow hedges	6.10	**17**	**-**	**17**	**-**	1
Fair value hedges	11.2	**32**	**12**	**20**	**-**	87
Total derivatives – liabilities		***309***	***12***	***37***	***260***	**431**
of which non-current		***270***	***10***	***1***	***260***	*369*
of which current		***39***	***2***	***37***	***-***	*62*

As at 31 December 2017, derivatives held as fair value hedges (on a notional amount of €5,304 million) had a positive net fair value of €65 million. The total included (i) interest rate hedges in France on a notional amount of €4,472 million with a positive fair value of €83 million and (ii) currency and interest rate hedges in Brazil (on a notional amount of €219 million) with a negative fair value of €14 million and Colombia (on a notional amount of €401 million) with a negative fair value of €4 million. All the currency and interest rate derivatives are backed by bank borrowings or bonds denominated in a currency other than the borrower entity’s functional currency. The ineffective portion of these fair value hedges is not material.

As at 31 December 2017, the cash flow hedge reserve included in equity had a debit balance of €16 million (31 December 2016: credit balance of €11 million). These derivatives concern operations in France, and Colombia. In France, they hedge goods purchases billed in currencies other than the euro (mainly the US dollar). Their notional amount as at 31 December 2017 was USD 307 million (€256 million – Note 11.5.2). In Colombia, the notional amount hedged by the derivatives is €55 million. Moreover, the Colombian subsidiary Éxito applies cash flow hedge accounting regarding the hedging of interest rates on variable rate borrowings for a notional amount of €390 million at 31 December 2017. The ineffective portion of these cash flow hedges is not material.

Derivative instruments that do not qualify for hedge accounting under IAS 39 had a negative fair value of €260 million at 31 December 2017 (31 December 2016: negative fair value of €328 million) including TRSs and forward contracts with a negative fair value of €260 million (31 December 2016: negative fair value of €343 million) (Note 11.3.2).

The fair value calculation as at 31 December 2017 takes into account the credit valuation adjustment (CVA) and the debit valuation adjustment (DVA) in accordance with IFRS 13. The impact of these adjustments is not material.

11.5.2 Market risk

INTEREST RATE RISK

The Group's objective is to manage its exposure to the risk of interest rate changes and optimise its financing cost. Its strategy therefore consists of dynamic debt management by monitoring and, where necessary, adjusting its hedging ratio based on forecast trends in interest rates.

Various derivative instruments are used to manage interest rate risks. The main instruments are interest rate swaps and options (caps, floors, swaptions). Group financial policy consists of managing finance costs by combining variable and fixed-rate derivative instruments. These instruments do not always qualify for hedge accounting; however all interest-rate instruments are contracted in line with the above risk management policy.

Specifically, Casino, Guichard-Perrachon's debt is mainly composed of fixed-rate bonds (representing a principal amount of €5,614 million as at 31 December 2017 – Note 11.2.3). This bond debt may be hedged through fixed-to-variable rate swaps generally contracted at the issue date; all of these hedges qualify for hedge accounting.

During 2017, the Group unwound interest rate swaps hedging the bonds that were bought back and cancelled during the year. The Group also reduced its exposure to variable interest rates by unwinding fixed-to-variable interest rate swaps as well as purchasing interest rate options (collars).
As at 31 December 2017, Casino, Guichard-Perrachon had a portfolio of 40 interest rate swaps with a dozen bank counterparties, representing variable or capped variable rate exposure of respectively €2,672 and €900 million. The swaps expire at various dates between 2019 and 2026.
As at 31 December 2017, 52% of Casino, Guichard-Perrachon's bond debt (€2,942 million) was hedged, including 36% at fixed rates (€2,042 million), 16% at capped variable rates (€900 million) and 48% at variable rates (€2,672 million).

SENSITIVITY TO A CHANGE IN INTEREST RATES

Sensitivity to rate changes is calculated as shown in the table below.

(€ millions)	Notes	31 December 2017	31 December 2016
Casino, Guichard-Perrachon variable-rate bonds (i)		**2,672**	3,022
Casino, Guichard-Perrachon capped variable-rate bonds (i)		**900**	-
Brazil variable-rate bonds (ii)	11.2.3	**753**	703
Other variable-rate borrowings and financial liabilities (iii) (iv) (v)	11.2.4	**1,682**	2,218
Finance lease liabilities	7.5	**65**	79
Total variable-rate bonds, other borrowings and financial liabilities		**6,072**	**6,021**
Cash and cash equivalents	11.1	**(3,391)**	(5,750)
Net variable-rate position		**2,681**	**272**
100-bps change in interest rates		**21**	3
Net finance costs	11.3.1	**367**	324
Impact of change on net finance costs		**5.7%**	**0.8%**

(i) Corresponding to fixed-rate bonds representing a principal amount of €5,614 million (31 December 2016: €5,981 million) (Note 11.2.3), including a principal amount of €3,572 million (31 December 2016: €3,022 million) swapped for variable rate debt, of which €900 million is hedged by interest rate options.
(ii) Principal amount.
(iii) Excluding accrued interest.
(iv) Including borrowings in Brazil originally denominated in BRL, USD or euros for BRL 1,791 million (€451 million) swapped for variable rate debt in BRL by means of cross-currency swaps where applicable (31 December 2016: BRL 2,458 million, representing €717 million).
(v) Including borrowings in Colombia originally denominated in COP or USD for COP 2,581 billion (€721 million), of which 62% swapped for variable rate debt in COP by means of cross-currency swaps where applicable (31 December 2016: COP 1,249 billion, representing €395 million, of which 44% swapped for variable rate debt).

Assuming the net debt structure and management policy are constant, a 100-bps annual increase (decrease) in rates across the yield curve would lead to a 5.7% or €21 million increase (4.9% or €18 million decrease) in finance costs. For the purposes of the analysis, all other variables, particularly exchange rates, are assumed to be constant.

EXPOSURE TO FOREIGN CURRENCY RISK

Due to its geographically diversified business base, the Group is exposed to both currency translation risk and to transaction risk on transactions denominated in currencies other than the euro.
Translation risk (or balance sheet currency risk) is the risk of an unfavourable change in the exchange rates used to translate the financial statements of subsidiaries located outside the euro zone into euros for inclusion in the consolidated financial statements adversely affecting the amounts reported in the consolidated statement of financial position and income statement, leading to a deterioration of the Group's gearing ratios.
Transaction risk is the risk of an unfavourable change in exchange rates that adversely affects a cash flow denominated in foreign currency.

The Group's policy for managing transaction risk is to hedge highly probable budgeted exposures, which mainly concern cash flows arising from purchases made in a currency other than the buyer's functional currency and particularly purchases in US dollars which are hedged using forward contracts. As a general principle, budgeted purchases are hedged using instruments with the same maturities as the underlying transactions.
Currency risks on debts denominated in a currency other than the borrower's functional currency are systematically hedged, except where the debt represents a designated and documented hedge of a net investment in a foreign operation.

The Group's net exposure based on notional amounts after hedging mainly concerns the US dollar (excluding the functional currencies of entities), as shown below:

(€ millions)	Total exposure 2017	Of which USD	Total exposure 2016
Exposed trade receivables	**(36)**	**(18)**	(18)
Exposed other financial assets	**(134)**	**(90)**	(90)
Exposes derivatives at fair value through profit or loss	**260**	**260**	343
Exposed trade payables	**187**	**164**	166
Exposed financial liabilities	**621**	**570**	881
Exposed other financial liabilities	**25**	**25**	-
Gross exposure payable/(receivable)	**923**	**911**	**1,282**
Hedged other financial assets	**-**	**-**	(15)
Hedged trade payables	**90**	**86**	72
Hedged financial liabilities	**620**	**569**	882
Net exposure payable/(receivable)	**214**	**256**	**343**
Hedges of future purchases	**256**	**256**	**276**
Exposed put options granted to owners of non-controlling interests [(i)]	**119**	**119**	**115**

(i) Changes in fair value of put options granted to owners of non-controlling interests (including the effect of movements in exchange rates) have no impact on profit or loss, because the puts are treated as transactions between owners and changes in their fair value are therefore recorded directly in equity (Note 3.4.1).

As at 31 December 2016, the net statement of financial position exposure of €343 million mainly concerned the US dollar.

SENSITIVITY OF NET EXPOSURE AFTER FOREIGN CURRENCY HEDGING

A 10% appreciation of the euro as at 31 December 2017 and 2016 against the foreign currencies included in the Group's exposure would lead to an increase in profit for the amounts indicated in the table below.
For the purposes of the analysis, all other variables, particularly interest rates, are assumed to be constant.

(€ millions)	2017	2016
US dollar	**26**	36
Other currencies	**(4)**	(2)
Impact on net financial income (expense)	**21**	**34**

A 10% decline in the euro against those currencies as at 31 December 2017 and 2016 would have produced the opposite effect.

Sensitivity to translation risk

A 10% appreciation of the euro compared to the Group's other main currencies would have the following impact on the translation into euros of the sales, profit and equity of subsidiaries whose functional currency is not the euro:

(€ millions)	2017		2016	
	Brazilian real	**Colombian peso**	**Brazilian real**	**Colombian peso**
Net sales	**(1,125)**	**(302)**	(977)	(307)
Trading profit	**(50)**	**(11)**	(28)	(16)
Net profit	**(21)**	**(1)**	63	(1)
Equity	**(649)**	**(50)**	(745)	(40)

A 10% decline in the euro against those currencies would have produced the opposite effect.
For the purposes of the analysis, all other variables are assumed to be constant.

Breakdown of cash and cash equivalents by currency

(€ millions)	2017	%	2016	%
Euro	**1,175**	**35%**	3,048	53%
US dollar	**100**	**3%**	77	1%
Brazilian real	**1,580**	**47%**	2,180	38%
Colombian peso	**468**	**14%**	367	6%
Uruguayan peso	**29**	**1%**	33	1%
Other currencies	**37**	**1%**	44	1%
Cash and cash equivalents	**3,391**	**100%**	**5,750**	**100%**

Exchange rates against the euro

Exchange rates against the euro	2017		2016	
	Closing rate	**Average rate**	**Closing rate**	**Average rate**
Brazilian real (BRL)	**3.9729**	**3.6054**	3.4305	3.8561
Colombian peso (COP)	**3,580.94**	**3,336.06**	3,164.89	3,375.90
Argentine peso (ARS)	**22.3333**	**18.7530**	16.7318	16.3473
Uruguayan peso (UYP)	**34.4626**	**32.3625**	30.9120	33.3198
US dollar (USD)	**1.1993**	**1.1297**	1.0541	1.1069
Polish zloty (PLN)	**4.1770**	**4.2570**	4.4103	4.3632

Equity risk

As at 31 December 2017, the Group did not hold any significant investments in any listed companies other than its listed subsidiaries or treasury shares.

The Group may use derivative instruments (e.g. total return swaps with no call option, forward contracts, puts and calls) on equities to build a synthetic exposure to the shares of its listed subsidiaries (Note 11.3.2) or a synthetic hedge of a financial exposure to a fall in stock prices. The carrying amount of these instruments corresponds to their estimated value as provided by a financial institution on the reporting date. These values take account of market data such as exchange rates, share prices and interest rates.

In addition, the Group does not hold any options or any derivatives backing its own shares. Its policy as regards cash management is to invest only in money market instruments that are not exposed to equity risk.

11.5.3 Counterparty risk

The Group is exposed to various aspects of counterparty risk through its operating activities, cash deposits and interest rate and currency hedging instruments. It monitors these risks regularly using several objective indicators, and diversifies its exposure by dealing with the least risky counterparties (based mainly on their credit ratings and their reciprocal commitments with the Group).

COUNTERPARTY RISK RELATED TO TRADE RECEIVABLES

Customer credit risk:
Group policy consists of checking the financial health of all customers applying for credit payment terms. Customer receivables are regularly monitored; consequently, the Group's exposure to bad debts is not material.

Trade receivables break down as follows by maturity:

(€ millions)	Receivables not yet due, not impaired	Past-due receivables on the reporting date, not impaired				Impaired receivables	Total
		Up to one month past due	Between one and six months past due	More than six months past due	Total		
31 December 2017	**737**	**69**	**36**	**34**	**139**	**153**	**1,029**
31 December 2016	721	79	15	26	119	117	957

The age of unimpaired past-due receivables can vary considerably depending on the type of customer, i.e. private companies, consumers or public authorities. Impairment policies are determined on an entity-by-entity basis according to customer type. As indicated above, the Group believes that its exposure to credit concentration risk is not material.

COUNTERPARTY RISK RELATED TO OTHER ASSETS

Credit risk on other financial assets – mainly comprising cash and cash equivalents, available-for-sale financial assets, loans, legal deposits paid by GPA and certain derivative financial instruments – corresponds to the risk of failure by the counterparty to fulfil its obligations. The maximum risk is limited and equal to the instruments' carrying amount. The Group's cash management policy consists of investing cash and cash equivalents with first-class counterparties and in first-class rated instruments.

11.5.4 Liquidity risk

The Group's liquidity policy is to ensure, to the extent possible, that it always has sufficient liquid assets to settle its liabilities as they fall due, in either normal or impaired market conditions.
The main methods used consist of:
- diversifying sources of financing to include capital markets, private placements, banks (confirmed and unconfirmed facilities), negotiable European commercial paper (NEU CP) programmes and discounting facilities;
- diversifying financing currencies to include the euro, the Group's other functional currencies and the US dollar;
- maintaining a level of confirmed financing facilities significantly in excess of the Group's payment obligations at all times;
- limiting the amount of annual repayments and proactively managing the repayment schedule;
- managing the average maturity of financing facilities and, where appropriate, refinancing them before they fall due.

The liquidity analysis is performed both at the Casino, Guichard-Perrachon holding company level (taking into account the cash pool operated with all French subsidiaries) and for each of the Group's international subsidiaries.

In addition, the Group has non-recourse receivables discounting programmes, with no continuing involvement in the receivables within the meaning of IFRS 7, as well as reverse factoring programmes.
As at 31 December 2017, trade payables totalling €1,636 million had been reverse factored, including €573 million in France Retail payables, €959 million in Latam Retail payables and €104 million in E-commerce payables.

Most of the Group’s debt is carried by Casino, Guichard-Perrachon and is not secured by collateral or any secured assets. Financing is managed by the Corporate Finance department. The main subsidiaries (GPA, Monoprix and Éxito) also have their own financing facilities, which are not secured by collateral or any security interests in assets and are not guaranteed by Casino (except for GPA loans from BNDES totalling €11 million as at 31 December 2017 that are secured by security interests in the assets).

All subsidiaries submit weekly cash reports to the Group and all new financing facilities require prior approval from the Corporate Finance department.

As at 31 December 2017, the Group's liquidity position comprised:
- confirmed, undrawn lines of credit for a total of €3,697 million (of which €3,268 million for France);
- unrestricted cash of €3,391 million.

Casino, Guichard-Perrachon has a €9,000 million Euro medium term notes (EMTN) programme. Notes issued under the programme totalled €5,614 million as at 31 December 2017.

As at the same date, issuance under Casino, Guichard-Perrachon’s €2,000 million negotiable European commercial paper (NEU CP) programme amounted to €210 million.

The Company's bond issues (other than deeply subordinated perpetual notes) have been rated BB+ with a stable outlook by Standard & Poor's since 21 March 2016 and Ba1 by Moody’s since 30 November 2017. In line with the policy of rating agencies rotation, as recommended by the European regulator, Moody’s Investors Service (“Moody’s”) has been appointed as a new rating agency of the Group. Simultaneously with Moody’s appointment, the Group terminated its contract with Fitch Ratings ; since 12 January 2018, Casino, Guichard-Perrachon and its bond issues are no longer rated by Fitch.
Standard & Poor's rating downgrade from BBB- to BB+ triggered application of coupon step-up clauses providing for a 125-bps interest rate step-up on Casino, Guichard-Perrachon's bond issues in the event of the Company being rated non-investment grade by at least one of its rating agencies. The step-up was gradual : it is applicable to each bond issue as from the first annual interest period having begun after 21 March 2016. The impact on 2017 finance costs was an increase of €61 million (2016: €15 million).
The bond indentures (other than for deeply subordinated perpetual bonds) also include a step down clause providing for a return to the original interest rate if Standard & Poor's and Moody’s restore Casino, Guichard-Perrachon's investment grade rating.

The Group's bank loan agreements and bond documentation include the usual *pari passu* negative pledge and cross default clauses.

Casino, Guichard-Perrachon's facility agreements generally contain a mandatory acceleration clause in the event of a change of control of the Company.

In addition, bonds issued by Casino, Guichard-Perrachon (except for two deeply subordinated perpetual bond issues) contain a discretionary acceleration clause applicable if the Company’s long-term senior debt rating is downgraded to non-investment grade (or further downgraded if the rating is already non-investment grade), but only if this downgrade is due to a change of majority shareholder (i.e. if a third party other than Rallye or one of its related companies acquires more than 50% of Casino’s voting rights).

CASINO, GUICHARD-PERRACHON DEBT COVENANTS

At the reporting date, Casino, Guichard-Perrachon's debt was subject to the following hard covenants to be met at each year-end:

Type of covenant	Main types of debt subject to covenant	Frequency of tests	Ratio as at 31 December 2017
Consolidated net debt [(i)] /Consolidated EBITDA [(ii)] < 3.5	▪ €1.2 billion syndicated credit line ▪ USD 750 million syndicated credit line ▪ Bilateral credit lines totalling €823 million	Annually	**2.69**
Consolidated net debt [(i)] /Consolidated EBITDA [(ii)] < 3.7	▪ €50 million bilateral credit line		

(i) Net debt as defined in the loan agreements may differ from net debt presented in the consolidated financial statements (Note 11.2). It corresponds to borrowings and financial liabilities including hedging instruments with a negative fair value, less (i) cash and cash equivalents, (ii) financial assets held for cash management purposes and short-term financial investments, (iii) derivatives with a positive fair value classified as hedges of debt and (iv) financial assets arising from a significant disposal of non-current assets.
(ii) EBITDA (earnings before interest, taxes, depreciation and amortisation) corresponds to trading profit plus recurring net depreciation and amortisation expense.

The Group considers that it will very comfortably fulfil its covenants over the next 12 months.

Casino, Guichard-Perrachon's bonds and negotiable European commercial paper (NEU CP) issues are not subject to any financial covenants.

FINANCING OF SUBSIDIARIES SUBJECT TO COVENANTS

Most of the Group's other loan agreements – primarily concerning GPA, Éxito and Monoprix – contain hard covenants (see table below).

Subsidiary	Type of covenant	Frequency of tests	Main types of debt subject to covenant
Monoprix	Net debt/EBITDA < 2.5	Annually	▪ €370 million syndicated credit line ▪ Other confirmed credit lines totalling €200 million
GPA [(i)]	Net debt [(ii)] may not be higher than equity [(iii)] Consolidated net debt/EBITDA < 3.25	Quarterly/half-yearly/annually	▪ All bond issues and certain bank borrowings
Éxito	Consolidated net debt/consolidated EBITDA < 3.5	Annually	▪ Bank facilities (Note 11.2.3)

(i) All of GPA's covenants are based on consolidated indicators for the GPA sub-group.
(ii) Debt less cash, cash equivalents and receivables.
(iii) Consolidated equity (attributable to owners of the parent and non-controlling interests).

These covenants were respected as at 31 December 2017.

EXPOSURE TO LIQUIDITY RISK

The table below presents an analysis by maturity of financial liabilities as at 31 December 2017, including principal and interest and for undiscounted amounts. For derivative financial instruments, the table has been drawn up based on the contractual net cash inflows and outflows on instruments that settle on a net basis and the gross inflows and outflows on those instruments that require gross settlement. For interest rate instruments, when the amount payable or receivable is not fixed, the amount presented has been determined by reference to observed yield curves as at the reporting date.

For the TRS and forward instruments described in Note 11.3.2, the cash flows presented in the table below reflect the interest payable and the fair value of instruments as at the reporting date.

31 December 2017 (€ millions)	Due within one year	Due in one to two years	Maturity Due in two to three years	Due in three to five years	Due in more than five years	Total contractual cash flows	Carrying amount
Non-derivative financial instruments recognised in liabilities:							
Bonds and other borrowings	**1,769**	**1,687**	**1,581**	**1,864**	**3,095**	**9,997**	**8,625**
Put options granted to owners of non-controlling interests	**143**	**1**	**4**	**25**	**-**	**173**	**171**
Finance lease liabilities	**22**	**22**	**16**	**13**	**40**	**113**	**65**
Trade payables and other financial liabilities	**8,412**	**19**	**-**	**1**	**25**	**8,458**	**8,458**
Total	**10,347**	**1,729**	**1,602**	**1,904**	**3,161**	**18,742**	**17,319**
Derivative financial instruments – assets/(liabilities):							
Interest rate derivatives							
Derivative contracts - received	**19**	**6**	**-**	**-**	**-**	**25**	
Derivative contracts - paid	**(14)**	**(4)**	**-**	**-**	**-**	**(19)**	
Derivative contracts - net settled	**37**	**31**	**19**	**5**	**(13)**	**79**	
Currency derivatives							
Derivative contracts - received	**330**	**67**	**-**	**1**	**-**	**399**	
Derivative contracts - paid	**(338)**	**(69)**	**-**	**(2)**	**-**	**(408)**	
Derivative contracts - net settled	**15**	**1**	**(2)**	**-**	**-**	**13**	
Other derivative instruments							
Derivative contracts - received	**1**	**-**	**-**	**-**	**-**	**1**	
Derivative contracts - paid	**(17)**	**(13)**	**(268)**	**-**	**-**	**(298)**	
Derivative contracts - net settled	**-**	**-**	**-**	**-**	**-**	**-**	
Total	**33**	**18**	**(251)**	**5**	**(13)**	**(208)**	**(211)**

31 December 2016 (€ millions)	Due within one year	Maturity Due in one to two years	Due in two to three years	Due in three to five years	Due in more than five years	Total contractual cash flows	Carrying amount
Non-derivative financial instruments recognised in liabilities:							
Bonds and other borrowings	2,723	1,248	1,749	2,151	3,869	11,740	10,049
Put options granted to owners of non-controlling interests	340	-	-	3	44	388	382
Finance lease liabilities	24	19	19	29	50	141	79
Trade payables and other financial liabilities	8,671	48	4	5	34	8,762	8,762
Total	**11,758**	**1,315**	**1,771**	**2,188**	**3,997**	**21,030**	**19,270**
Derivative financial instruments – assets/(liabilities):							
Interest rate derivatives							
Derivative contracts - received	123	72	1	2	1	199	
Derivative contracts - paid	(126)	(67)	(1)	(2)	(1)	(197)	
Derivative contracts - net settled	54	53	51	77	22	256	
Currency derivatives							
Derivative contracts - received	232	82	-	-	-	314	
Derivative contracts - paid	(217)	(74)	-	-	-	(291)	
Derivative contracts - net settled	8	26	-	-	-	34	
Other derivative instruments							
Derivative contracts - received	-	-	-	-	-	-	
Derivative contracts - paid	(17)	(350)	-	-	-	(367)	
Derivative contracts - net settled	-	-	-	-	-	-	
Total	**57**	**(259)**	**51**	**77**	**22**	**(52)**	**(105)**

Note 12 Equity and earnings per share

Accounting principle

Equity is attributable to two categories of owner: the owners of the parent (Casino, Guichard-Perrachon shareholders) and the owners of the non-controlling interests in its subsidiaries. A non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Transactions with the owners of non-controlling interests resulting in a change in the parent company's percentage interest without loss of control affect only equity as there is no change of control of the economic entity. Cash flows arising from changes in ownership interests in a fully consolidated subsidiary that do not result in a loss of control (including increases in percentage interest) are classified as cash flows from financing activities.

In the case of an acquisition of an additional interest in a fully consolidated subsidiary, the Group recognises the difference between the acquisition cost and the carrying amount of the non-controlling interests as a change in equity attributable to owners of Casino, Guichard-Perrachon. Transaction costs are also recognised in equity. The same treatment applies to transaction costs relating to disposals without loss of control. In the case of disposals of controlling interests involving a loss of control, the Group derecognises the whole of the ownership interest and, where appropriate, recognises any investment retained in the former subsidiary at its fair value. The gain or loss on the entire derecognised interest (interest sold and interest retained) is recognised in profit or loss under "Other operating income" or "Other operating expenses", which amounts to remeasuring the retained previously-held investment at fair value through profit or loss. Cash flows arising from the acquisition or loss of control of a subsidiary are classified as cash flows from investing activities.

Equity instruments and hybrid instruments

The classification of instruments issued by the Group in equity or debt depends on each instrument's specific characteristics. An instrument is deemed to be an equity instrument when the following two conditions are met:

- the instrument does not contain a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; and
- in the case of a contract that will or may be settled in the entity's own equity instruments, it is either a non-derivative that does not include a contractual obligation to deliver a variable number of the entity's own equity instruments, or it is a derivative that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

The Group also examines the special provisions of contracts to ensure the absence of an indirect obligation to buy back the equity instruments in cash or by delivering another financial asset or by delivering shares with a value substantially higher than the amount of cash or the other financial asset to be delivered.

In particular, instruments that are redeemable at the Group's discretion and for which the remuneration depends on the payment of a dividend are classified in equity.

When a "debt" component exists, it is measured separately and classified under "financial liabilities".

Equity transaction costs

External and qualifying internal costs directly attributable to equity transactions or transactions involving equity instruments are recorded as a deduction from equity, net of tax. All other transaction costs are recognised as an expense.

Treasury shares

Casino, Guichard-Perrachon shares purchased by the Group are deducted from equity at cost. The proceeds from sales of treasury shares are credited to equity with the result that any disposal gains or losses, net of the related tax effect, have no impact in the income statement for the period.

Options on treasury shares

Options on treasury shares are treated as derivative instruments, equity instruments or financial liabilities depending on their characteristics.
Options classified as derivatives are measured at fair value through profit or loss. Options classified as equity instruments are recorded in equity at their initial amount and changes in value are not recognised. The accounting treatment of financial liabilities is described in Note 11.

12.1 Capital management

The Group's policy is to maintain a strong capital base in order to preserve the confidence of investors, creditors and the markets while ensuring the financial headroom required to support the Group's future business development. The Group aims to continually optimise its financial structure by maintaining an optimum balance between net debt, EBITDA and equity. To this end, it may adjust the amount of dividends paid to shareholders, return part of the capital to shareholders, buy back its own shares or issue new shares. From time to time, the Group may buy back its own shares in the market. The shares are generally acquired for allocation to a liquidity contract used to make a market in the shares, or to be held for allocation under stock option plans, employee share ownership plans or free share plans for Group employees and corporate officers.

The policy objectives and management procedures are exactly the same as in previous years.

Apart from legal requirements, the Group is not subject to any external minimum capital requirements.

12.2 Share capital

As at 31 December 2017, the Company's share capital amounted to €169,825,404 and was composed of 110,996,996 ordinary shares issued and fully paid as at that date (unchanged from 31 December 2016). Ordinary shares have a par value of €1.53.
Under the shareholder authorisations given to the Board of Directors, the share capital may be increased, immediately or in the future, by up to €59 million.

12.3 Share equivalents

The Group is committed to granting free shares under various plans (Note 8.3). The Group intends to fulfil its obligations under those plans using existing shares.

12.4 Treasury shares

Treasury shares result from shareholder-approved buybacks of Casino, Guichard-Perrachon S.A. shares. As at 31 December 2017, a total of 107,735 shares were held in treasury, representing €5 million. The shares were purchased primarily for allocation upon exercise of the rights under free share plans.

In January 2005, the Group entered into a liquidity agreement with the Rothschild investment bank for a total of 700,000 Casino shares plus a contribution of €40 million in cash, in compliance with European Commission Regulation (EC) No. 2273/2003. The Group made additional contributions to the liquidity agreement of (i) €30 million on 25 September 2015 and (ii) €50 million on 28 December 2015. The 700,000 shares were subsequently cancelled by decision of the Board of Directors on 14 June 2016.

As at 31 December 2017, no Casino, Guichard-Perrachon S.A. shares were held in the liquidity account.

The cash earmarked for the liquidity agreement is invested in money market mutual funds. These funds qualify as cash equivalents and are therefore included in net cash and cash equivalents.

12.5 Deeply subordinated perpetual bonds (TSSDI)

At the beginning of 2005, the Group issued 600,000 deeply subordinated perpetual bonds (TSSDI) for a total amount of €600 million. The bonds are redeemable solely at the Group's discretion and interest payments are due only if the Group pays a dividend on its ordinary shares in the preceding 12 months. The bonds pay interest at the 10-year constant maturity swap rate plus 100 bps, capped at 9%. In 2017, the average coupon was 1.71%.

On 18 October 2013, the Group issued €750 million of perpetual hybrid bonds (7,500 bonds) on the market. The bonds are redeemable at the Group’s discretion with the first call date set for 31 January 2019. They pay a coupon of 4.87% until that date, after which the rate will be revised every five years.

Given their specific characteristics in terms of maturity and remuneration, the bonds are carried in equity for the amount of €1,350 million. Issuance costs net of tax have been recorded as a deduction from equity.

12.6 Other information on additional paid-in capital, retained earnings and reserves

12.6.1 Foreign currency translation reserves

The foreign currency translation reserve corresponds to cumulative exchange gains and losses on translating the equity of foreign subsidiaries and receivables and payables included in the Group's net investment in these subsidiaries, at the closing rate.

FOREIGN CURRENCY TRANSLATION RESERVES BY COUNTRY AS AT 31 DECEMBER 2017

(€ millions)	Attributable to owners of the parent			Attributable to non-controlling interests			Total
	1 January 2017	Movements for the year	31 December 2017	1 January 2017	Movements for the year	31 December 2017	31 December 2017
Brazil	(1,060)	(511)	**(1,571)**	(1,875)	(617)	**(2,492)**	**(4,063)**
Argentina	(144)	(12)	**(156)**	(11)	(2)	**(13)**	**(168)**
Colombia	(254)	(27)	**(282)**	(255)	(65)	**(320)**	**(602)**
Uruguay	7	(24)	**(17)**	(9)	(22)	**(31)**	**(49)**
United States	19	-	**19**	-	-	**1**	**20**
Poland	10	7	**17**	-	-	**-**	**18**
Indian Ocean	(8)	(1)	**(8)**	(3)	-	**(3)**	**(11)**
Hong Kong	1	(1)	**1**	-	-	**-**	**1**
Total foreign currency translation reserves	**(1,427)**	**(569)**	**(1,997)**	**(2,152)**	**(706)**	**(2,858)**	**(4,855)**

FOREIGN CURRENCY TRANSLATION RESERVES BY COUNTRY AS AT 31 DECEMBER 2016

(€ millions)	Attributable to owners of the parent			Attributable to non-controlling interests			Total
	1 January 2016	Movements for the year	31 December 2016	1 January 2016	Movements for the year	31 December 2016	31 December 2016
Brazil	(1,795)	735	(1,060)	(2,879)	1,005	(1,875)	(2,934)
Argentina	(139)	(5)	(144)	(2)	(9)	(11)	(154)
Colombia	(272)	18	(254)	(291)	36	(255)	(509)
Uruguay	(4)	11	7	(26)	16	(9)	(2)
United States	19	-	19	1	-	-	20
Thailand	97	(97)	-	56	(56)	-	-
Poland	15	(5)	10	-	-	-	10
Indian Ocean	(8)	-	(8)	(3)	-	(3)	(10)
Vietnam	24	(24)	-	1	(1)	-	-
Hong Kong	1	-	1	-	-	-	1
Total foreign currency translation reserves	**(2,061)**	**634**	**(1,427)**	**(3,143)**	**991**	**(2,152)**	**(3,580)**

12.6.2 Notes to the consolidated statement of comprehensive income

(€ millions)	2017	2016
Available-for-sale financial assets	**-**	**2**
Change in fair value	**-**	1
Reclassifications to profit or loss	**-**	2
Income tax (expense)/benefit	**-**	-
Cash flow hedges	**(28)**	**(2)**
Change in fair value	**(11)**	3
Reclassifications to profit or loss	**(29)**	(7)
Income tax (expense)/benefit	**12**	1
Net investment hedges	**-**	**31**
Change in fair value	**-**	-
Reclassifications to profit or loss	**-**	47
Income tax (expense)/benefit	**-**	(17)
Foreign currency translation reserves (Note 12.6.1)	**(1,276)**	**1,625**
Foreign currency translation adjustments for the year	**(1,276)**	1,534
Reclassifications to profit or loss	**-**	91
Income tax (expense)/benefit	**-**	-
Actuarial gains and losses	**(32)**	**(10)**
Actuarial gains and losses for the year	**(40)**	(10)
Income tax (expense)/benefit	**9**	-
Total	**(1,335)**	**1,646**

12.7 Non-controlling interests

The following table provides detailed information on material non-controlling interests.

(€ millions)	GPA Total GPA [i]	GPA o/w Via Varejo	Éxito[ii]	Big C Thailand	Other [iii]	Total
Country	Brazil	Brazil	Colombia	Thailand		
1 January 2016	**4,396**	**1,457**	**1,044**	**514**	**581**	**6,536**
% of ownership interests held by non-controlling interests [iv]	*67.2%*	*85.8%*	*45.2%*	*41.4%*		
% of voting rights held by non-controlling interests [iv]	*0.06%*	*37.8%*	*45.2%*	*41.4%*		
Net profit	(530)	(370)	39	10	(1)	**(482)**
Other comprehensive income (loss) [v]	1,092	358	-	(53)	(65)	**973**
Dividends paid/payable	(2)	-	(74)	-	(9)	**(85)**
Other movements [vi]	(140)	(11)	83	(470)	(426)	**(953)**
31 December 2016	**4,817**	**1,434**	**1,092**	**-**	**80**	**5,990**
% of ownership interests held by non-controlling interests [iv]	*66.8%*	*85.6%*	*44.7%*	-		
% of voting rights held by non-controlling interests [iv]	*0.06%*	*37.4%*	*44.7%*	-		
Net profit	**172**	**66**	**50**	-	**(22)**	**200**
Other comprehensive income (loss) [v]	**(644)**	**(230)**	**(62)**	-	**(3)**	**(710)**
Dividends paid/payable	**(31)**	**(11)**	**(23)**	-	**(15)**	**(69)**
Other movements	**11**	**1**	**43**	-	**8**	**62**
31 December 2017	**4,324**	**1,261**	**1,101**	**-**	**49**	**5,473**
% of ownership interests held by non-controlling interests [iv]	***66.9%***	***85.7%***	***44.7%***	-		
% of voting rights held by non-controlling interests (iv)	***0.06%***	***37.5%***	***44.7%***	-		
Average % of ownership interests held by the Group in 2017	***33.2%***	***14.4%***	***55.3%***	-		
% of ownership interests held by the Group as at 31 December 2017	***33.1%***	***14.3%***	***55.3%***	-		

(i) Including Via Varejo and Cnova (Cnova Brazil and Cdiscount) until 31 October 2016. Following the business merger between Cnova Brazil and Via Varejo and GPA's loss of control of Cnova, the Cnova businesses – consisting mainly of Cnova Brazil and Cdiscount – are presented respectively in the "Via Varejo" and "Other" columns at 31 December 2016 and 2017.

(ii) Éxito excluding GPA, including Uruguay and Argentina.

(iii) Including SCI Simonop'1 at 31 December 2017 for €66 million (31 December 2016: €66 million). Including Monoprix for €488 million as at 1 January 2016, of which €420 million corresponding to the equity component of the mandatory convertible bonds issued on 27 December 2013 to CACIB, net of issuance costs and tax and €68 million corresponding to the SCI Simonop'1 transaction.

(iv) The percentages of non-controlling interests set out in this table do not include the Group's own non-controlling interests in sub-groups.

(v) Other comprehensive income (loss) consists mainly of exchange differences arising on translation of foreign subsidiaries' financial statements.

(vi) The negative impact of €953 million in 2016 resulted mainly from the loss of control of Big C Thailand (€470 million), exercise of the call option on Monoprix mandatory convertible bonds (€419 million), acquisition of Éxito and GPA shares (€34 million), the change in value of the Disco NCI puts (€25 million) and reorganisation of the E-commerce business (€44 million), partially offset by the sale to outside investors of interests in the Viva Malls real estate trust in Colombia (€115 million).

GPA's capital consists of:
- 99,680 thousand ordinary shares with voting rights;
- 166,900 thousand preferred shares without voting rights but with the right to a preferred dividend.

Preferred shares do not carry voting rights, but instead entitle holders to the following rights and benefits: (i) a preferred right to a return of capital in the event of liquidation of the company, (ii) an annual non-cumulative preferred dividend of at least BRL 0.08 per share; (iii) a second preferred dividend equal to 10% of the dividend paid on ordinary shares, as calculated including the non-cumulative dividend referred to in point (ii).

Casino has not granted any put options to holders of non-controlling interests in GPA. Under Brazilian securities regulations, preferred shareholders have withdrawal rights enabling them to ask GPA to buy back their shares at book value (i.e. net asset value per share) following the occurrence of certain specific events. These rights are described in detail on pages 93 *et seq* of GPA's annual report for 2016 on Form 20-F.

Summarised financial information on the main subsidiaries with significant non-controlling interests

The information presented in the table below is based on the IFRS financial statements, adjusted where applicable to reflect the remeasurement at fair value on the date of acquisition or loss of control, and to align accounting policies with those applied by the Group. The amounts are shown before intragroup eliminations.

(€ millions)	GPA		Éxito (i)	
	2017	2016	2017	2016
Net sales	**12,379**	13,036	**4,544**	4,499
Net profit from continuing operations	**173**	-	**35**	60
Net profit from discontinued operations	**63**	(764)	**-**	-
Net profit (loss)	**235**	**(764)**	**35**	**60**
Attributable to non-controlling interests in continuing operations	***116***	-	***50***	*39*
Attributable to non-controlling interests in discontinued operations	***56***	*(530)*	***-***	-
Other comprehensive income (loss)	**(911)**	1,622	**(155)**	68
Total comprehensive income (loss) for the year	**(676)**	**858**	**(119)**	**128**
Attributable to non-controlling interests	***(472)***	*562*	***(11)***	*39*
Non-current assets	**6,995**	7,972	**3,729**	3,969
Current assets	**8,680**	9,505	**1,217**	1,237
Non-current liabilities	**(1,825)**	(2,216)	**(1,018)**	(1,249)
Current liabilities	**(7,352)**	(7,946)	**(1,745)**	(1,695)
Net assets	**6,499**	**7,313**	**2,183**	**2,261**
Attributable to non-controlling interests	***4,324***	*4,817*	***1,101***	*1,092*
Net cash from operating activities	**952**	407	**324**	406
Net cash from/(used in) investing activities	**(438)**	(207)	**(170)**	(199)
Net cash from/(used in) financing activities	**(1,015)**	(591)	**(37)**	(172)
Effect of changes in exchange rates on cash and	**(313)**	587	**(52)**	35
Change in cash and cash equivalents	**(814)**	**195**	**66**	**70**
Dividends paid to the Group (ii)	***8***	-	***16***	*48*
Dividends paid to owners of non-controlling interests during the period (ii)	***18***	*(1)*	***33***	*68*

(i) Éxito excluding GPA, including Uruguay and Argentina.
(ii) GPA and Éxito have an obligation to pay out 25% and 50% respectively of annual net profit in dividends.

12.8 Dividends

At the Annual General Meeting of 5 May 2017, the shareholders approved the payment of a €3.12 cash dividend per ordinary share for the 2016 financial year. This dividend was paid on 110,865,668 shares, representing a total payout of €173 million that was recorded as a deduction from equity (2016: payment of the 2015 dividend representing a total payout of €350 million). An interim dividend of €1.56 per share for 2016 (representing a total of €171 million) was paid in November 2016.

During its meeting on 10 November 2017, the Board of Directors decided to pay a 2017 interim dividend of €1.56 per share. The ex-dividend date for the interim dividend was 7 December 2017 and the dividend was paid on 11 December 2017. The interim dividend was paid on 110,887,560 shares, representing a total payout of €173 million recorded as a deduction from equity.

The Board of Directors will recommend setting the total 2017 dividend at €3.12 per ordinary share. Based on 110,996,996 shares as at 31 December 2017, the recommended dividend represents a provisional amount of €346 million. It will be adjusted in 2018 to take into account the treasury shares held on the payment date. The financial statements presented before appropriation of profit do not reflect this dividend, which is subject to shareholder approval at the next Annual General Meeting.

The coupon payable on deeply subordinated perpetual bonds is as follows:

(€ millions)	2017	2016
Coupons payable on deeply subordinated perpetual bonds (impact on equity)	**50**	**49**
Of which amount paid during the year	38	41
Of which amount payable in the following year	12	9
Impact on the statement of cash flows for the year	**47**	**47**
Of which coupons awarded and paid during the year	38	41
Of which interest awarded in the prior year and paid during the reporting year	9	6

12.9 Earnings per share

Accounting principle

Basic earnings per share are calculated based on the weighted average number of shares outstanding during the period, excluding shares issued in payment of dividends and treasury shares. Diluted earnings per share are calculated by the treasury stock method, as follows:

- numerator: earnings for the period are adjusted for interest on mandatory convertible bonds and dividends on deeply subordinated perpetual bonds;
- denominator: the basic number of shares is adjusted to include potential shares corresponding to dilutive instruments (equity warrants, stock options and free shares), less the number of shares that could be bought back at market price with the proceeds from the exercise of the dilutive instruments. The market price used for the calculation corresponds to the average share price for the year.

Equity instruments that will or may be settled in Casino, Guichard-Perrachon shares are included in the calculation only when their settlement would have a dilutive impact on earnings per share.

12.9.1 Number of shares

Diluted number of shares used for the calculation		2017	2016
Weighted average number of shares outstanding during the period			
Total ordinary shares		**110,996,996**	112,352,914
Ordinary shares held in treasury		**(262,622)**	(1,167,864)
Weighted average number of ordinary shares before dilution	**(1)**	**110,734,374**	**111,185,050**
Potential shares represented by:			
Stock options		**-**	-
Non-dilutive instruments (out of the money or covered by calls)		**-**	-
Weighted average number of dilutive instruments		**-**	**-**
Theoretical number of shares purchased at market price		**-**	-
Dilutive effect of stock option plans		**-**	-
Free share plans		**-**	-
Total potential dilutive shares		**-**	-
Total diluted number of shares	**(2)**	**110,734,374**	**111,185,050**

12.9.2 Profit attributable to ordinary shares

(€ millions)		2017			2016		
		Continuing operations	Discontinued operations (*)	Total	Continuing operations	Discontinued operations (i)	Total
Net profit attributable to owners of the parent		**127**	**(7)**	**120**	**33**	**2,645**	**2,679**
Dividend payable on deeply subordinated perpetual bonds		**(50)**	**-**	**(50)**	(49)	-	(49)
Net profit attributable to holders of ordinary shares	**(3)**	**77**	**(7)**	**70**	**(16)**	**2,645**	**2,629**
Net profit excluding non-controlling interests attributable to Monoprix mandatory convertible bonds		**-**	**-**	**-**	(6)	-	(6)
Diluted net profit attributable to holders of ordinary shares	**(4)**	**77**	**(7)**	**70**	**(22)**	**2,645**	**2,623**
Basic earnings per share attributable to owners of the parent (€)	**(3)/(1)**	**0.70**	**(0.06)**	**0.63**	**(0.14)**	**23.79**	**23.65**
Diluted earnings per share attributable to owners of the parent (€)	**(4)/(1)**	**0.70**	**(0.06)**	**0.63**	**(0.20)**	**23.79**	**23.59**

(*) Note 3.5.2.

Note 13 Other provisions

Accounting principle

A provision is recorded when the Group has a present obligation (legal or constructive) as a result of a past event, the amount of the obligation can be reliably estimated and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are discounted when the related adjustment is material.
In accordance with the above principle, a provision is recorded for the cost of repairing equipment sold with a warranty. The provision represents the estimated cost of repairs to be performed during the warranty period, as estimated on the basis of actual costs incurred in prior years. Each year, part of the provision is reversed to offset the actual repair costs recognised in expenses.

A provision for restructuring expenses is recorded when the Group has a constructive obligation to restructure. This is the case when management has drawn up a detailed, formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by announcing its main features to them before the period-end.

Other provisions concern specifically identified liabilities and expenses.

Contingent liabilities correspond to possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Group's control, or present obligations whose settlement is not expected to require an outflow of resources embodying economic benefits. Contingent liabilities are not recognised in the statement of financial position but are disclosed in the Notes to the financial statements.

13.1 Breakdown of provisions and movements

(€ millions)	1 January 2017	Additions for 2017	Reversals (used) 2017	Reversals (not used) 2017	Change in scope of consolida-tion	Effect of movements in exchange rates	Other	31 December 2017
Claims and litigation	628	154 (i)	(51) (ii)	(127) (iii)	-	(77)	4	**530**
Other risks and expenses	121	53	(22)	(28)	1	(1)	(5)	**118**
Restructuring	29	29	(30)	(1)	-	-	1	**27**
Total provisions	**778**	**236**	**(103)**	**(157)**	**-**	**(78)**	**-**	**676**
of which non-current	*615*	*134*	*(43)*	*(120)*	-	*(77)*	*4*	***514***
of which current	*163*	*101*	*(60)*	*(38)*	-	*(1)*	*(4)*	***162***

(i) The €154 million addition mainly concerns provisions for new tax disputes, civil litigation and employee disputes at GPA.
(ii) Provisions used during the year (€51 million) mainly concern GPA and relate to the new tax amnesty programme (Note 13.3).
(iii) Unused provisions reversed during the year (€127 million) primarily concern GPA and notably reflect favourable developments in the dispute regarding the exclusion of the ICMS tax from the PIS and COFINS tax base (Note 13.3).

Provisions for claims and litigation, and for other risks and expenses are composed of a wide variety of provisions for employee-related disputes, property disputes (concerning construction or refurbishment work, rents, tenant evictions, etc.), tax disputes and business claims (trademark infringement, etc.).

Provisions for claims and litigation amount to €530 million and mainly concern GPA (Note 13.2).

13.2 Breakdown of GPA provisions for claims and litigation (excluding Via Varejo)

(€ millions)	PIS/COFINS/CPMF disputes (i)	Other tax disputes	Employee disputes	Civil litigation	Total
31 December 2017	**32**	**324**	**83**	**35**	**475**
31 December 2016	43	402	88	41	**575**

(i) VAT and similar taxes.

In the dispute presented above and below in Note 13.3, GPA Food is contesting the payment of certain taxes, contributions and payroll obligations. The bonds posted by GPA pending final rulings from the administrative courts on these various disputes are included in "Other non-current assets" (Note 6.9). GPA has also provided various guarantees in addition to these bonds, reported as off-balance sheet commitments (Note 6.11).

(€ millions)	2017			2016		
	Bonds posted by GPA (i)	Assets pledged as collateral (ii)	Bank guarantees (ii)	Bonds posted by GPA (i)	Assets pledged as collateral (ii)	Bank guarantees (ii)
Tax disputes	**51**	**216**	**1,843**	53	248	2,002
Employee disputes	**119**	**1**	**23**	121	1	8
Civil and other litigation	**21**	**2**	**70**	19	3	48
Total	**192**	**218**	**1,937**	**193**	**252**	**2,057**

(i) See Note 6.9.
(ii) See Note 6.11.1.

13.3 Contingent assets and liabilities

In the normal course of its business, the Group is involved in a number of legal or arbitration proceedings with third parties or with the tax authorities in certain countries (of which mainly GPA – see below – and France Retail concerning tax disputes representing a risk of €36 million.

In addition to contingent liabilities mentioned below, the Group is under two prosecutions by the DGCCRF as described in note 2.

As stated in Note 3.3.5, no associates or joint ventures have any significant contingent liabilities.

- **Defence proceedings initiated by the sellers of a controlling interest in Globex Utilidades SA**

On 14 August 2015, GPA and Wilkes were jointly ordered by an international court of arbitration to pay compensation to the former majority shareholder of Globex Utilidades SA – Morzan Empreendimentos – in settlement of a dispute that arose in connection with the acquisition of a controlling interest in this company, now named Via Varejo SA. The total cost of €113 million, including interest and legal fees, was shared equally between GPA and Wilkes, GPA's holding company, and was reported under "Other operating expenses" in the 2015 income statement. The compensation was paid on 1 April 2016.
On 17 November 2015, GPA and Wilkes brought an action for annulment (without suspensive effect) before the Paris Court of Appeal, whose ruling is not expected before the second semester of 2018.

On 25 October 2016, Brazil's securities regulator (CVM) ordered GPA to also pay compensation to Globex Utilidades SA's other shareholders, in an amount corresponding to 80% of the compensation paid to Morzan Empreendimentos. Based on a preliminary analysis by GPA, the compensation payable would have amounted to approximately BRL150 million (€44 million). GPA appealed the CVM's decision and obtained a stay of payment of the compensation, estimated at BRL 150 million (€38 million). On 3 October 2017, the CVM"s review board examined GPA's appeal and unanimously decided to amend the original decision. Based on the review board's final decision, this matter is closed.

- **Class action against Cnova N.V. and the Group**

Some of the officers and directors of Cnova N.V. and the underwriters of its IPO have been named in a class action before the United States District Court for the Southern District of New York alleging a breach of United States securities laws. The lawsuit claims that misleading information was issued at the time of the IPO concerning the macro-economic situation in Brazil and the irregularities uncovered at Cnova Brazil. On 11 October 2017, the United States District Court for the Southern District of New York announced its preliminary approval of the proposed settlement of this class action. In application of the proposed settlement agreement, a USD 28.5 million (€24 million) compensation fund has been set up (Note 11.1) to settle the claims of the (former) Cnova shareholders and pay the plaintiffs' legal fees. A small part of the total amount will be used to cover the administrative costs involved in managing these payments. Most of the USD 28.5 million has been put up by Cnova's insurers. The balance, including the insurance deductible and legal fees, is covered by the provision set aside by Cnova in its 2016 accounts. Consequently, the settlement should not have any impact on the Group's net profit. The debt towards the plaintiffs is reported in "Other liabilities" in the amount of €24 million. Final approval of the settlement agreement is expected to be issued on 15 March 2018.
In a potential separate case, the SEC could fine Cnova N.V. following an analysis of the facts uncovered during the internal investigation carried out by Cnova, its lawyers and consultants that was completed at the end of the first half of 2016.

- **Notification issued by Brazil's securities regulator (CVM) to Via Varejo and GPA**

On 18 February 2016, Via Varejo received a notification from CVM expressing its disagreement with the accounting treatment of two transactions carried out in 2013. The first concerned the acquisition by GPA from Via Varejo of 6.2% of the capital of Nova Pontocom (a transaction that had no impact on the Group's consolidated financial statements) and the second concerned the takeover of Bartira following acquisition of 75% of the shares. GPA and Via Varejo contested the CVM's interpretation and their position concerning the Bartira transaction was initially accepted on 26 January 2017. However, on 20 April 2017, CVM confirmed its original decision regarding Via Varejo and GPA's accounting treatment of the Bartira transaction. This matter has no impact on the consolidated financial statements as at 31 December 2017.

- **Arbitration between GPA and Peninsula**

On 12 September 2017, GPA received a request for arbitration from Fundo de Investimento Inmobiliáro Peninsula ("Peninsula") in order to discuss the calculation of rental charges and other operational matters related to leasing agreements concerning stores owned by Peninsula and operated by GPA. The lease contracts have a duration of 20 years since 2005 and are automatically renewable for another 20 year period.
Casino and GPA management consider that there is no basis to the demands of Peninsula, and are confident as to the outcome of the arbitration.

- **GPA fiscal, social and civil contingent liabilities**

(€ millions)	31 December 2017	31 December 2016
INSS (employer's social security contributions)	**98**	106
IRPJ – IRRF and CSLL (corporate income taxes)	**208**	307
PIS, COFINS and CPMF (VAT and similar taxes)	**429**	624
ISS, IPTU and ITBI (service tax, urban property tax and tax on property transactions)	**38**	48
ICMS (state VAT)	**1,457**	1,612
Civil litigation	**140**	210
Total [(i)]	**2,371**	**2,907**

[(i)] Contingent liabilities of Via Varejo classified in discontinued operations and not included in the above table amount to €407 million as at 31 December 2017 (31 December 2016: €433 million).

The €536 million decrease includes the €397 million translation adjustment and €103 million in contingent liabilities cancelled under the tax amnesty programme.
The tax amnesty programme concerned (i) PIS & COFINS tax on purchases and sales of soya; (ii) the disallowed PIS & COFINS and IRPJ tax offsets, (iii) other taxes that were previously considered to be potentially due (mainly the CPMF tax) and (iv) ICMS taxes levied by the São Paulo state tax administration. A net expense of BRL 218 million (€60 million) was recorded upon joining the tax amnesty programmes (see Note 6.5). This amount is stated net of the taxes waived under the amnesty.

GPA employs consulting firms to advise it in tax disputes, whose fees are contingent on the disputes being settled in GPA's favour. As at 31 December 2017, the estimated amount was €40 million (31 December 2016: €36 million).

Moreover, GPA has given a specific guarantee to its Brazilian subsidiary concerning notifications of tax adjustments received from the tax administration, for a total amount of BRL 1,223 million at 31 December 2017, interest and penalties included, and for which Casino has committed to indemnify GPA by 50% of the loss that GPA would incur, provided that the amount is final. Based on the commitment given by Casino to its subsidiary, the risk exposition amounts to BRL 611 million (€154 million). The underlying risks are considered possible; as such, no provision was recorded in the accounts.

- **GPA contingent assets**

Exclusion of ICMS from the PIS/COFINS tax base:

Since the introduction of non-cumulative PIS and COFINS tax credits, GPA has asserted the right to deduct ICMS tax from the base used to calculate PIS and COFINS taxes. GPA's position was supported by a Brazilian federal supreme court (STF) ruling on 15 March 2017 that the ICMS tax should be excluded from the PIS and COFINS tax base. Based on the STF's ruling and the opinion of its internal and external advisors, GPA believes that the probability of having to settle the amounts deducted in prior periods is low. It has therefore released the corresponding provisions set up in prior periods for an amount of BRL 117 million (€32 million).
The STF's ruling has not yet been published and the court has yet to decide on the practical aspects of its application and the retrospective effects of its decision. GPA and its advisors believe that, once known, these details will not affect its rights under the proceedings initiated since 2003 and still in progress. However, it is nevertheless not possible to recognise any tax asset for as long as the proceedings are not closed. Based on a preliminary estimate, GPA believes that the potential asset represents between BRL 1.3 billion and BRL 1.85 billion (€327 million and €466 million) for continuing operations other than the cash & carry business for which the estimate has not yet been finalised.

In the case of Via Varejo, which is classified as a discontinued operation, the estimated potential tax asset amounts to around BRL 1.4 billion (€348 million), including an additional amount of BRL 425 million (€107 million) that will be owed exclusively to GPA.

Note 14 Related-party transactions

Related parties are:
- parent companies (mainly Rallye, Foncière Euris, Finatis and Euris);
- entities that exercise joint control or significant influence over the Company;
- subsidiaries (Note 17);
- associates (primarily Mercialys) (Note 3.3);
- joint ventures (Note 3.3);
- members of the Board of Directors and Management Committee (Note 8.4).

The Company has relations with all of its subsidiaries in its day-to-day management of the Group. The Company and its subsidiaries receive strategic advice from Euris, the ultimate holding company, under strategic advice and assistance agreements. The Company also receives other recurring services from Euris and Foncière Euris (provision of staff and premises). The expenses recorded during the year in respect of these agreements with Casino and its subsidiaries totalled €3.7 million, of which €3.2 million for strategic advisory services and €0.5 million for the provision of staff and premises.

The Group recorded a €12 million positive contribution to EBITDA corresponding to the settlement of property development transactions begun in prior years with Foncière Euris.

In connection with the deployment of its dual model combining retail and commercial real estate activities, Casino and its subsidiaries are involved in a number of property development operations with Mercialys (Note 3.3.6).

Related party transactions with individuals (directors, corporate officers and members of their families) are not material.

Note 15 Subsequent events

- **Bond issue**

On 24 January 2018, Casino placed a €200 million tap of its 1.49% bond issue due June 2022, raising the total amount from €550 million to €750 million.

- **Negotiations with Sarenza**

On 19 February, Monoprix announced that it was in exclusive negotiations to acquire Sarenza, the leading on-line footwear retailer.

Note 16 Statutory Auditors' fees

Statutory auditors' fees for the year ended 31 December 2017 (in € thousands)	EY	Deloitte
Audit of statutory and consolidated accounts and limited review	6,145	4,386
Services other than audit of accounts	726	186
TOTAL	**6,871**	**4,572**

Services other than audit of accounts by the auditors to Casino, Guichard-Perrachon, consolidating entities, and to its subsidiaries, correspond mostly to procedures related to the issuance of certificates and reports on agreed-upon procedures regarding data issued from the accounting records, or regarding internal control.

Note 17 Main consolidated companies

As at 31 December 2017, the Casino Group comprised 1,755 consolidated companies. The main companies are listed below.

	2017			2016		
Company	**% control**	**% interest**	**Consolidation method**	**% control**	**% interest**	**Consolidation method**
Casino, Guichard-Perrachon SA			**Parent company**			**Parent company**
France - Retailing						
Achats Marchandises Casino (AMC)	100	100	FC	100	100	FC
Casino Carburants	100	100	FC	100	100	FC
Casino Services	100	100	FC	100	100	FC
CD Supply Innovation	50	50	EM	-	-	-
Distribution Casino France (DCF)	100	100	FC	100	100	FC
Distridyn	49.99	49.99	EM	49.99	49.99	EM
Easydis	100	100	FC	100	100	FC
Floréal	100	100	FC	100	100	FC
Geimex	100	100	FC	100	100	FC
Intermarché Casino Achats (INCAA)	50	50	EM	50	50	EM
Monoprix Group						
Monoprix	100	100	FC	100	100	FC
Les Galeries de la Croisette	100	100	FC	100	100	FC
Monoprix Exploitation	100	100	FC	100	100	FC
Monop'	100	100	FC	100	100	FC
Naturalia France	100	100	FC	100	100	FC
Simonop'1	100	51	FC	100	51	FC
Société Auxiliaire de Manutention Accélérée de Denrées Alimentaires "S.A.M.A.D.A."	100	100	FC	100	100	FC
Société L.R.M.D.	100	100	FC	100	100	FC
Franprix-Leader Price Group						
Cofilead	100	100	FC	100	100	FC
DBMH	100	100	FC	100	100	FC
Distribution Franprix	100	100	FC	100	100	FC
Distribution Leader Price	100	100	FC	100	100	FC
Distri Sud-Ouest (DSO)	100	100	FC	100	100	FC
Franprix Holding	100	100	FC	100	100	FC
Franprix-Leader Price	100	100	FC	100	100	FC
Franprix-Leader Price Finance	100	100	FC	100	100	FC
HLP Ouest	70	70	FC	70	70	FC
Holding Mag 2	49	49	EM	49	49	EM
Holdi Mag	49	49	EM	49	49	EM
Holdev Mag	49	49	EM	49	49	EM
Gesdis	40	40	EM	40	40	EM
Leader Price Exploitation	100	100	FC	100	100	FC
NFL Distribution	100	100	FC	100	100	FC
Parfidis	100	100	FC	100	100	FC
Pro Distribution	70	70	FC	70	70	FC
R.L.P. Invest	100	100	FC	100	100	FC
Sarjel	100	100	FC	60	60	FC
Sédifrais	100	100	FC	100	100	FC
Sofigep	100	100	FC	100	100	FC

		2017			2016		
Company		**% control**	**% interest**	**Consolidation method**	**% control**	**% interest**	**Consolidation method**
Codim Group							
Codim 2		100	100	FC	100	100	FC
Hyper Rocade 2		100	100	FC	100	100	FC
Pacam 2		100	100	FC	100	100	FC
Poretta 2		100	100	FC	100	100	FC
Prodis 2		100	100	FC	100	100	FC
Property Group							
GreenYellow		97.52	97.52	FC	98.75	98.75	FC
L'immobilière Groupe Casino		100	100	FC	100	100	FC
Sudéco		100	100	FC	100	100	FC
Uranie		100	100	FC	100	100	FC
Mercialys Group							
Mercialys (listed company)		**40.24**	**40.24**	**EM**	**40.22**	**40.22**	**EM**
Property development							
Plouescadis		100	100	FC	100	100	FC
Other businesses							
Banque du Groupe Casino		50	50	EM	50	50	EM
Casino Finance		100	100	FC	100	100	FC
Casino Restauration		100	100	FC	100	100	FC
Restauration Collective Casino		100	100	FC	100	100	FC
E-commerce							
Cnova N.V. Group (listed company)		**99.46**	**76.11**	**FC**	**93.70**	**66.84**	**FC**
Cdiscount Group		100	76.11	FC	100	66.84	FC
Cdiscount		100	76.19	FC	100	66.95	FC
International – Poland							
Mayland Real Estate		100	100	FC	100	100	FC
International – Brazil							
Wilkes		100	77.65	FC	100	75.5	FC
GPA Group (listed company)		**99.94**	**33.12**	**FC**	**99.94**	**33.18**	**FC**
Financeira Itaú CBD S.A. – Crédito, Financiamento e Investimento (FIC)	(i) (iii)	50	41.93	EM	50	41.93	EM
GPA Malls & Properties Gestão de Ativos e Serviços. Imobiliários Ltda. (GPA M&P)	(i)	100	100	FC	100	100	FC
Novasoc Comercial Ltda. (Novasoc)	(i) (ii)	100	100	FC	99.98	10	FC
Sendas Distribuidora S.A. (Sendas)	(i)	100	100	FC	100	100	FC
Via Varejo (listed company)	**(i)**	**62.53**	**43.31**	**FC**	**62.56**	**43.34**	**FC**
Banco Investcred Unibanco S.A. (BINV)	(i) (iii) (vi)	50	21.65	EM	50	21.67	EM
Indústria de Móveis Bartira Ltda. (Bartira)	(iv) (vi)	100	100	FC	100	100	FC
C'nova Comercio Electronico	(iv) (vi)	100	100	FC	100	100	FC

Company		2017 % control	2017 % interest	2017 Consolidation method	2016 % control	2016 % interest	2016 Consolidation method
International – Colombia, Uruguay and Argentina							
Éxito Group (listed company)		**55.30**	**55.30**	**FC**	**55.30**	**55.30**	**FC**
Distribuidora de Textiles y Confecciones SA DIDETEXCO	(v)	97.75	97.75	FC	97.75	97.75	FC
Viva Malls Trust	(v) (vii)	51	51	FC	51	51	FC
Viva Villavincencio Trust	(v)	51	51	FC	51	51	FC
Logistica y transporte de Servicios S.A.S	(v)	100	100	FC	100	100	FC
Tuya SA	(v)	50	50	EM	50	50	EM
Grupo Disco (Uruguay)	(v)	75.10	62.49	FC	75.10	62.49	FC
Devoto (Uruguay)	(v)	100	100	FC	100	100	FC
Libertad (Argentina)	(v)	100	100	FC	100	100	FC
International – Indian Ocean							
Vindémia Distribution		100	99.98	FC	100	99.98	FC
Vindémia Logistique		100	100	FC	100	100	FC
BDM (Mayotte)		71.44	71.44	FC	71.44	71.44	FC
SOMAGS (Mauritius)		100	100	FC	100	100	FC
French and international holding companies							
Bergsaar BV		100	100	FC	100	100	FC
Casino Finance International		100	100	FC	100	100	FC
Casino International		100	100	FC	100	100	FC
Forézienne de participations		100	100	FC	100	100	FC
Géant Foncière BV		100	100	FC	100	100	FC
Géant Holding BV		100	100	FC	100	100	FC
Géant International BV		100	100	FC	100	100	FC
Gelase		100	55.30	FC	100	55.30	FC
Helicco		100	100	FC	100	100	FC
Intexa (listed company)		**98.91**	**97.91**	**FC**	**98.91**	**97.91**	**FC**
Marushka Holding BV		100	100	FC	100	100	FC
Ségisor SA		100	77.65	FC	100	77.65	FC
Sonnat		100	100	FC	100	100	FC
Tevir SA		100	100	FC	100	100	FC
Tonquin BV		100	100	FC	100	100	FC

(i) The percentage interests correspond to the percentages held by the GPA sub-group.

(ii) In 2016, although GPA only owned 10% of Novasoc, it was fully consolidated as GPA controlled 99.98% of the voting rights under the shareholders' agreement.

(iii) FIC and BINV finance purchases made by GPA's customers. These entities were created through a partnership between Banco Itaú Unibanco S.A ("Itaú Unibanco"), GPA, and Via Varejo. They are accounted for by the equity method as GPA exercises significant influence over their operating and financial policies. Via Varejo's 14.24% share of FIC's net assets has been classified as held for sale in accordance with IFRS 5. BINV is a Via Varejo joint venture and has been classified in full as held for sale.

(iv) The percentage interests correspond to the percentages held by the Via Varejo sub-group.

(v) The percentage interests correspond to the percentages held by the Éxito sub-group. On 27 April 2015, Éxito signed a contractual agreement, initially with a two-year term, granting it more than 75% of the Disco voting rights and exclusive control over the sub-group's strategic decisions. On 29 December 2016, the agreement was extended until 30 June 2019. It will then be rolled over automatically until 30 June 2021 unless either party gives notice of its intention to withdraw from the agreement before 31 December 2018.

(vi) Via Varejo's main subsidiaries and joint ventures are Cnova Comercio Electronico, BINV and Bartira. The entire sub-group has been classified as held for sale in accordance with IFRS 5.

(vii) The trust's governance is specified in the agreement between the parties. Éxito is the majority partner and FIC has rights with respect to certain Viva Malls business decisions concerning such matters as acquisitions and disposals in excess of a certain amount or the method of setting budgets and business plan targets. The agreement also states that Éxito is the sole provider of property management, administrative and marketing services for Viva Malls and that it is paid an arm's length fee for these services. A review of the substance of FIC's rights under the agreement confirms that their effect is solely to protect FIC's investment and that, consequently, Viva Malls is controlled by Éxito.

Note 18 Standards, amendments and interpretations published but not yet mandatory

Standards, amendments and interpretations adopted by the European Union as at the reporting date but not yet mandatory

The IASB has published the following standards, amendments to existing standards and interpretations, adopted by the European Union but not mandatory as at 1 January 2017.

IFRS 9 – Financial instruments

IFRS 9 – Financial Instruments published by the IASB in July 2014 and adopted by the European Union on 29 November 2016, will replace IAS 39 – Financial Instruments as from 1 January 2018. IFRS 9 defines new principles covering the classification and measurement of financial instruments, the recognition of impairment provisions for credit risk on financial assets and hedge accounting. . Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt IFRS 9 as from 1 January 2018 and does not expect to restate comparative information, except possibly for the recognition of forward points on foreign currency hedges. The three main aspects addressed in IFRS 9 were analysed in 2017. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements and, to a lesser extent, the effect of debt modifications. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

(a) Classification and measurement of financial assets and liabilities

The standard requires financial assets to be classified as measured at (i) amortised cost, or (ii) fair value through other comprehensive income or (iii) fair value through profit or loss. The choice of classification is generally based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. These classifications replace the categories in IAS 39 (held-to-maturity investments – a category not used by the Group –, loans and receivables, and available-for-sale financial assets). Except for consumer finance receivables and debt modifications, application of the new classifications is not expected to have any material impact :

- Credit card receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. They will therefore be measured at fair value through other comprehensive income and the cumulative gain or loss previously recognised in other comprehensive income will be reclassified from equity to profit or loss when the receivables are derecognised or reclassified. The main identified impact of this accounting treatment concerns GPA and, more specifically, its Via Varejo subsidiary which is classified as held for sale.
- IFRS 9 also modifies the accounting treatment of debt renegotiations that do not lead to derecognition of the original debt. A renegotiated debt continues to be measured at the original effective interest rate and the gain or loss resulting from the renegotiation is recognised immediately in profit or loss. Under IAS 39 the accounting treatment consisted of recognising the interest saving or additional interest cost resulting from the renegotiation over the remaining life of the renegotiated debt, by prospectively adjusting its effective interest rate. Under this method, the carrying amount of the debt is not modified on the renegotiation date.

(b) Impairment of financial assets

IFRS 9 replaces the "incurred loss" model under IAS 39 with the "expected credit loss" model. The new model is applicable to assets at amortised cost, contract assets, debt instruments at fair value through other comprehensive income and financial guarantees, but not to investments in equity instruments.

The Group expects to use primarily the simplified approach to measuring expected credit losses, in particular related to receivables from franchisees, deferred payment receivables and receivables from rentals.

(c) Hedge accounting

The Group will apply the new general hedge accounting requirements in IFRS 9. These include ensuring that hedging relationships are consistent with its risk management objectives and strategy, and placing greater emphasis on qualitative and forward-looking tests of hedge effectiveness. The analysis performed by the Group has confirmed that its current hedging relationships will continue to qualify for hedge accounting under IFRS 9.

Application of the new hedge accounting requirements in IFRS 9 is not expected to have any material impact.

In addition to the impacts described above, other adjustments may also have to be made to the accounts upon adoption of IFRS 9, concerning for example deferred taxes and investments in associates and joint ventures (such as Banque du Groupe Casino).

IFRS 15 – Revenue from contracts with customers

On 29 October 2016, the European Union adopted IFRS 15 – Revenue from Contracts with Customers, which is applicable as from 1 January 2018. The Group has not elected to early-adopt this standard.

IFRS 15 defines the principles for recognising revenue and will replace the standards IAS 18 – Revenue and IAS 11 – Construction contracts and all related interpretations. Its scope covers all contracts made with customers, except for leases (rental and sub-rental revenue), financial instruments (interest income) and insurance contracts, which are under the scope of other standards.

IFRS 15 defines a unique model for recognising revenue, in five steps. It introduces new concepts and principles regarding the recognition of revenue, in particular the identification of performance obligations and allocation of the transaction price for contracts with multiple performance obligations. It also includes new disclosure requirements.

The various revenue sources have been analysed in detail and the effects of applying IFRS 15 to revenue recognition as from 1 January 2018 are expected to be limited given the nature of the Group's business. The vast majority of the Group's revenue originates from sales to final clients made in stores and gas stations; those sales include no other performance obligations and the related revenue is recognised at checkout.

IFRS 15 will be applied retrospectively to facilitate year-on-year comparisons.

IFRS 16 – Leases

The adoption of IFRS 16, which will replace IAS 17 and related interpretations, will affect primarily the accounting for the operating leases on the Group's stores and warehouses and will result in the recognition of almost all leases on-balance sheet. An optional exemption exists for short-term leases and leases on low-value assets. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability representative of discounted future rentals for virtually all lease contracts. Operating lease expense will be replaced with interest expense and depreciation, so key metrics like trading profit and EBITDA will change. The Group believes that consolidated net profit will also be affected because the total rental expense is generally higher at the beginning of the lease and decreases over time, unlike a straight-line charge under the current standard. Additionally, net cash from operating activities will be higher as cash payments for the principal portion of the lease liability and the related interest will be classified as cash flows from financing activities.

The Group is continuing to assess the potential impact on its financial information. As at 31 December 2017, off-balance sheet non-cancellable operating lease commitments (property and equipment) amounted to €2,726 million (Note 7.2), corresponding mainly to leased store and warehouse properties used in the business. The assessment of the new standard's impact is still at any early stage, and the Group has not yet determined to what the extent operating lease renewal or termination options (particularly the three-yearly right to terminate commercial leases in France and the possibility to terminate lease arrangements in Brazil in exchange for a penalty of one to twelve months' rent) will affect the recognition of an asset and a liability for future minimum lease payments and how this will affect consolidated profit and the presentation of cash flows.

Finally, the Group has not yet decided the date of first-time adoption of the standard (mandatory application no later than from 1 January 2019) or the transition method (simplified or full retrospective approach).

Standards and interpretations not adopted by the European Union as at the reporting date

The IASB has published the following standards, amendments to standards and interpretations applicable to the Group which have not yet been adopted by the European Union:

Standard **(application date for the Group subject to adoption by the EU)**	**Description of the standard**
IFRS Annual Improvements – 2014-2016 cycle (1 January 2018)	The main standard concerned is IFRS 12 – Disclosure of Interests in Other Entities. These amendments will be applicable on a retrospective basis. They clarify that IFRS 12 also applies to interests in subsidiaries, joint arrangements and associates classified as "held for sale" in accordance with IFRS 5 (except for the requirement to disclose summary financial information which does not have to be applied).
Amendments to IFRS 2 *Classification and measurement of share-based payments* (1 January 2018)	These amendments will be applicable on a prospective basis. The amendments describe the accounting treatment of: - the effects of vesting conditions and non-vesting conditions on the measurement of cash-settled share-based payments: measurement of the liability for cash-settled share-based payments follows the same approach as used for equity-settled share-based payments; - share-based payments subject to withholding tax: the share-based payment is qualified as equity-settled in its entirety (including the withholding tax) provided that, in the absence of the withholding tax, the share-based payment would have been equity-settled in its entirety; - modifications of share-based payment transactions from cash-settled to equity-settled: the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value, with the difference between the two amounts recognised in profit or loss.
Amendments to IAS 40 *Transfers of investment property* (1 January 2018)	These amendments will be applicable on a prospective basis. These amendments provide guidance on transfers to or from investment property. They also clarify that the list of evidence of a change of use is a non-exhaustive list of examples.
IFRIC 22 *Foreign currency transactions and advance consideration* (1 January 2018)	Companies will be allowed to apply this interpretation either retrospectively or prospectively. IFRIC 22 provides guidance on interpreting IAS 21 – The Effects of Changes in Foreign Exchange Rates. It clarifies the exchange rate to be used for advance consideration.

Standard (application date for the Group subject to adoption by the EU)	Description of the standard
IFRIC 23 *Uncertainty over Income Tax Treatments* (1 January 2019)	Companies will be allowed to apply this interpretation on a full or partial retrospective basis. IFRIC 23 explains how to reflect the effects of uncertainty in accounting for current and deferred tax assets and liabilities under IAS 12 – Income taxes. It clarifies the following main points: - judgement should be used to determine whether uncertain tax treatments should be considered separately or together; - an entity should assume that the taxation authority will examine all amounts reported to it and will have full knowledge of all relevant information when doing so; - the decision whether to recognise current and deferred tax assets and liabilities should be made based on the probability (i.e. is it more probable than not) that the asset will be recovered or the liability will be paid; - if it is not probable that the taxation authority will accept an uncertain tax treatment, the provision should be based on the estimated amount that the entity expects to pay or recover, as determined by (i) the most likely amount method or (ii) a method based on the weighted average of the various possible scenarios.
Amendments to IFRS 9 *Prepayment features with negative compensation* (1 January 2019)	These amendments will be applicable on a retrospective basis. The amendments expand the classification of financial assets at amortised cost or at fair value through other comprehensive income and clarify the application of the "solely a payment of principal and interest" test to certain debt instruments with a prepayment feature where the effect of exercising this clause would reasonably lead to repayments that are lower than the amount of principal and interest due.
Amendments to IAS 28 *Long-term interests in associates and joint ventures* (1 January 2019)	These amendments will be applicable on a retrospective basis. These amendments clarify that IFRS 9 (including the impairment rules) applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
IFRS Annual Improvements Cycles 2015-2017 cycle *(1 January 2019)*	The main standards concerned are: ▪ IAS 12 – Income Taxes: these amendments clarify that the tax consequences of dividend payments (i.e. distributions of profits) should be recognised in profit or loss, equity or other comprehensive income according to where the transactions that generated the distributed profits were presented. They will be applicable on a retrospective basis as from the first comparative period presented. ▪ IAS 23 – Borrowing Costs. These amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally. These amendments will be applicable on a prospective basis.

These interpretations and amendments are not expected to have any material impact on the Group's consolidated financial statements.

CASINO, GUICHARD-PERRACHON

Société Anonyme

1 cours Antoine Guichard
42000 SAINT-ETIENNE

Statutory Auditors' Report on the Consolidated Financial Statements

Year ended December 31, 2017

ERNST & YOUNG ET AUTRES
Tour First
1 place des Saison - TSA 14444
92037 PARIS-LA-DEFENSE CEDEX

S.A.S. à capital variable

Commissaire aux comptes
Membre de la compagnie
régionale de Versailles

DELOITTE & ASSOCIES
185 avenue Charles de Gaulle
92200 NEUILLY-SUR-SEINE

S.A. au capital de 1 723 040 €

Commissaire aux comptes
Membre de la compagnie
régionale de Versailles

Casino, Guichard-Perrachon

Société Anonyme

1 cours Antoine Guichard
42000 SAINT-ETIENNE

Statutory Auditors' Report on the Consolidated Financial Statements

Year ended December 31, 2017

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information specifically required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.
This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders' meeeting of CASINO, GUICHARD-PERRACHON,

Opinion

In compliance with the engagement entrusted to us by your shareholders' meeting, we have audited the accompanying consolidated financial statements of CASINO, GUICHARD-PERRACHON for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French code of ethics (*code de déontologie*) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

<table>
<tr><th colspan="2">Valuation of goodwill and brands</th></tr>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td colspan="2">Please see Notes "10.1 – Goodwill", "10.2 – Other intangible assets" and
"10.5 – Impairment of non-current assets" to the consolidated financial statements”</td></tr>
<tr><td>As of December 31, 2017, the net carrying amount of goodwill and brands with an indefinite life recorded in the consolidated statement of financial position, following different business combinations carried out by the Group as part of its external growth transactions, amount to, respectively, €9,031 million and €1,613 million, which represents approximately 28% of total consolidated assets.

As part of the valuation of these assets, the Group performs impairment tests at least once a year and whenever there is an indication of impairment.

We considered the valuation of goodwill and brands, including the goodwill relating to FRANPRIX - LEADER PRICE and the brand relating to EXTRA, to be a key audit matter due to the following:
- their materiality in the consolidated financial statements ;
- the importance of management’s estimates, assessments and significant assumptions on the basis of which their recoverable amount is determined, based on the future discounted cash flows expected to be derived from these assets;
- the sensitivity of the valuation of these recoverable amounts to certain assumptions.</td><td>We examined the compliance of the methodology implemented by management with the accounting standards in force.

We also assessed the main estimates used and analyzed in particular:
- the consistency of cash flow projections with the medium-term budgets and business plans prepared by management, as well as the consistency of these projections with the Group’s historical performance and the economic context in which the Group operates,
- the methods and parameters used to determine the discount rates applied to estimated cash flows. We recalculated these discount rates, and compared them with the amounts used by leading financial analysts and with our internal databases, with the assistance of our valuation experts,
- the relevance of the sensitivity scenarios used by management.

Finally, we examined the appropriateness of the disclosures provided in the notes to the consolidated financial statements, notably those relating to sensitivity tests.</td></tr>
</table>

<table>
<tr><th colspan="2">Valuation of rebates to be received from suppliers at year-end</th></tr>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td colspan="2">Please see Notes "6.2 – Cost of goods sold" and "6.8 – Other current assets" to the consolidated financial statements</td></tr>
<tr><td>Within the scope of its retail activities, the Group receives rebates from its suppliers in the form of discounts and commercial cooperation fees.

These benefits, generally paid based on a percentage defined contractually, and on purchases made from suppliers, are recorded as a deduction from cost of goods sold.

Considering the material impact of these accounting entries on net profit for the period, the large number of contracts concerned and the necessity for management to estimate the purchases covered by these year-end benefits for each supplier, we considered the valuation of rebates to be received from suppliers at year-end to be a key audit matter.</td><td>Within the scope of our audit, we:
- examined the internal control measures relating to the process for monitoring these rebates in the Group’s various subsidiaries and carried out tests on the key controls using sampling techniques;
- we considered, based on sampling, whether the contractual terms relating to rebates to be received from suppliers were correctly taken into account in the valuation;
- we examined the estimates used by management to determine these year-end rebates, in particular the valuation of the level of purchases at year-end used to determine the amounts of the invoices to be issued;
- we examined the collection of these receivables subsequent to the year-end date.</td></tr>
</table>

<table>
<tr><th colspan="2">Recognition of tax credits and monitoring of contingent tax liabilities at GPA</th></tr>
<tr><th>Risk identified</th><th>Our response</th></tr>
<tr><td colspan="2">Please see Notes "5.1 – Key indicators by reportable segment", "6.8.1 – Breakdown of other current assets", "6.9.1 – Breakdown of other non-current assets" and "13.3 – Contingent assets and liabilities" to the consolidated financial statements</td></tr>
<tr><td>Within the scope of its retail activities at GPA, the Group recognizes ICMS tax credits. The balance amounts to €382 million as of December 31, 2017, including €201 million related to ICMS ST tax credits from previous fiscal years following a judgment of the Supreme Court in Brazil in April 2017. These tax credits are accounted for as a reduction of cost of goods sold.</td><td>We conducted interviews with various people with responsibilities in the organization of GPA, to identify and understand the process for recognizing tax credits; litigation and existing liabilities, as well as the judgments relating thereto.</td></tr>
</table>

These tax credits are recognized based on: (i) the interpretation of tax legislation and jurisprudence, in particular in the retail sector in Brazil, (ii) legal opinions provided by the subsidiary's external tax advisors, when it is considered that they can be estimated and that their recoverability is probable. Furthermore, as described in Note 13.3 to the consolidated financial statements, the Group estimates contingent PIS and COFINS tax credit assets, relating to the exclusion of ICMS from the calculation basis of these two taxes, at an amount within a range of between €327 and €466 million. GPA is also involved in various administrative and legal proceedings in Brazil arising, notably, from tax claims filed by the Brazilian tax authorities. These tax risks, estimated at €2,371 million as of December 31, 2017, have been treated as contingent liabilities and no provisions have been recognized as of December 31, 2017, as indicated in Note 13.3 to the consolidated financial statements. We considered the recognition and recoverability of the tax credits, on the one hand, and the valuation and monitoring of contingent tax liabilities in Brazil, on the other hand, to be key audit matters for the following reasons: (i) the significance in the accounts of the tax credit balance, the contingent asset relating to PIS and COFINS tax credits and the amount of contingent tax liabilities as of December 31, 2017, (ii) the complexity of the Brazilian tax legislation regarding taxes and (iii) the use of judgements and estimates by management in connection with the recognition of tax credits and the valuation of contingent tax liabilities.	Concerning tax credits, we examined: - the internal control measures relating to the process for monitoring these tax credits and we tested the related key controls using sampling techniques, - the relevance of the documentation justifying either the recognition of ICMS tax credits over the year, or the qualification of the PIS and COFINS tax credits as a contingent tax asset, - the legal or technical opinions provided by law firms or external experts chosen by management to assess the recognition of the tax credits presented in the consolidated financial statements, - the appropriateness of assumptions used by management to draw up the recovery plan underlying the recognized ICMS tax credits. Concerning contingent liabilities, we: - reconciled the list of identified disputes with the information provided by GPA's main law firms that we contacted, - examined the information on the legal or technical proceedings and/or opinions provided by the law firms or external experts chosen by management to assess the appropriateness of the qualification of the various disputes as contingent liabilities, - examined the risk estimates prepared by the Group and reconciled them with the figures in the notes to the consolidated financial statements with respect to contingent tax liabilities. Finally, we assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

Presentation and valuation of the VIA VAREJO discontinued operations	
Risk identified	**Our response**
Please see Notes "2 – Significant events of the year" and "3.5 – Non-current assets held for sale and discontinued operations" to the consolidated financial statements	
The process for the sale of the Group's interest in VIA VAREJO, which represents the entire "Latam Electronics" operating sector and the e-commerce business in Brazil through its subsidiary CNOVA Brazil, undertaken and approved by the Board of Directors on November 23, 2016, is still underway as of December 31, 2017. Following this decision: - the assets and liabilities as well as the cash flow of VIA VAREJO have, respectively, been presented on a separate line of the consolidated statement of financial position and of the consolidated statement of cash flows; - the after tax net profit of the VIA VAREJO activities have been presented in a separate line of the consolidated statement of income ("Net profit from discontinued operations"); - VIA VAREJO was valued at the lower of its carrying amount and its fair value less selling costs. Considering the significance of the VIA VAREJO activity in the consolidated financial statements (the net assets of VIA VAREJO amount to €1,470 million, or around 11% of net consolidated assets), we considered the accounting classification, the valuation of the interest, and the disclosures provided in this respect in the notes to the consolidated financial statements to be a key audit matter.	Within the scope of our audit, we examined the continuation of the process to sell VIA VAREJO and its subsidiaries undertaken by the Group's management, with regard to the assessment criteria, set forth in IFRS 5, for the classification of discontinued operations and the resulting presentation. We examined the identification and presentation of all of the items comprising the assets and liabilities, the cash flow statement and the after tax net profit of the VIA VAREJO activities in "Assets held for sale" and "Liabilities associated with assets held for sale" (Note 3.5.1), as well as in profit and cash flow from discontinued operations (Notes 3.5.2 and 3.5.3), with regard to IFRS 5. Concerning these assets and liabilities, we assessed the methods for determining their fair value, less estimated selling costs, as of December 31, 2017, based on, notably, the stock market price at that date. In particular, we considered whether the control premium used by management to estimate the fair value of VIA VAREJO was consistent with comparable transactions that we were able to observe on the Brazilian market. Finally, we assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Board of Directors' management report.

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

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of CASINO, GUICHARD-PERRACHON by the Shareholders' Meeting held on April 29, 2010.

As at December 31, 2017, our audit firms were both in their 8th year of uninterrupted engagement. Previously, Ernst & Young Audit had been statutory auditor since 1978.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors′ Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- Assesses the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditors conclude that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French code of ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La-Défense and Neuilly-sur-Seine, March 9, 2018

The Statutory Auditors

French original signed by:

ERNST & YOUNG ET AUTRES		DELOITTE & ASSOCIES	
Yvon SALAÜN	Sylvain LAURIA	Frédéric MOULIN	Patrice CHOQUET