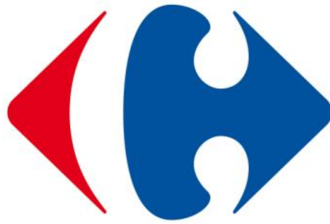

Consolidated Financial Statements

as of December 31, 2017

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The Consolidated Financial Statements are presented in millions of euros, rounded to the nearest million. As a result, there may be rounding differences between the amounts reported in the various statements.

(in € millions)	Notes	2017	2016	% change
Net sales	5.1	78,897	76,645	2.9%
Loyalty program costs		(644)	(591)	9.0%
Net sales net of loyalty program costs		**78,253**	**76,054**	**2.9%**
Other revenue	5.1	2,722	2,720	0.1%
Total revenue		**80,975**	**78,774**	**2.8%**
Cost of sales	5.2	(62,760)	(60,789)	3.2%
Gross margin from recurring operations		**18,214**	**17,985**	**1.3%**
Sales, general and administrative expenses, depreciation and amortisation	5.2	(16,209)	(15,634)	3.7%
Recurring operating income		**2,006**	**2,351**	**(14.7%)**
Net income from equity-accounted companies	7	4	(36)	(110.3%)
Recurring operating income after net income from equity-accounted companies		**2,010**	**2,315**	**(13.2%)**
Non-recurring income and expenses, net	5.3	(1,310)	(372)	n.a.
Operating income		**700**	**1,943**	**(64.0%)**
Finance costs and other financial income and expenses, net	12.6	(445)	(515)	(13.6%)
Finance costs, net		*(317)*	*(377)*	*(15.8%)*
Other financial income and expenses, net		*(128)*	*(138)*	*(7.7%)*
Income before taxes		**255**	**1,428**	**(82.1%)**
Income tax expense	8.1	(618)	(494)	25.1%
Net income from continuing operations		**(363)**	**934**	**(138.8%)**
Net income from discontinued operations	3.4	1	(40)	
Net income for the year		**(362)**	**894**	**(140.5%)**
Group share		**(531)**	**746**	**(171.1%)**
of which net income from continuing operations		(531)	786	(167.6%)
of which net income from discontinued operations		1	(40)	n.a.
Attributable to non-controlling interests		**169**	**148**	**14.1%**

Basic earnings per share, in €	2017	2016	% change
Earnings/(loss) from continuing operations per share	(0.70)	1.06	(166.1%)
Earnings from discontinued operations per share	0.00	(0.05)	n.a.
Basic earnings per share – Group share	(0.70)	1.01	(169.6%)

Diluted earnings per share, in €	2017	2016	% change
Diluted earnings/(loss) from continuing operations per share	(0.70)	1.06	(166.1%)
Diluted earnings from discontinued operations per share	0.00	(0.05)	n.a.
Diluted earnings per share – Group share	(0.70)	1.01	(169.6%)

Details of earnings per share calculations are provided in Note 11.6.

Consolidated statement of comprehensive income

(in € millions)	Notes	2017	2016
Net income for the year		**(362)**	**894**
Effective portion of changes in the fair value of cash flow hedges [1]	11.4	(17)	10
Changes in the fair value of available-for-sale financial assets [1]	11.4	(3)	(4)
Exchange differences on translating foreign operations [2]	11.4	(473)	361
Items that may be reclassified subsequently to profit or loss		**(493)**	**367**
Remeasurements of defined benefit plans obligation [1]	10.1/11.4	10	(109)
Items that will not be reclassified to profit or loss		**10**	**(109)**
Other comprehensive income after tax		**(482)**	**258**
Total comprehensive income		**(844)**	**1,152**
Group share		(889)	904
Attributable to non-controlling interests		45	248

(1) *Presented net of the tax effect (Note 11.4).*

(2) *Exchange differences on translating foreign operations recognised in 2017 mainly reflect the decline of the Brazilian real. In 2016, gains in the Brazilian real and Taiwan dollar were partly offset by declines in the Argentine peso and Polish zloty.*

Consolidated statement of financial position

ASSETS

(in € millions)	Notes	December 31, 2017	December 31, 2016
Goodwill	6.1	7,977	8,640
Other intangible assets	6.1	1,364	1,266
Property and equipment	6.2	13,097	13,406
Investment property	6.4	410	314
Investments in companies accounted for by the equity method	7	1,355	1,361
Other non-current financial assets	12.5	1,367	1,430
Consumer credit granted by the financial services companies – long-term	5.5	2,455	2,371
Deferred tax assets	8.2	636	829
Other non-current assets	5.4	337	79
Non-current assets		**28,996**	**29,697**
Inventories	5.4	6,690	7,039
Trade receivables	5.4	2,750	2,682
Consumer credit granted by the financial services companies – short-term	5.5	3,866	3,902
Other current financial assets	12.2	161	239
Tax receivables	5.4	890	1,044
Other assets	5.4	851	907
Cash and cash equivalents	12.2	3,593	3,305
Assets held for sale		16	31
Current assets		**18,816**	**19,148**
TOTAL ASSETS		**47,813**	**48,845**

SHAREHOLDERS' EQUITY AND LIABILITIES

(in € millions)	Notes	December 31, 2017	December 31, 2016
Share capital	11.2	1,937	1,891
Consolidated reserves and income for the year		8,122	8,536
Shareholders' equity, Group share		**10,059**	**10,426**
Shareholders' equity attributable to non-controlling interests	11.5	2,099	1,582
Total shareholders' equity		**12,159**	**12,008**
Long-term borrowings	12.2	6,428	6,200
Provisions	9	3,003	3,064
Consumer credit financing – long-term	5.5	2,661	1,935
Deferred tax liabilities	8.2	489	543
Non-current liabilities		**12,581**	**11,742**
Short-term borrowings	12.2	1,069	1,875
Suppliers and other creditors	5.4	15,082	15,396
Consumer credit financing – short-term	5.5	2,817	3,395
Tax payables	5.4	1,282	1,260
Other payables	5.4	2,813	3,153
Liabilities related to assets held for sale		11	16
Current liabilities		**23,074**	**25,095**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**47,813**	**48,845**

Consolidated statement of cash flows

(in € millions)	**2017**	**2016**
INCOME BEFORE TAXES	**255**	**1,428**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income tax	(588)	(269)
Depreciation and amortisation expense	1,632	1,547
Capital (gains)/losses on sales of assets	(49)	(39)
Change in provisions and impairment	1,013	(126)
Finance costs, net	317	377
Net income and dividends received from equity-accounted companies	76	79
Impact of discontinued operations	(4)	(32)
Cash flow from operations	**2,653**	**2,964**
Change in working capital requirement [1]	157	454
Impact of discontinued operations	(0)	(11)
Net cash from operating activities (excluding financial services companies)	**2,810**	**3,407**
Change in consumer credit granted by the financial services companies	32	(103)
Net cash from operating activities	**2,843**	**3,305**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment and intangible assets [2]	(2,379)	(2,749)
Acquisitions of non-current financial assets	1	3
Acquisitions of subsidiaries and investments in associates [3]	(260)	(193)
Proceeds from the disposal of subsidiaries and investments in associates	9	6
Proceeds from the disposal of property and equipment and intangible assets	158	152
Proceeds from the disposal of non-current financial assets	4	4
Change in amounts receivable from disposals of non-current assets and due to suppliers of non-current assets	(117)	(70)
Investments net of disposals	**(2,584)**	**(2,847)**
Other cash flows from investing activities	(54)	(25)
Impact of discontinued operations	3	16
Net cash from/(used in) investing activities	**(2,635)**	**(2,856)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues to non-controlling interests [4]	969	255
Acquisitions and disposals of investments without any change of control [5]	479	(40)
Dividends paid by Carrefour (parent company) [6]	(151)	(121)
Dividends paid by consolidated companies to non-controlling interests	(141)	(86)
Change in treasury stock and other equity instruments	(40)	30
Change in current financial assets [7]	34	152
Issuance of bonds [7]	981	743
Repayments of bonds [7]	(1,250)	(666)
Net financial interests paid	(320)	(378)
Other changes in borrowings [7]	(197)	111
Net cash from/(used in) financing activities	**362**	**0**
Net change in cash and cash equivalents before the effect of changes in exchange rates	**570**	**449**
Effect of changes in exchange rates	(283)	131
Net change in cash and cash equivalents	**288**	**581**
Cash and cash equivalents at beginning of year	**3,305**	**2,724**
Cash and cash equivalents at end of year	**3,593**	**3,305**

(1) The change in working capital is analysed in Note 5.4.1.

(2) Acquisitions of property and equipment and intangible assets are presented in Notes 6.1 and 6.2.

(3) This item mainly reflects the acquisition of stores in Spain (described in Note 3.2.1). In 2016, cash used in acquisitions of subsidiaries and investments in associates corresponded primarily to the acquisition of Billa in Romania (Note 3.2.2) and several acquisitions in France, notably in the e-commerce sector.

(4) In 2017, this item corresponds mainly to the cash capital increase carried out by Grupo Carrefour Brasil in connection with the July 2017 IPO, as described in Notes 2.2 and 3.2.1 (primary offering of 840 million euros, net of directly related issue costs). As in 2016, it also includes the share capital of Cargo Property Holding subscribed and paid up in that year by third-party investors (non-controlling interests). See Note 3.2.2.

(5) Changes in this item in 2017 primarily result from the sale by the Group of 139,834,428 Grupo Carrefour Brasil shares in connection with the secondary offering of the IPO for the Group's Brazilian operations and the exercise of the call option by Península (see Notes 2.2 and 3.2.1).

(6) Dividends paid by Carrefour (parent company) correspond to cash dividends paid to shareholders who chose not to reinvest their dividends (Note 2.7).

(7) Note 12.2 provides a breakdown of total borrowings. Changes in liabilities arising from financing activities are detailed in Note 12.4.

Consolidated statement of changes in shareholders' equity

(in € millions)	Shareholders' equity, Group share				Total Shareholders' equity, Group share	Non-controlling interests	Total Shareholders' equity
	Share capital (1)	Translation reserve	Fair value reserve (2)	Other consolidated reserves and net income			
Shareholders' equity at December 31, 2015	**1,846**	**(835)**	**(7)**	**8,628**	**9,633**	**1,039**	**10,672**
Net income for the year 2016	-	-	-	746	746	148	894
Other comprehensive income after tax	-	261	3	(106)	158	100	258
Total comprehensive income 2016	**-**	**261**	**3**	**640**	**904**	**248**	**1,152**
Share-based payments	-	-	-	3	3	-	3
Treasury stock (net of tax)	-	-	-	49	49	-	49
2015 dividend payment (3)	44	-	-	(165)	(121)	(126)	(247)
Change in capital and additional paid-in capital (4)	-	-	-	-	-	443	443
Effect of changes in scope of consolidation and other movements	-	5	1	(47)	(43)	(21)	(64)
Shareholders' equity at December 31, 2016	**1,891**	**(569)**	**(3)**	**9,108**	**10,426**	**1,582**	**12,008**
Net income for the year 2017	-	-	-	(531)	(531)	169	(362)
Other comprehensive income after tax	-	(349)	(20)	11	(358)	(124)	(482)
Total comprehensive income 2017	**-**	**(349)**	**(20)**	**(520)**	**(889)**	**45**	**(844)**
Share-based payments	-	-	-	12	12	1	13
Treasury stock (net of tax)	-	-	-	(31)	(31)	-	(31)
2016 dividend payment (3)	46	-	-	(197)	(151)	(103)	(254)
Change in capital and additional paid-in capital (4)	-	-	-	470	470	370	840
Effect of changes in scope of consolidation and other movements (4)	-	32	-	191	223	204	427
Shareholders' equity at December 31, 2017	**1,937**	**(885)**	**(24)**	**9,032**	**10,059**	**2,099**	**12,159**

(1) At December 31, 2017, the share capital was made up of 774,677,811 ordinary shares (see Note 11.2.1).

(2) This item comprises:
- *the effective portion of changes in the fair value of cash flow hedges;*
- *cumulative changes in the fair value of available-for-sale financial assets.*

(3) The 2015 dividend, totalling 509 million euros, was paid:
- *in cash for 121 million euros; and*
- *in new shares for 388 million euros (corresponding to the aggregate par value of the new shares for 44 million euros and premiums for 344 million euros).*

Dividends paid to non-controlling interests in 2016 came to 126 million euros and related mainly to the Group's Brazilian and Spanish subsidiaries.

The 2016 dividend (Note 2.7), totalling 523 million euros, was paid:
- *in cash for 151 million euros; and*
- *in new shares for 372 million euros (corresponding to the aggregate par value of the new shares for 46 million euros and premiums for 326 million euros).*

Dividends paid to non-controlling interests in 2017 for 103 million euros mainly concern Spanish, French and Brazilian subsidiaries.

(4) Changes in capital and additional paid-in capital and other movements in 2017 mainly reflect the July 2017 Grupo Carrefour Brasil IPO: the primary offering of 840 million euros generated (i) an increase of 370 million euros in non-controlling interests and (ii) an increase of 470 million euros in shareholders' equity, Group share corresponding to the dilution gain; Carrefour's sale of 139,834,428 Grupo Carrefour Brasil shares within the context of the secondary offering and following Península's exercise of its call option, resulted in (i) a 274 million-euro disposal gain net of tax and directly related selling costs recorded within "Shareholders' equity, Group share" and (ii) the recognition of non-controlling interests for 208 million euros (Notes 2.2 and 3.2.1).

The increase in non-controlling interests in 2016 chiefly corresponded to the portion of Cargo Property Holding's share capital subscribed by third-party investors (including uncalled capital).

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NOTE 1: BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements for the year ended December 31, 2017 were approved for publication by the Board of Directors on February 28, 2018. They will be submitted to shareholders for final approval at the Annual General Meeting.

Carrefour (the "Company") is domiciled in France. The Consolidated Financial Statements for the year ended December 31, 2017 comprise the financial statements of the Company and its subsidiaries (together the "Group") and the Group's share of the profits and losses and net assets of associates and joint ventures accounted for by the equity method. The presentation currency of the Consolidated Financial Statements is the euro, which is the Company's functional currency.

1.1 Statement of compliance

In accordance with European Regulation (EC) 1606/2002 dated July 19, 2002, the 2017 Consolidated Financial Statements have been prepared in compliance with the international accounting standards adopted for use in the European Union as of December 31, 2017 and applicable at that date, with 2016 comparative information prepared using the same standards.

International accounting standards comprise International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), IFRS Interpretations Committee (IFRIC) Interpretations and Standing interpretations Committee (SIC) Interpretations.

All of the standards and interpretations endorsed by the European Union are published in the Official Journal of the European Union, which can be accessed in the EUR-Lex.

At December 31, 2017, the standards and interpretations adopted for use in the European Union were the same as those published by the IASB and applicable at that date, except for IAS 39 – *Financial Instruments: Recognition and Measurement*, which was only partly adopted. The unadopted provisions of IAS 39 had no impact on the Group's Consolidated Financial Statements.

The Consolidated Financial Statements also include the material disclosures required by Standard no. 2016-09 published by the French accounting authorities (*Autorité des Normes Comptables* – ANC).

1.2 Changes of method

The accounting policies and calculation methods used to prepare the 2017 Consolidated Financial Statements are the same as those used for the 2016 Consolidated Financial Statements, expect for the following amendments, which were applicable as of January 1, 2017:

- amendments to IAS 7 – *Disclosure Initiative*: the requisite disclosures regarding changes in liabilities arising from financing activities are set out in Note 12;
- amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*: these amendments did not have a material impact on the Consolidated Financial Statements.

The Group decided not to early adopt the following standards, amendments and interpretations that were not applicable as of January 1, 2017:

Adopted for use in the European Union

Standards, amendments and interpretations	**Effective date for the Group**
IFRS 9 – *Financial Instruments*, along with the amendments to IFRS 4 – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	**January 1, 2018**

Main provisions and consequences for the Group:

This new standard, which describes the principles to be applied for the classification and measurement of financial assets and liabilities, will replace IAS 39 – *Financial Instruments: Recognition and Measurement.* IFRS 9 notably introduces:

- a new approach to classifying financial instruments based on the business model and contractual terms of financial instruments (first topic);
- a new financial asset impairment (credit loss) model based on expected losses as opposed to the current model based on incurred losses (second topic); and
- new hedge accounting principles, excluding macro hedge accounting (third topic).

The Group is primarily concerned by the changes introduced by the second topic of IFRS 9 on financial asset impairment, which will mainly impact its banking and insurance business. It has developed a new methodological framework for this business, which notably defines rules for assessing an increase in credit risk, for determining expected losses (at one year and at maturity) and for taking information into account on a prospective basis. Applying these new provisions will result in an increase in impairment recognised against loans and credit granted by the Group's banking subsidiaries. This increase will arise mainly from the recognition of expected losses on loans and credit for which there is no objective evidence of impairment within the meaning of IAS 39, and on undrawn loan commitments and credit facilities (expected losses recognised as from the signature of a lending agreement). Recognizing this change in method will have a negative impact on equity at January 1, 2018 which is expected to amount between (200) million euros and (250) million euros net of corporate income tax (subject to control and audit works underway); comparative periods presented will not be restated pursuant to the option available in IFRS 9 transitional provisions. Applying the new expected loss impairment model to trade receivables and lease receivables will result in additional impairment at the transition date (expected credit losses at maturity on receivables not yet due, calculated based on the past due period). The impact on consolidated equity is not expected to be material. After its transition to IFRS 9, the Group does not expect any material recurring impacts on its income statement, except in the event of material new exposures or a financial crisis.

The new principles for classifying and measuring financial instruments (first topic of the standard) and for hedge accounting (third topic) will not have a material impact on the Consolidated Financial Statements, since most financial assets, currently classified within "Loans and receivables", will continue to be recorded at amortised cost under IFRS 9, and all transactions eligible for hedge accounting under IAS 39 will remain eligible for hedge accounting under the new standard.

IFRS 15 – *Revenue from Contracts with Customers* (including *Clarifications to IFRS 15* published in April 2016)	**January 1, 2018**

Main provisions and consequences for the Group:

IFRS 15, which replaces IAS 18 – *Revenues* and IAS 11 – *Construction Contracts* and the related interpretations, defines the revenue recognition model to be used in IFRS financial statements. IFRS 15 applies to all contracts with customers except for leases (rental revenue and sublease income), financial instruments (interest income) and insurance contracts, which are dealt with in other standards.

IFRS 15 defines a single framework for recognising revenue. It introduces new concepts and principles with regard to revenue recognition, particularly in terms of identifying performance obligations and allocating the transaction price to performance obligations when there are several different performance obligations in a given contract. IFRS 15 also includes new disclosure requirements for the notes to financial statements.

Since the bulk of the Group's net sales (revenue) is derived from sales to end customers in stores and service stations (sales with no other performance obligation for which revenue is recognised when the customer pays at the check-out), – the impacts of applying IFRS 15 to recognise net sales and other revenue at January 1, 2018 will not be material.

Standards, amendments and interpretations	Effective date for the Group
IFRS 16 – *Leases*	**January 1, 2019**

Main provisions and consequences for the Group:

IFRS 16, which will replace IAS 17 – *Leases* and the related interpretations, sets out the principles for recognising leases and introduces major changes in the accounting for leases by lessees, since it eliminates the distinction for lessees between operating and finance leases.

Under IFRS 16, all leases are to be brought onto the statement of financial position by recognising a right-of-use asset and a lease liability corresponding to the present value of the lease payments due over the reasonably certain term of the lease. IFRS 16 will therefore affect the presentation of lease transactions in the income statement (with rental expense replaced by a depreciation expense and interest expense) and in the cash flow statement (lease payments representing payment of interest and repayment of the outstanding liability will impact financing cash flows).

Applying IFRS 16 will result in a significant increase in the Group's total borrowings as well as a substantial improvement in recurring operating income and cash flow from operating activities. The lease commitments described in Note 6.5, calculated over the non-cancellable term of property leases taking into account the contractual or legal provisions enabling leases to be terminated before the end of the lease term, are not entirely representative of the lease liability to be recognised in accordance with IFRS 16.

The Group began to prepare for IFRS 16 implementation in 2016 and will continue this project through to the effective date of the standard in 2019. It is currently in the process of identifying and analysing existing leases and lease provisions, and compiling all of the data necessary to accurately estimate the impact of first-time application (January 1, 2019) on equity. At this stage, the Group has not yet decided on its transition approach.

In addition, IFRS Annual Improvements 2014-2016 Cycle (applicable in annual periods beginning on or after January 1, 2018) will have no impact on the Consolidated Financial Statements.

Not yet adopted for use in the European Union

Standards, amendments and interpretations	Effective date[(1)]
Amendments to IFRS 10 and IAS 28 – *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	Application deferred indefinitely by the IASB
Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
Amendments to IAS 40 – *Transfers of Investment Property*	January 1, 2018
IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*	January 1, 2018
IFRIC 23 – *Uncertainty over Income Tax Treatments*	January 1, 2019
IFRS 17 – *Insurance Contracts*	January 1, 2021
Amendments to IFRS 9 – *Prepayment Features with Negative Compensation*	January 1, 2019
Amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures*	January 1, 2019
IFRS Annual Improvements 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 – *Compensation Plan Amendment, Curtailment or Settlement*	January 1, 2019

(1) Subject to adoption by the European Union.

The Group is currently analysing the potential impacts of IFRIC 23 and IFRS 17. It does not expect the application of the other standards, amendments or interpretations to have a material impact on its Consolidated Financial Statements.

1.3 Use of estimates and judgement

Preparation of Consolidated Financial Statements involves the use of management estimates and assumptions that may affect the reported amounts of certain assets, liabilities, income and expenses, as well as the disclosures contained in the notes. These estimates and assumptions are reviewed at regular intervals to ensure that they are reasonable in light of past experience and the current economic situation. Actual results may differ from current estimates. In addition to using estimates, Group management is required to exercise judgement when determining the appropriate accounting treatment of certain transactions and activities and how it should be applied.

The main estimates and judgements applied for the preparation of these Consolidated Financial Statements concern:

- useful lives of operating assets (Note 6);
- definition of cash-generating units (CGUs) for the purpose of impairment tests on non-current assets other than goodwill (Note 6.3);
- recoverable amount of goodwill, other intangible assets and property and equipment (Note 6.3);
- fair value of identifiable assets acquired and liabilities assumed in business combinations (Note 3.1);
- measurement of rebates and commercial income (Note 5.2.1);
- classification of leases (Notes 6.2 and 6.5);
- measurement of provisions for contingencies and other business-related provisions (Note 9);
- determination of the level of control or influence exercised by the Group over investees (Notes 3 and 7);
- assumptions used to calculate pension and other post-employment benefit obligations (Note 10.1);
- recognition of deferred tax assets and some tax credits (Note 8).

1.4 Measurement methods

The Consolidated Financial Statements have been prepared using the historical cost convention, except for:

- certain financial assets and liabilities measured using the fair value model (Note 12);
- assets acquired and liabilities assumed in business combinations, measured using the fair value model (Note 3.1);
- non-current assets held for sale, measured at the lower of carrying amount and fair value less costs to sell.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Based on the hierarchy defined in IFRS 13 – Fair Value Measurement, fair value may be measured using the following inputs:

- Level 1 inputs: unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: models that use inputs that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., price-based data);
- Level 3 inputs: inputs that are intrinsic to the asset or liability and are not based on observable market data for the asset or liability.

NOTE 2: SIGNIFICANT EVENTS OF THE YEAR

2.1 New Group management team

The Board of Directors appointed Alexandre Bompard to replace Georges Plassat as Chairman of the Board of Directors and Chief Executive Officer of Carrefour Group, effective July 18, 2017.

On September 22, 2017 Alexandre Bompard announced the appointment of a Group Executive Committee. The new management team comprises managers from the Group and individuals from other horizons bringing complementary expertise.

The first task of this new management team has consisted in redefining the Group's strategy. The Group's ambition is to become the leader of the food transition for all and regain momentum. The transformation plan announced on January 23, 2018 aims at revamping the Carrefour model, by simplifying its organisation and by opening up to partnerships, improving operational efficiency, investing in growth formats, building an efficient omnichannel model and developing the fresh and organic products offer, notably under the Carrefour brand.

2.2 IPO of the Group's Brazil operations

In June 2017, the Group announced that Atacadão SA, the parent company of the Carrefour Group's operations in Brazil (Grupo Carrefour Brasil) filed a prospectus with the Brazilian Securities Commission (CVM) with the aim of listing the shares of Grupo Carrefour Brasil on the Novo Mercado segment of the São Paulo stock exchange.

The IPO took place on July 20, 2017 and consisted of a primary offering of 205,882,353 shares issued by Grupo Carrefour Brasil and a secondary offering of 34,461,489 and 56,800,000 Grupo Carrefour Brasil shares sold by Carrefour and Península, respectively.

Carrefour also granted a secondary over-allotment option to the Brazilian banks participating in the offering that led to the placement of an additional 34,369,876 Carrefour-owned shares to cover over-allotment.

Based on the IPO price, set at BRL 15 per share, the primary offering amounted to BRL 3.1 billion (0.8 billion euros), thereby valuing, at the launch of the IPO and following a capital increase, Grupo Carrefour Brasil's equity at BRL 29.7 billion (8.1 billion euros).

After the completion of the IPO and the exercise by Península of its call option to purchase 71,003,063 Grupo Carrefour Brasil shares from Carrefour, Carrefour holds a 71.8% interest in Grupo Carrefour Brasil, while Península holds 11.5% and Grupo Carrefour Brasil's free float is 16.7%.

The accounting impact of the transaction is presented in Note 3.2.1.

2.3 Absorption of Carmila by Cardety

On March 2, 2017, Carmila and Cardety, two property companies over which the Group has significant influence, announced a draft merger agreement under which Carmila would be absorbed by Cardety, whose shares are listed on Euronext Paris. The merger took place on June 12, 2017. Post completion, Carrefour held 42.45% of the new entity, which has been named Carmila.

As part of its development plan, the merged entity carried out a capital increase for 628.6 million euros in July 2017, subscribed by Carrefour in an amount of 50 million euros. Carrefour now owns 35.76% of the shares and voting rights of Carmila.

The accounting impact of the business combination is presented in Note 3.2.1.

2.4 Acquisition of hypermarkets in Spain

On February 29, 2016, the Carrefour Group announced it had signed an agreement with the Eroski Group to acquire 36 compact hypermarkets with a total sales area of 235,000 square meters, as well as 8 shopping malls and 22 service stations adjacent to the stores.

The conditions precedent have been met for the acquisition of 31 stores. The accounting impact of the transaction is presented in Note 3.2.1.

The acquisition has enabled Carrefour to expand its store network to 27 new towns and cities, and strengthen its position in the food market. In this way, the Group is furthering its ongoing multi-format and omni-channel development for the benefit of its customers.

2.5 Impairment of goodwill allocated to Italian operations

In defining its transformation plan, the Group reviewed the financial trajectories of its various regions and adjusted certain assumptions underlying financial projections for its operations in Italy. Although profitability in the region has gradually improved over the past few years, certain commercial dynamics observed in 2017 prompted the Group to adjust its forecast in terms of margins and free cash flow (change in cash from operating activities less operational investments) as reflected in the financial trajectory defined by the Group's Executive Management.

The results of the impairment tests carried out on this basis (Note 6.3) led the Group to recognise a 700 million-euro impairment loss against goodwill allocated to its Italian operations. This impairment loss is included in non-recurring expenses and has no impact on cash flow (Note 5.3).

2.6 Securing the Group's long-term financing

In December 2016, the Group exercised its option to extend its 2,500 million-euro credit facility by one year. The extension was effective in January 2017 and the facility will now mature in January 2022.

On May 2, 2017, the Group obtained a new 1,400 million-euro five-year bank facility (maturing in May 2022) from a pool of eight banks with two one-year extension options. This new facility will replace the facility of the same amount expiring in April 2019.

These operations contribute to the ongoing strategy to secure the Group's long-term financing sources by maintaining the average maturity of its facilities (which has risen from 4.1 years as of December 31, 2016 to 4.2 years as of December 31, 2017).

On June 7, 2017 (settlement on June 14, 2017), the Group issued USD 500 million worth of six-year cash-settled convertible bonds (maturing in June 2023) to institutional investors. The bonds were issued at 98.25% of their nominal value, and do not bear interest as they are zero-coupon bonds. The resulting initial conversion price is 27.7536 euros, including a conversion premium of 20% over the Carrefour reference share price. They may be converted into cash only and will not give rise to the issuance of new shares or carry rights to existing shares.

In parallel with the bond issue, the Group purchased cash-settled call options on its own shares in order to hedge its economic exposure relating to cash payments due on bonds in the event that investors exercise their conversion rights.

The above operations, for which a EUR/USD cross currency swap was arranged in euros, provide the Group with the equivalent of standard euro-denominated bond financing (see a description of the related accounting treatment in Note 12.2).

The issue consolidated the Group's long-term financing, extended the average maturity of its bond debt (from 3.6 years to 3.9 years at June 7, 2017) and further reduced its borrowing costs.

2.7 2016 dividend reinvestment option

At the Annual Shareholders' Meeting held on June 15, 2017, the shareholders decided to set the 2016 dividend at 0.70 euros per share with a dividend reinvestment option.

The issue price of the shares to be issued in exchange for reinvested dividends was set at 20.15 euros per share, representing 90% of the average of the opening prices quoted on Euronext Paris during the 20 trading days preceding the date of the Annual Shareholders' Meeting, less the net amount of the dividend of 0.70 euros per share and rounded up to the nearest euro cent.

The option period was open from June 21 to July 4, 2017. At the end of this period, shareholders owning 71.32% of Carrefour's shares had elected to reinvest their 2016 dividends.

July 13, 2017 was set as the date for:

- settlement/delivery of the 18,442,657 new shares corresponding to reinvested dividends, representing a total capital increase including premiums of 372 million euros;
- payment of the cash dividend to shareholders who chose not to reinvest their dividends, representing a total payout of 151 million euros.

NOTE 3: SCOPE OF CONSOLIDATION

3.1 Accounting principles

Basis of consolidation

The Consolidated Financial Statements include the financial statements of subsidiaries from the date of acquisition (the date when the Group gains control) up to the date when the Group ceases to control the subsidiary, and the Group's equity in associates and joint ventures accounted for by the equity method.

(i) Subsidiaries

A subsidiary is an entity over which the Group exercises control, directly or indirectly. An entity is controlled when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group considers all facts and circumstances when assessing whether it controls an investee, such as rights resulting from contractual arrangements or substantial potential voting rights held by the Group.

The profit or loss of subsidiaries acquired during the year is included in the Consolidated Financial Statements from the date when control is acquired. The profit or loss of subsidiaries sold during the year or that the Group ceases to control, is included up to the date when control ceases.

Intra-group transactions and assets and liabilities are eliminated in consolidation. Profits and losses on transactions between a subsidiary and an associate or joint venture accounted for by the equity method are included in the Consolidated Financial Statements to the extent of unrelated investors' interests in the associate or joint venture.

(ii) Associates and joint ventures

Entities in which the Group exercises significant influence (associates), and entities over which the Group exercises joint control and that meet the definition of a joint venture, are accounted for by the equity method, as explained in Note 7 "Investments in equity-accounted companies".

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

(iii) Other investments

Investments in companies where the Group does not exercise control or significant influence over financial and operating policy decisions are qualified as available-for-sale financial assets and reported under "Other non-current financial assets". The accounting treatment of these investments is described in Note 12 "Financial assets and liabilities, finance costs and other financial income and expenses".

Business combinations

Business combinations, defined as transactions where the assets acquired and liabilities assumed constitute a business, are accounted for by the purchase method. Business combinations carried out since January 1, 2010 are measured and recognised as described below, in accordance with IFRS 3 – *Business Combinations* (as revised in 2008).

- As of the acquisition date, the identifiable assets acquired and liabilities assumed are recognised and measured at fair value.
- Goodwill corresponds to the excess of (i) the sum of the consideration transferred (i.e., the acquisition price) and the amount of any non-controlling interest in the acquiree, over (ii) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. It is recorded directly in the statement of financial position of the acquiree, in the latter's functional currency, and is subsequently tested for impairment at the level of the Cash Generating Unit to which the acquiree belongs, by the method described in Note 6.3. Any gain from a bargain purchase (i.e., negative goodwill) is recognised directly in profit or loss.
- For business combinations on a less than 100% basis, the acquisition date components of non-controlling interests in the acquiree (i.e., interests that entitle their holders to a proportionate share of the acquiree's net assets) are measured at either:
  - fair value, such that part of the goodwill recognised at the time of the business combination is allocated to non-controlling interests ("full goodwill" method), or
  - the proportionate share of the acquiree's identifiable net assets, such that only the goodwill attributable to the Group is recognised ("partial goodwill" method).

The method used is determined on a transaction-by-transaction basis.

- The provisional amounts recognised for a business combination may be adjusted during a measurement period that ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, or at the latest

12 months from the acquisition date. Adjustments during the measurement period to the fair value of the identifiable assets acquired and liabilities assumed or the consideration transferred are offset by a corresponding adjustment to goodwill, provided they result from facts and circumstances that existed as of the acquisition date. Any adjustments identified after the measurement period ends are recognised directly in profit or loss.

• For a business combination achieved in stages (step acquisition), when control is acquired the previously held equity interest is remeasured at fair value through profit or loss. In the case of a reduction in the Group's equity interest resulting in a loss of control, the remaining interest is also remeasured at fair value through profit or loss.

• Transaction costs are recorded directly as an operating expense for the period in which they are incurred.

At the IFRS transition date, the Group elected to maintain the accounting treatment for business combinations applied under previous accounting standards, in line with the option available to first-time adopters under IFRS 1 – *First-time Adoption of International Financial Reporting Standards*.

Changes in ownership interest not resulting in a change of control

Any change in the Group's ownership interest in a subsidiary after the business combination that does not result in control being acquired or lost is qualified as a transaction with owners in their capacity as owners and recorded directly in equity in accordance with IFRS 10 – *Consolidated Financial Statements*. It is shown in cash flows from financing activities in the statement of cash flows.

Translation of the financial statements of foreign operations

The Consolidated Financial Statements are presented in euros.

An entity's functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of Group entities is the currency of their home country.

The financial statements of entities whose functional currency is not the euro and is not the currency of a hyperinflationary economy are translated into euros as follows:

- assets and liabilities are translated at the period-end closing rate;
- income and expenses are translated at the weighted average exchange rate for the period;
- all resulting exchange differences are recognised in "Other comprehensive income" and are taken into account in the calculation of any gain or loss realised on the subsequent disposal of the foreign operation;
- items in the statement of cash flows are translated at the average rate for the period unless the rate on the transaction date is materially different.

No Group companies operated in a hyperinflationary economy in either 2017 or 2016.

Translation of foreign currency transactions

Transactions by Group entities in a currency other than their functional currency are initially translated at the exchange rate on the transaction date.

At each period-end, monetary assets and liabilities denominated in foreign currency are translated at the period-end closing rate and the resulting exchange gain or loss is recorded in the income statement.

Intra-group loans to certain foreign operations are treated as part of the net investment in that operation if settlement of the loan is neither planned nor likely to occur. The gain or loss arising from translation of the loan at each successive period-end is recorded directly in "Other comprehensive income" in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

Non-current assets and disposal groups held for sale and discontinued operations

If the carrying amount of a non-current asset (or disposal group) will be recovered principally through a sale transaction rather than through continuing use, it is presented separately in the consolidated statement of financial position under "Assets held for sale" in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. Liabilities related to non-current assets held for sale are also reported on a separate line of the consolidated statement of financial position (under "Liabilities related to assets held for sale"). Following their classification as held for sale, the assets concerned are measured at the lower of their carrying amount and fair value less costs to sell and they cease to be depreciated or amortised.

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

- represents a separate major line of business or geographical area of operations; and
- 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.

It is classified as a discontinued operation at the time of sale or earlier if its assets and liabilities meet the criteria for classification as "held for sale". When a component of an entity is classified as a discontinued operation, comparative income statement and cash flow information is restated as if the entity had met the criteria for classification as a discontinued operation on the first day of the comparative period.

In addition, all the assets and liabilities of the discontinued operation are presented on separate lines on each side of the statement of financial position, for the amounts at which they would be reported at the time of sale after eliminating intra-group items.

3.2 Main changes in scope of consolidation

3.2.1 Changes in 2017

IPO of the Group's Brazil operations

The initial public offering of Grupo Carrefour Brasil shares took place on July 20, 2017 and consisted of:

- a primary offering of 205,882,353 shares issued by Grupo Carrefour Brasil; and
- a secondary offering of 125,631,365 Grupo Carrefour Brasil shares, of which 68,831,365 shares sold by Carrefour (including additional shares placed in respect of the secondary over-allotment option).

Carrefour also sold 71,003,063 Grupo Carrefour Brasil shares to Península after the latter exercised its call option.

After completion of the IPO and the exercise by Península of its call option, Carrefour holds a 71.8% interest in Grupo Carrefour Brasil, while Península holds 11.5% and Grupo Carrefour Brasil's free float is 16.7%.

These operations had no impact on the analysis of control over Group subsidiaries in Brazil, which therefore continue to be consolidated within Carrefour's Consolidated Financial Statements.

The primary offering resulted in (i) the recognition of non-controlling interests in an amount of 370 million euros, and (ii) an increase of 470 million euros in shareholders' equity, Group share corresponding to the dilution gain. In accordance with IFRS 10 – *Consolidated Financial Statements*, Carrefour's sale of Grupo Carrefour Brasil shares within the context of the secondary offering and following Península's exercise of its call option, resulted in (i) a 274 million-euro disposal gain net of tax and directly related selling costs recorded within "Shareholders' equity, Group share" and (ii) the recognition of non-controlling interests for 208 million euros.

Absorption of Carmila by Cardety

Carmila was absorbed by Cardety on June 12, 2017. Shares in the new entity, named Carmila, are listed on Euronext Paris. In addition, the Carmila Group increased its share capital by 628.6 million euros in July 2017 in order to finance its 2017-2020 development plan. Having subscribed to the capital increase in an amount of 50 million euros, Carrefour now owns 35.76% of the shares and voting rights of Carmila.

In parallel with the merger, the entity's corporate governance rules were adapted, resulting in the restructuring of its administration and management bodies, and amendments to its articles of association and the Board of Directors' internal rules. In light of the amended corporate governance rules, the Group considers that it has significant influence over the new entity, Carmila, which is accounted for using the equity method. The Group's position is primarily based on the fact that the Carrefour Group is not represented by a majority on the Board of Directors, which comprises 14 members, of which eight are independent and five are appointed by Carrefour. Therefore, the Group cannot alone impose decisions requiring the Board's prior consent, which partly concern the relevant activities.

Prior to the merger, both Cardety and Carmila were accounted for using the equity method. Accordingly, the only impact of this transaction on the Consolidated Financial Statements was the recognition of a non-material dilution gain.

Acquisition of hypermarkets in Spain

On February 29, 2016, the Carrefour Group announced it had signed an agreement with the Eroski Group to acquire 36 compact hypermarkets with a total sales area of 235,000 square meters, as well as 8 shopping malls and 22 service stations adjacent to the stores.

The conditions precedent were met during the year for the acquisition of 31 stores.

In accordance with IFRS 3 – *Business Combinations*, following the evaluation of the assets acquired and liabilities assumed carried out by the Group, the acquisition-date fair value of the net assets acquired, which correspond primarily to land and buildings included within "Property and equipments" and "Investment property", was estimated to 78 million euros. Considering the 168 million-euro acquisition price, fully paid in cash during the year, goodwill of 90 million euros was recognised in the Consolidated Financial Statements.

The effect of the acquisition on 2017 consolidated operating income and net income was not material.

The revenue and profit attributable to the acquired operations (part of the Spain operating segment) recorded in the consolidated statement of comprehensive income for the period was not material.

3.2.2 Changes in 2016

Acquisition of Billa Romania

The acquisition of Billa Romania completed on June 30, 2016 led to the recognition of negative goodwill in accordance with IFRS 3, for a non-material amount.

Acquisition of Rue du Commerce

The acquisition of Rue du Commerce completed in January 2016 led to the recognition of negative goodwill in accordance with IFRS 3, for a non-material amount.

Creation of Cargo Property

Cargo Property Holding is a new real estate company set up with external investors to own logistics facilities. The Company is 35.2%-owned by the Group with the remaining shares held by three co-investors. As well as being its largest shareholder, Carrefour is also the sole lessee of the assets held by Cargo Property Holding and its subsidiaries. In light of the rules governing the appointment and dismissal of Cargo Property's legal manager, as specified in the shareholders' agreement, Carrefour has the ability to direct decisions about the relevant activities. The Group therefore considers that it controls Cargo Property Holding and its subsidiaries and these companies have been fully consolidated in the 2017 and 2016 financial statements.

Other changes

Other changes in scope of consolidation in 2016 mainly resulted from the following transactions:

- Transaction leading to the loss of control of Carrefour Property Development (renamed Cardety), which was 43.1%-owned at December 31, 2016 (and accounted for as an associate by the equity method from April 2016);
- Several acquisitions in France in the e-commerce sector (including Greenweez, the leading online organic food retailer).

3.3 Scope of consolidation at December 31, 2017

The list of consolidated companies (subsidiaries and associates) is presented in Note 16.

The Group reviewed its analyses of control over subsidiaries in which it is not the sole investor, in light of changes in facts and circumstances during the year, and particularly those transactions described in Note 3.2. Based on its review, there were no changes in the type of control exercised over these subsidiaries.

3.4 Net income/(loss) from discontinued operations

In 2016, the net loss from discontinued operations amounted to 40 million euros, corresponding mainly to the loss generated by Dia stores sold during the year or held for sale at the year-end, which were classified as discontinued operations in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.*

NOTE 4: SEGMENT INFORMATION

Accounting principles

IFRS 8 – *Operating Segments* requires the disclosure of information about an entity's operating segments derived from the internal reporting system and used by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance. The Carrefour Group's operating segments consist of the countries in which it conducts its business through the integrated store network, as each country's results are reviewed monthly by the Group's Chief Executive Officer who is the chief operating decision-maker within the meaning of IFRS 8.

Countries located in the same region are considered to have similar characteristics and have been combined to create four geographical segments, as allowed by IFRS 8. These segments are:

- France;
- Rest of Europe: Spain, Italy, Belgium, Poland and Romania;
- Latin America: Brazil and Argentina;
- Asia: China and Taiwan.

The income and expenses of certain support entities are allocated to the various countries proportionately to the services provided to each, with any unallocated income and expenses reported under "Global functions".

Segment assets include goodwill, other intangible assets, property and equipment, investment property and "other segment assets", corresponding to inventories, trade receivables, consumer credit granted by the financial services companies and other assets. Segment liabilities comprise suppliers and other creditors, consumer credit financing and other payables.

Segment capital expenditure corresponds to the acquisitions of property and equipment and intangible assets (other than goodwill) reported in the statement of cash flows.

The disclosures in the tables below have been prepared using the same accounting policies as those applied to prepare the Consolidated Financial Statements.

4.1 Segment results

2017 *(in € millions)*	**Total**	**France**	**Europe**	**Latin America**	**Asia**	**Global Functions**
Net sales	78,897	35,835	21,112	16,042	5,907	0
Other revenue	2,722	871	692	802	300	56
Recurring operating income before depreciation and amortisation	**3,636**	**1,384**	**1,136**	**936**	**182**	**(2)**
Recurring operating income	**2,006**	**692**	**677**	**715**	**4**	**(83)**
Capital expenditure	2,379	903	636	526	164	150
Depreciation and amortisation expense (1)	(1,630)	(692)	(459)	(221)	(178)	(81)

2016 *(in € millions)*	**Total**	**France**	**Europe**	**Latin America**	**Asia**	**Global Functions**
Net sales	76,645	35,877	20,085	14,507	6,176	0
Other revenue	2,720	877	718	750	301	74
Recurring operating income before depreciation and amortisation	**3,886**	**1,680**	**1,134**	**901**	**142**	**29**
Recurring operating income	**2,351**	**1,031**	**712**	**711**	**(58)**	**(45)**
Capital expenditure	2,749	1,287	625	519	174	144
Depreciation and amortisation expense (1)	(1,535)	(650)	(422)	(190)	(200)	(74)

(1) Including the depreciation and amortisation relating to logistics equipment included in the cost of sales.

4.2 Segment assets and liabilities

December 31, 2017 *(in € millions)*	**Total**	**France**	**Europe**	**Latin America**	**Asia**	**Global Functions**
ASSETS						
Goodwill	7,977	4,814	2,518	537	106	1
Other intangible assets	1,364	275	451	157	27	453
Property and equipment	13,097	5,670	3,896	2,574	946	11
Investment property	410	4	160	120	126	-
Other segment assets	17,839	9,158	3,402	3,808	923	549
Total segment assets	**40,686**	**19,921**	**10,427**	**7,195**	**2,128**	**1,015**
Unallocated assets	7,127					
Total Assets	**47,813**					
LIABILITIES (excluding equity)						
Segment liabilities	**24,655**	**11,658**	**5,781**	**4,616**	**2,137**	**462**
Unallocated liabilities	11,000					
Total Liabilities	**35,654**					

December 31, 2016 *(in € millions)*	**Total**	**France**	**Europe**	**Latin America**	**Asia**	**Global Functions**
ASSETS						
Goodwill	8,640	4,775	3,124	627	112	1
Other intangible assets	1,266	298	395	158	25	390
Property and equipment	13,406	5,716	3,782	2,815	1,079	14
Investment property	314	3	128	46	137	-
Other segment assets	18,024	9,342	3,324	3,851	1,165	342
Total segment assets	**41,650**	**20,134**	**10,754**	**7,497**	**2,517**	**748**
Unallocated assets	7,195					
Total Assets	**48,845**					
LIABILITIES (excluding equity)						
Segment liabilities	**25,139**	**11,927**	**5,767**	**4,597**	**2,429**	**420**
Unallocated liabilities	11,698					
Total Liabilities	**36,837**					

NOTE 5: OPERATING ITEMS

5.1 Revenue

Accounting principles

Revenue ("Total revenue") comprises net sales and other revenue.

Net sales correspond exclusively to sales via the Group's stores, e-commerce sites and service stations (to end-customers) and cash-and-carry sales (to franchisees).

Other revenue comprises revenue from banking and insurance activities (including bank card fees, and arranging fees for traditional and revolving credit facilities), property development revenue, travel agency fees, commissions relating to e-commerce sales made on behalf of third parties (Marketplaces), shopping mall rents and franchise fees.

Revenue is measured at the fair value of the consideration received or receivable in exchange for goods or services, excluding sales taxes and net of any benefits granted to customers.

Deferred loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sale transaction. They are measured at fair value with some of the proceeds of the initial sale allocated to the award credits accounted for as a liability. The deferred portion of the proceeds is recognised as revenue when the award credits are used by the customer, in accordance with IFRIC 13 – *Customer Loyalty Programmes*.

Revenue is recognised:

- On sales of goods, when the risks and rewards of ownership of the goods are transferred to the customer (commonly at the store checkout for the sales via the Group's stores, or on the delivery date for sales via e-commerce sites and sales to franchisees);
- On sales of services, in the period in which the service is rendered. Financial services revenues (bank card fees and arranging fees for traditional and revolving credit facilities) are recognised over the life of the contract.

5.1.1 Net sales

(in € millions)	**2017**	**2016**	**% change**
Net sales	78,897	76,645	2.9%

Excluding the currency effect, 2017 net sales amounted to 78,628 million euros versus 76,645 million euros the previous year, an increase of 2.6%.

Changes in exchange rates added 269 million euros to net sales in 2017, and mainly concerned the Latin America segment.

Net sales by country

(in € millions)	**2017**	**2016**
France	**35,835**	**35,877**
Rest of Europe	**21,112**	**20,085**
Spain	8,634	8,049
Italy	4,919	4,892
Belgium	3,993	3,994
Poland	1,785	1,649
Romania	1,781	1,501

(in € millions)	**2017**	**2016**
Latin America	**16,042**	**14,507**
Brazil	13,248	11,772
Argentina	2,795	2,735
Asia	**5,907**	**6,176**
China	4,050	4,446
Taiwan	1,857	1,729

5.1.2 Other revenue

(in € millions)	2017	2016	% change
Financing fees and commissions [(1)]	1,384	1,373	0.8%
Rental revenue	228	213	6.9%
Revenue from sub-leases	256	260	(1.2%)
Property development revenue [(2)]	89	113	(21.6%)
Other revenue [(3)]	765	761	0.5%
Total Other revenue	**2,722**	**2,720**	**0.1%**

(1) Including net banking revenue and net insurance revenue generated by the Group's financial services and insurance companies.

(2) Corresponding to the sale price of properties developed by the Group for resale. After deducting development costs recorded in "Cost of sales", the property development margin amounts to 20 million euros in 2017 (38 million euros in 2016).

(3) The amounts reported on the "Other revenue" line in the above table correspond mainly to franchise fees, business lease fees and related revenue.

5.2 Recurring operating income

Accounting principles

Recurring operating income is an earnings indicator disclosed in order to help users of the Consolidated Financial Statements to better understand the Group's underlying operating performance. It corresponds to operating income (defined as earnings from continuing operations before interest and tax) before material items that are unusual in terms of their nature and frequency and are reported under "Non-recurring income" or "Non-recurring expenses" (Note 5.3).

5.2.1 Cost of sales

Accounting principles

Cost of sales corresponds to the cost of purchases net of rebates and commercial income, changes in inventory (including impairments), discounting revenue, exchange gains and losses on goods purchases, logistics costs and other costs (primarily the cost of products sold by the financial services companies and the production costs of the property development business).

Rebates are calculated based on immediate or deferred discount rates on purchases, as specified in the contractual terms negotiated each year. Rebates can be:

- unconditional, i.e., proportionate to total purchases and subject to no other conditions;
- conditional, i.e., dependent on meeting certain conditions (e.g., growth in the supplier's net sales with the Group).

Commercial income corresponds to income from services carried out by Carrefour for its suppliers.

Rebates and commercial income recognised in "Cost of sales" are measured based on the contractual terms specified in the agreements signed with suppliers.

5.2.2 Sales, general and administrative expenses, and depreciation and amortisation

(in € millions)	2017	2016	% change
Sales, general and administrative expenses	(14,641)	(14,147)	3.5%
Depreciation and amortisation of tangible and intangible assets, and investment property	(1,567)	(1,487)	5.4%
Total SG&A and depreciation and amortisation	**(16,209)**	**(15,634)**	**3.7%**

Sales, general and administrative expenses

Sales, general and administrative expenses break down as follows:

(in € millions)	**2017**	**2016**	**% change**
Employee benefits expense	(8,599)	(8,240)	4.4%
Property rentals	(1,086)	(1,022)	6.2%
Advertising expense	(973)	(955)	1.9%
Fees	(888)	(895)	(0.7%)
Maintenance and repair costs	(850)	(796)	6.7%
Energy and electricity	(628)	(670)	(6.3%)
Taxes other than on income	(595)	(578)	2.9%
Other SG&A expenses	(1,023)	(992)	3.2%
Total SG&A expenses	**(14,641)**	**(14,147)**	**3.5%**

Depreciation and amortisation

Including supply chain depreciation recognised in cost of sales, total depreciation and amortisation expense recognised in the consolidated income statement amounted to 1,630 million euros in 2017 (2016: 1,535 million euros), as follows:

(in € millions)	**2017**	**2016**	**% change**
Property and equipment	(1,359)	(1,313)	3.5%
Intangible assets	(175)	(143)	22.0%
Assets under finance leases	(20)	(18)	11.5%
Investment property	(13)	(12)	10.5%
Depreciation and amortisation of tangible and intangible assets and investment property	**(1,567)**	**(1,487)**	**5.4%**
Depreciation and amortisation of logistic activity	**(63)**	**(48)**	**30.2%**
Total Depreciation and amortisation	**(1,630)**	**(1,535)**	**6.2%**

5.3 Non-recurring income and expenses

Accounting principles

In accordance with the recommendation of the French accounting authorities (*Autorité des normes comptables* [ANC] recommendation no. 2013-03 dated November 7, 2013), non-recurring income and expenses are reported on a separate line of the income statement. Non-recurring items are defined as "items that are limited in number, clearly identifiable and non-recurring that have a material impact on consolidated results".

This classification is applied to certain material items of income and expense that are unusual in terms of their nature and frequency, such as non-recurring impairment charges, restructuring costs and provision charges and incomes recorded to reflect revised estimates of risks provided for in prior periods, based on information that came to the Group's attention during the reporting year.

They are presented separately in the income statement to "help users of the financial statements to better understand the Group's underlying operating performance and provide them with useful information to assess the earnings outlook".

(in € millions)	2017	2016
Net gains on sales of assets	22	39
Restructuring costs	(279)	(154)
Other non-recurring income and expenses	(13)	(127)
Non-recurring income and expenses, net before asset impairments and write-offs	**(271)**	**(242)**
Asset impairments and write-offs	(1,039)	(130)
Impairments and write-offs of goodwill	*(707)*	*(5)*
Impairments and write-offs of property and equipment and intangible assets	*(332)*	*(125)*
Non-recurring income and expenses, net	**(1,310)**	**(372)**
of which:		
Non-recurring income	*397*	*118*
Non-recurring expense	*(1,706)*	*(490)*

Net gains on sales of assets

As in 2016, gains on disposals of assets in 2017 primarily related to sales of various individually non-material assets.

Restructuring costs

Restructuring costs recognised in 2017 concerned plans to streamline operating structures in several of the Group's countries. Restructuring measures primarily concern France (particularly costs relating to the overhaul of supply chains), Italy, Argentina, China (store closure plan), and Spain (plan to integrate the hypermarkets acquired from Eroski).

The expense recognised in 2016 mainly includes the residual impact of integrating the Dia France stores acquired in late 2014, as well as costs relating to the overhaul of supply chains in France.

Impairment losses and asset write-offs

In defining its transformation plan, the Group reviewed its financial trajectories and adjusted certain assumptions underlying financial projections for its operations in Italy. The impairment tests carried out on this basis (see the accounting principles in Note 6.3) led the Group to recognize a 700 million-euro impairment loss against goodwill allocated to its Italian operations. This impairment loss has no impact on cash flow.

Impairment was also recognised against non-current assets other than goodwill in an amount of 302 million euros, primarily in France, China and Italy. This impairment reflects a decline in the outlook for an improvement in the profitability of certain loss-making stores, including stores which the Group intends to sell or close in 2018 within the scope of the transformation plan announced on January 23, 2018 (particularly former Dia stores in France). In addition, 30 million euros' worth of assets were written off during the year (2016: 33 million euros).

In 2016, impairment losses against non-current assets other than goodwill totalled 93 million euros and chiefly concerned assets of loss-making stores, mainly in China.

Other non-recurring income and expenses

Other non-recurring income and expenses recognised in 2016 consisted mainly of the impact of a change in accounting treatment of the tax on retail space in France (TaSCom) under IFRIC 21 – *Levies*. The TaSCom Act dated July 13, 1972 was modified by France's Amended Finance Act for 2015 and by the 2017 Finance Act.

5.4 Working capital

5.4.1 Change in working capital

The change in working capital reported in the consolidated statement of cash flows under "Net cash from operating activities" breaks down as follows:

(in € millions)	2017	2016	Change
Change in inventories	28	(350)	378
Change in trade receivables	(73)	(117)	44
Change in trade payables	324	1,083	(759)
Change in loyalty program liabilities	(29)	(2)	(27)
Change in trade working capital requirement	**250**	**614**	**(365)**
Change in other receivables and payables	(93)	(160)	67
Change in working capital requirement	**157**	**454**	**(297)**

Working capital, like all other items in the statement of cash flows, is translated at the average rate for the period.

5.4.2 Inventories

Accounting principles

In accordance with IAS 2 – *Inventories*, goods inventories and the inventories of the property development business (properties under construction) are measured at the lower of cost and net realisable value.

The cost of goods inventories corresponds to the latest purchase price plus all related expenses. This method is appropriate given the rapid inventory turnover, and the resulting values are close to those obtained by the first in-first out (FIFO) method. The cost of goods inventories includes all components of the purchase cost of goods sold (with the exception of exchange gains and losses) and takes into account the rebates and commercial income negotiated with suppliers.

Net realisable value corresponds to the estimated selling price in the ordinary course of business, less the estimated additional costs necessary to make the sale.

(in € millions)	December 31, 2017	December 31, 2016
Inventories at cost	6,927	7,278
Impairment	(237)	(239)
Inventories, net	**6,690**	**7,039**

5.4.3 Trade receivables

Accounting principles

Trade receivables correspond for the most part to rebates and commercial income receivable from suppliers, amounts receivable from franchisees, shopping mall rental receivables and receivables of the property development business.

They represent financial instruments classified as "Loans and receivables" (Note 12).

Trade receivables are initially recognised for the invoice amount. Impairment losses are recognised where necessary, based on an estimate of the debtor's ability to pay the amount due and the age of the receivable (Note 12.7.4).

Certain Group subsidiaries operate receivables discounting programmes. In accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, receivables sold under these programmes are derecognised when substantially all of the related risks and rewards (i.e., mainly default, late payment and dilution risks) are transferred to the buyer.

(in € millions)	December 31, 2017	December 31, 2016
Receivables from clients	1,601	1,523
Impairment	(168)	(181)
Receivables from clients, net	**1,433**	**1,342**
Receivables from suppliers	1,317	1,341
Total Trade receivables	**2,750**	**2,682**

5.4.4 Suppliers and other creditors

Accounting principles

Suppliers and other creditors correspond primarily to trade payables. They also include payables that suppliers have transferred to financial institutions as part of reverse factoring programmes, as there is no substantial difference in the nature or terms of the liabilities before and after factoring.

They are classified in the category of "Financial liabilities measured at amortised cost", as defined in IAS 39 – *Financial Instruments: Recognition and Measurement* (Note 12). Suppliers and other creditors are initially recognised at their nominal amount, which represents a reasonable estimate of fair value in light of their short maturities.

5.4.5 Tax receivables and payables

Tax receivables

(in € millions)	December 31, 2017	December 31, 2016
VAT and turnover tax receivables	527	811
Other tax (other than on income) receivables	41	56
Current income tax receivables (1)	322	177
Total Tax receivables	**890**	**1,044**

(1) In 2017, CICE (tax credit for competitiveness and employment) receivables were sold for a total of 197 million euros (2016: 201 million euros). The Group was able to demonstrate that substantially all the risks and rewards of ownership of the tax credits had been transferred to the buyer and the credits were therefore derecognised by analogy with the principle in IAS 39 concerning the derecognition of financial assets. The cost of this discounting transaction amounted to 1.6 million euros (2016: 3.5 million euros) and was recorded in "Other financial income and expenses".

Tax payables

(in € millions)	December 31, 2017	December 31, 2016
VAT and turnover tax payables	425	379
Other tax (other than on income) payables	699	750
Current income tax payables	157	130
Total Tax payables	**1,282**	**1,260**

5.4.6 Other current assets and other payables

Other assets

(in € millions)	December 31, 2017	December 31, 2016
Prepaid expenses	344	327
Proceeds receivable from disposals of non-current assets	44	16
Employee advances	18	20
Other operating receivables, net	445	544
Total Other current assets	**851**	**907**
Prepaid expenses – long term	73	79
Tax receivables – long term (1)	264	-
Total Other non-current assets	**337**	**79**

(1) These correspond to tax credits expected to be collected in over 12 months which were previously included in tax receivables within current assets.

Other payables

(in € millions)	December 31, 2017	December 31, 2016
Accrued employee benefits expense	1,608	1,760
Payables to suppliers of non-current assets	640	752
Deferred revenue	118	122
Other payables	447	519
Total Other payables	**2,813**	**3,153**

5.5 Banking and insurance activities

Accounting principles

To support its core retailing business, the Group offers banking and insurance services to customers, mainly in France, Spain and Brazil.

The financial services companies offer their customers "Carrefour" bank cards that can be used in the Group's stores and elsewhere, consumer loans and savings products such as life insurance and passbook savings accounts.

Due to its contribution to the Group's total assets and liabilities and its specific financial structure, this secondary business is presented separately in the Consolidated Financial Statements:

- Consumer credit granted by the financial services companies (payment card receivables, personal loans, etc.) is presented in the statement of financial position under "Consumer credit granted by the financial services companies – long-term" and "Consumer credit granted by the financial services companies – short-term", as appropriate.
- Financing for these loans is presented under "Consumer credit financing – long-term" and "Consumer credit financing – short-term", as appropriate.
- The other assets and liabilities of the banking activities (property and equipment, intangible assets, cash and cash equivalents, accrued taxes and payroll costs, etc.) are presented on the corresponding lines of the statement of financial position.
- Net revenues from banking activities are reported in the income statement under "Other revenue".
- The change in the banking and insurance activities' working capital is reported in the statement of cash flows under "Change in consumer credit granted by the financial services companies".

5.5.1 Consumer credit granted by the financial services companies

At December 31, 2017, consumer credit granted by the financial services companies totalled 6,321 million euros (December 31, 2016: 6,273 million euros), as follows:

(in € millions)	December 31, 2017	December 31, 2016
Payment card receivables	4,352	4,432
Loans	2,450	2,347
Consumer credit (on purchases made in Carrefour stores)	70	69
Other financing	273	289
Impairment	(824)	(863)
Total Consumer credit granted by the financial services companies	**6,321**	**6,273**
Short-term financing	*3,866*	*3,902*
Long-term financing	*2,455*	*2,371*

5.5.2 Consumer credit financing

The related consumer credit financing amounted to 5,478 million euros at December 31, 2017 (December 31, 2016: 5,330 million euros), as follows:

(in € millions)	**December 31, 2017**	**December 31, 2016**
Debt securities (retail certificates of deposit, medium-term notes)	1,032	1,251
Bank borrowings	554	317
Bonds and notes [(1)]	1,932	1,846
Customer passbook savings deposits	567	501
Securitisations [(2)]	410	510
Other refinancing debt to financial institutions	973	886
Other	10	19
Total Consumer credit financing	**5,478**	**5,330**
Short-term borrowings	*2,817*	*3,395*
Long-term borrowings	*2,661*	*1,935*

(1) A zero-coupon, four-year loan obtained in 2017 by Carrefour Banque from the European Central Bank for 400 million euros (maturing in March 2021).

(2) In 2016:
- *new bond issue by Carrefour Banque: Carrefour Banque 5-year bonds due April 20, 2021, at 3-month Euribor +68bps for 500 million euros;*
- *redemption by Carrefour Banque in April of variable rate bonds representing a nominal amount of 300 million euros.*

(3) Master Credit Cards Pass reloadable securitisation programme with compartments launched by Carrefour Banque in November 2013. Asset pool: 560 million euros. Proceeds from the securitisation: 400 million euros. The fund amount at December 31, 2017 was 410 million euros (510 million euros at December 31, 2016). The securitisation fund is fully consolidated in the Group's financial statements.

NOTE 6: INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT, INVESTMENT PROPERTY

6.1 Intangible assets

Accounting principles

Goodwill

Goodwill is initially recognised on business combinations as explained in Note 3.1.

In accordance with IAS 36 – *Impairment of Assets*, goodwill recognised on business combinations is not amortised but is tested for impairment every year, or more frequently if there is an indication that its carrying amount may not be recovered, by the method described in Note 6.3.

Other intangible assets

Intangible assets consist mainly of software and other intangible assets related to the stores.

Separately acquired intangible assets are initially recognised at cost and intangible assets acquired in business combinations are recognised at fair value (Note 3.1).

Software is amortised by the straight-line method over periods ranging from one to eight years.

Goodwill, which constitutes the main intangible asset, is reported separately from other intangible assets in the statement of financial position.

(in € millions)	December 31, 2017	December 31, 2016
Goodwill, net	7,977	8,640
Other intangible assets	1,364	1,266
Intangible assets, net	**9,341**	**9,906**

6.1.1 Goodwill

The recoverable amount of goodwill is generally monitored at the level of the cash-generating units (CGUs) represented by the countries in which the Group conducts its business through its integrated store networks.

The 663 million-euro decrease in net goodwill in 2017 was mainly due to impairment losses recognised for 707 million euros (Notes 2.5 and 6.3).

(in € millions)	Net goodwill at December 31, 2016	Acquisitions	Disposals	Impairment	Other movements	Translation adjustment	Net goodwill at December 31, 2017
France	4,775	39	-	-	-	-	4,814
Belgium	956	-	-	-	-	-	956
Spain	862	90	-	-	-	-	952
Brazil	575	-	-	-	-	(77)	498
Italy [(1)]	960	-	-	(707)	-	-	253
Poland	238	-	-	-	-	13	252
Argentina	53	-	-	-	-	(13)	39
Other countries	221	-	-	-	-	(9)	213
Total	**8,640**	**129**	**-**	**(707)**	**-**	**(85)**	**7,977**

(1) *Impairment recognised in the period concerns goodwill allocated to countries (operating segments) for 700 million euros; the remaining balance of 7 million euros relates to goodwill allocated to stores.*

In 2016, the total carrying amount of goodwill increased by 145 million euros, mainly reflecting translation adjustments to Brazilian goodwill and goodwill recognised on acquisitions in France, notably in the e-commerce sector.

(in € millions)	Net goodwill at December 31, 2015	Acquisitions	Disposals	Impairment	Other movements	Translation adjustment	Net goodwill at December 31, 2016
France	4,718	66	(17)	-	8	-	4,775
Italy	964	-	-	(5)	-	-	960
Belgium	957	-	-	-	(1)	-	956
Spain	862	-	-	-	-	-	862
Brazil	465	-	-	-	-	110	575
Poland	246	-	-	-	-	(8)	238
Argentina	63	-	-	-	-	(10)	53
Other countries	220	-	-	-	-	1	221
Total	**8,495**	**66**	**(17)**	**(5)**	**8**	**93**	**8,640**

6.1.2 Other intangible assets

(in € millions)	December 31, 2017	December 31, 2016
Other intangible assets, at cost	3,233	2,987
Amortisation	(1,974)	(1,859)
Impairment	(90)	(78)
Intangible assets in progress	195	216
Other intangible assets, net	**1,364**	**1,266**

Change in other intangible assets

(in € millions)	Cost	Amortisation and impairment	Net
At December 31, 2015	**3,393**	**(2,379)**	**1,014**
Acquisitions	357	-	357
Disposals	(704)	659	(45)
Translation adjustment	72	(50)	22
Amortisation	-	(150)	(150)
Impairment	-	(10)	(10)
Changes in scope of consolidation, transfers and other movements	85	(8)	76
At December 31, 2016	**3,202**	**(1,937)**	**1,266**
Acquisitions	379	-	379
Disposals	(81)	33	(48)
Translation adjustment	(70)	43	(27)
Amortisation	-	(181)	(181)
Impairment	-	(18)	(18)
Changes in scope of consolidation, transfers and other movements	(3)	(3)	(6)
At December 31, 2017	**3,427**	**(2,063)**	**1,364**

6.2 Property and equipment

Accounting principles

Property and equipment mainly comprise buildings, store fixtures and fittings and land.

Initial recognition

In accordance with IAS 16 – *Property, Plant and Equipment*, land, buildings and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Qualifying assets are defined in IAS 23 – *Borrowing Costs* as assets that necessarily take a substantial period of time to get ready for their intended use or sale, corresponding in the Group’s case to investment properties, hypermarkets and supermarkets for which the construction period exceeds one year.

Assets under construction are recognised at cost less any identified impairment losses.

Useful lives

Depreciation of property and equipment begins when the asset is available for use and ends when the asset is sold, scrapped or reclassified as held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

Land is not depreciated. Other property and equipment, or each significant part of an item of property or equipment, are depreciated by the straight-line method over the following estimated useful lives:

Buildings	
▪ Building	40 years
▪ Site improvements	10 to 20 years
▪ Car parks	6 to 10 years
Equipment, fixtures and fittings	4 to 8 years
Other	3 to 10 years

In light of the nature of its business, the Group considers that its property and equipment have no residual value.

Depreciation periods are reviewed at each year-end and, where appropriate, adjusted prospectively in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*.

Leases

New long-term leases – particularly property leases – are analysed in accordance with IAS 17 – *Leases* to determine whether they represent finance leases, i.e., leases that transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee, or operating leases. For property leases, the analysis is performed separately for the land on the one hand and the building on the other.

Finance leases are accounted for as follows:

- The leased assets are recognised in the statement of financial position at fair value or, if lower, the present value of the minimum lease payments. They are depreciated over their useful life, in the same way as assets owned outright, or, if shorter, over the lease term.
- The liability for the future lease payments is recognised in the statement of financial position under "Long-term borrowings" and "Short-term borrowings" (Note 12.2.1).
- Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Leases that do not transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee are classified as operating leases. Operating lease payments are recognised in the income statement (under "recurring operating expenses") on a straight-line basis over the life of the lease (Note 5.2.2).

(in € millions)	**December 31, 2017**	**December 31, 2016**
Land	2,576	2,565
Buildings	10,403	10,200
Equipment, fixtures and fittings	15,842	15,458
Other fixed assets	431	430
Assets under construction	658	789
Finance leases – land	456	460
Finance leases – buildings	1,171	1,182
Finance leases – equipment, fixtures and fittings	84	84
Property and equipment at cost	**31,621**	**31,169**
Depreciation	(16,758)	(16,237)
Depreciation of assets under finance leases	(983)	(968)
Impairment	(783)	(558)
Property and equipment, net	**13,097**	**13,406**

Changes in property and equipment

(in € millions)	Cost	Amortisation and impairment	Net
At December 31, 2015	**29,116**	**(17,045)**	**12,071**
Acquisitions [(1)]	2,368	-	2,368
Disposals	(1,045)	914	(130)
Amortisation	-	(1,371)	(1,371)
Impairment	-	(75)	(75)
Translation adjustment	643	(221)	422
Changes in scope of consolidation, transfers and other movements	87	35	123
At December 31, 2016	**31,169**	**(17,763)**	**13,406**
Acquisitions [(1)]	1,995	-	1,995
Disposals	(796)	644	(153)
Amortisation	-	(1,438)	(1,438)
Impairment	-	(266)	(266)
Translation adjustment	(804)	352	(453)
Changes in scope of consolidation, transfers and other movements	58	(53)	5
At December 31, 2017	**31,621**	**(18,524)**	**13,097**

(1) Acquisitions: the amount shown for acquisitions essentially includes operational maintenance and refurbishment investments for the Group's assets and investments to develop the store network, along with investments made by Cargo Property, the real estate entity dedicated to logistics that has been created in 2016. The decrease in acquisitions reflects the evolution in the Group's investment strategy and measures implemented in the second half of 2017 to control capital expenditure.

6.3 Impairment tests

Accounting principles

In accordance with IAS 36 – *Impairment of Assets*, intangible assets and property and equipment are tested for impairment whenever events or changes in the market environment indicate that the recoverable amount of an individual asset and/or a cash-generating unit (CGU) may be less than its carrying amount. For assets with an indefinite useful life – mainly goodwill in the case of the Carrefour Group – the test is performed at least once a year.

Individual assets or groups of assets are tested for impairment by comparing their carrying amount to their recoverable amount, defined as the higher of their fair value less costs of disposal and their value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount is less than the carrying amount, an impairment loss is recognised for the difference. Impairment losses on property and equipment and intangible assets (other than goodwill) may be reversed in future periods provided that the asset's increased carrying amount attributable to the reversal does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

Impairment of assets other than goodwill

Impairment tests on property and equipment are performed at the level of the individual stores (CGUs), for all formats.

In accordance with IAS 36, intangible assets (other than goodwill) and property and equipment are tested for impairment whenever there is an indication that their recoverable amount may be less than their carrying amount. All stores that report a recurring operating loss before depreciation and amortisation in two consecutive years (after the start-up period) are tested.

Recoverable amount is defined as the higher of value in use and fair value less the costs of disposal.

Value in use is considered to be equal to the store's discounted future cash flows over a period of up to five years plus a terminal value. Fair value is estimated based on the prices of recent transactions, industry practice, independent valuations or the estimated price at which the store could be sold to a competitor.

The discount rate applied is the same as for impairment tests on goodwill.

Goodwill impairment

IAS 36 requires impairment tests to be performed annually at the level of each CGU or group of CGUs to which the goodwill is allocated.

According to the standard, goodwill is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which the goodwill is allocated should represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and should not be larger than an operating segment as defined in IFRS 8 – *Operating Segments* before aggregation.

For the purpose of analysing the recoverable amount of goodwill, each individual country is considered to represent a separate CGU. The choice of this level is based on a combination of organisational and strategic criteria. In particular, operations within each country (hypermarkets, supermarkets, etc.) use shared resources (country-level centralized purchasing organisation, marketing systems, headquarters functions, etc.) that represent an essential source of synergies between the various operations.

Value in use corresponds to the sum of discounted future cash flows for a period generally not exceeding five years, plus a terminal value calculated by projecting data for the final year to perpetuity at a perpetual growth rate. A specific discount rate by country is used for the calculation. Future cash flows used in the impairment tests carried out in 2017 were estimated based on the financial trajectories defined by the Group's Executive Management.

The discount rate for each country corresponds to the weighted average cost of equity and debt, determined using the median gearing rate for the sector. Each country's cost of equity is determined based on local parameters (risk-free interest rate and market premium). The cost of debt is determined by applying the same logic.

Fair value is the price that would be received to sell the operations in the country tested for impairment in an orderly transaction between market participants. Fair value is measured using observable inputs where these exist (multiples of net sales and/or EBITDA for recent transactions, offers received from potential buyers, stock market multiples for comparable companies) or based on analyses performed by internal or external experts.

Additional tests are performed at the interim period-end when there is an indication of impairment. The main impairment indicators used by the Group are as follows:

- internal impairment indicator: a material deterioration in the ratio of recurring operating income before depreciation and amortisation to net revenues excluding petrol between the budget and the most recent forecast;
- external impairment indicator: a material increase in the discount rate and/or a severe downgrade in the IMF's GDP growth forecast.

Impairment losses recognised on goodwill are irreversible, including those recorded at an interim period-end.

6.3.1 Impairment of goodwill and sensitivity analysis

Based on the impairment tests carried out in 2017, the Group recognised a 700 million-euro impairment loss against goodwill allocated to its Italian operations. In 2016, no impairment was recognised against goodwill.

6.3.1.1 Countries for which impairment was recognised against goodwill

For several years now the Group has paid particular attention to the value of its Italian operations in light of market trends observed in that country. Although the profitability of the Group's Italian operations has gradually improved over the past few years, in line with strategic plans (used to estimate value in use for the impairment tests carried out in previous periods), certain commercial dynamics observed in 2017 led the Group to adjust its forecast in terms of margins and free cash flow (change in cash from operating activities less operational investments) as reflected in the financial trajectory defined by the Group's Executive Management.

Adjustments in the operating and financial assumptions used as a basis for future cash flow forecasts led to a significant decrease in the value in use of the Group's Italian operations. In this context, an in-depth analysis was carried out to determine the fair value of the Group's Italian operations. This analysis adopted a multi-criteria valuation approach which took into account multiples observed for comparable companies in the retail sector in Europe, and the market value of Italian real estate assets, determined based on independent appraisals. The resulting fair value represents Executive Management's best estimate.

Based on the above, the impairment test on the Group's Italian assets led to the recognition of a 700 million-euro impairment loss in 2017. At December 31, 2017, in light of cumulative impairment losses from prior periods (2,200 million euros), the residual value of goodwill allocated to Italian operations is just 253 million euros.

6.3.1.2 Countries for which the recoverable amount of goodwill was close to the carrying amount

In the impairment tests carried out at December 31, 2017, the recoverable amount of Poland CGUs was found to be close to – but still greater than – the carrying amount. Consequently, no impairment was recognised but sensitivity analyses were performed to determine the changes in the main financial assumptions that would lead to an impairment loss being recognised. The amounts below represent the difference between the recoverable amount and the carrying amount of the net assets allocated to Poland. The "-" sign indicates that the scenario would have led to the recognition of an impairment loss for the amount shown.

Sensitivity to changes in WACC and perpetual growth rate

Perpetual growth (%)	WACC (%) -0.5%	-0.25%	**0.00%**	0.25%	0.5%
-1.00%	(2)	(24)	(45)	(65)	(83)
-0.50%	115	83	54	27	2
0.00%	191	153	**117**	85	55
0.50%	285	237	194	154	119
1.00%	555	475	405	343	289

A 50 bp decrease in the EBITDA margin (recurring operating income before depreciation and amortization as a proportion of net sales) assumption used to determine the terminal value would not have changed the conclusions of the impairment test.

6.3.1.3 Other countries

For the other countries where the Group conducts business, the analysis of sensitivity to a simultaneous change in the key inputs based on reasonably possible assumptions did not reveal any probable scenario according to which the recoverable amount of any of the groups of CGUs would be less than its carrying amount.

In particular, although the value in use of operations in France decreased following the adjustment of the operating and financial assumptions reflected in the financial trajectory defined by the Group's Executive Management, it remains well above the carrying amount of assets in France.

6.3.1.4 Main financial assumptions used to estimate value in use

The perpetual growth rates and discount rates (corresponding to the weighted average cost of capital – WACC) applied for impairment testing purposes in 2017 and 2016 are presented below by CGU:

	2017		2016	
Country	**After-tax discount rate**	**Perpetual growth rate**	**After-tax discount rate**	**Perpetual growth rate**
France	6.3%	1.8%	6.3%	1.8%
Spain	6.8%	2.1%	6.8%	1.9%
Italy	6.7%	1.7%	6.6%	1.7%
Belgium	6.2%	1.8%	6.3%	1.8%
Poland	8.4%	3.0%	8.5%	2.8%
Romania	9.0%	2.6%	8.5%	2.5%
Brazil	12.3%	4.4%	13.0%	4.8%
Argentina	16.2%	7.4%	16.6%	7.3%
China	9.7%	2.4%	8.9%	2.6%
Taiwan	7.2%	1.9%	7.4%	1.9%

6.4 Investment property

Accounting principles

IAS 40 – *Investment Property* defines investment property as property (land or a building or both) held to earn rentals or for capital appreciation or both. Based on this definition, investment property held by the Group consists of shopping malls (retail and service units located behind the stores' check-out area) that are exclusively or jointly owned or subject to a finance lease and represent a surface area of at least 2,500 square metres. These assets generate cash flows that are largely independent of the cash flows generated by the Group's other retail assets.

Investment property is recognised at cost and is depreciated over the same period as owner-occupied property (Note 6.2).

Rental revenue generated by investment property is reported in the income statement under "Other revenue" on a straight-line basis over the lease term. The rewards granted by the Group under its leases are an integral part of the net rental revenue and are recognised over the lease term (Note 6.2).

The fair value of investment property is measured twice a year:

- by applying a multiple that is a function of (i) each shopping mall's profitability and (ii) a country-specific capitalisation rate, to the gross annualised rental revenue generated by each property; or
- by obtaining independent valuations prepared using two methods: the discounted cash flows method and the yield method. Valuers generally also compare the results of applying these methods to market values per square metre and to recent transaction values.

In view of the limited external data available, particularly concerning capitalisation rates, the complexity of the property valuation process and the use of passing rents to value the Group's own properties, the fair value of investment property is determined on the basis of level 3 inputs.

(in € millions)	December 31, 2017	December 31, 2016
Investment property at cost	593	475
Depreciation and impairment	(183)	(161)
Total Investment property, net	**410**	**314**

Changes in investment property

(en millions d'euros)	
At December 31, 2015	**383**
Depreciation	(17)
Translation adjustment	(4)
Acquisitions	33
Disposals	(3)
Transfers and other movements	(77)
At December 31, 2016	**314**
Depreciation	(18)
Translation adjustment	(20)
Acquisitions	12
Disposals	(0)
Investment properties acquired in a business combination	29
Transfers from "Property and equipment"	93
At December 31, 2017	**410**

Rental revenue generated by investment property, reported in the income statement under "Other revenue", totalled 76.6 million euros in 2017 (2016: 67.2 million euros). Operating costs directly attributable to the properties amounted to 12.3 million euros in 2017 (2016: 13.9 million euros).

The estimated fair value of investment property at December 31, 2017 was 988 million euros (December 31, 2016: 681 million euros). The rise in fair value is attributable to (i) the increase in the market value of several shopping centres as a result of the independent appraisals carried out in 2017, particularly in China and Poland, and (ii) new shopping malls included in investment property in 2017 (following a business combination in Spain and the reclassification of shopping malls previously shown in property and equipment but which met the definition of investment property in 2017).

6.5 Leased property

All property leases have been reviewed to determine whether they are operating leases or finance leases to be accounted for by the method described in Note 6.2.

6.5.1 Finance leases

The following table shows future minimum lease payments due for the non-cancellable term of finance leases at December 31, 2017 and 2016:

Lease commitments at December 31, 2017 *(in € millions)*	**Total**	**Within one year**	**In one to five years**	**Beyond five years**
Minimum future lease payments	546	47	165	333
Discounted present value	324	44	130	150

Lease commitments at December 31, 2016 *(in € millions)*	**Total**	**Within one year**	**In one to five years**	**Beyond five years**
Minimum future lease payments	570	47	177	346
Discounted present value	351	44	139	168

Rental expense and rental revenue from subleases recorded in the income statement are as follows:

Lease payments and revenue from sub-leases *(in € millions)*	**2017**	**2016**
Minimum lease payments made during the year	(40)	(53)
Contingent lease payments made during the year	(0)	(4)
Revenue from sub-leases received during the year	17	18

The future minimum sublease payments expected to be received under non-cancellable subleases amounted to 14 million euros at December 31, 2017 as at December 31, 2016.

6.5.2 Operating leases

The following table shows future minimum lease payments due for the non-cancellable term of operating leases at December 31, 2017 and 2016:

Lease commitments at December 31, 2017 *(in € millions)*	**Total**	**Within one year**	**In one to five years**	**Beyond five years**
Minimum future lease payments	3,712	1,115	1,744	853
Discounted present value	2,928	1,034	1,358	536

Lease commitments at December 31, 2016 *(in € millions)*	**Total**	**Within one year**	**In one to five years**	**Beyond five years**
Minimum future lease payments	3,625	1,070	1,754	801
Discounted present value	2,853	993	1,363	497

Rental expense and rental revenue from subleases recorded in the income statement are as follows:

Lease payments and revenue from sub-leases *(in € millions)*	**2017**	**2016**
Minimum lease payments made during the year	(1,217)	(1,113)
Contingent lease payments made during the year	(12)	(23)
Revenue from sub-leases received during the year	255	265

The future minimum sublease payments expected to be received under non-cancellable subleases amounted to 197 million euros at December 31, 2017 (December 31, 2016: 138 million euros).

NOTE 7 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Accounting principles

The consolidated statement of financial position includes the Group's share of the change in the net assets of companies accounted for by the equity method (associates and joint ventures), as adjusted to comply with Group accounting policies, from the date when significant influence or joint control is acquired until the date when it is lost.

Companies accounted for by the equity method are an integral part of the Group's operations and the Group's share of their net profit or loss is therefore reported as a separate component of recurring operating income ("Recurring operating income after net income from equity-accounted companies"), in accordance with the recommendation of the French accounting authorities (*Autorité des normes comptables* [ANC] recommendation no. 2013-01).

7.1 Changes in investments in equity-accounted companies

Changes in investments in equity-accounted companies can be analysed as follows:

(in € millions)	
At December 31, 2015	**1,433**
Translation adjustment	(15)
Share of net income	(36)
Dividends	(79)
Capital increase	58
Other movements	0
At December 31, 2016	**1,361**
Translation adjustment	(19)
Share of net income	4
Dividends	(80)
Capital increase	64
Other movements	24
At December 31, 2017	**1,355**

7.2 Information about associates

The following table shows key financial indicators for associates:

(in € millions)	**% interest**	**Total assets**	**Shareholders' equity**	**Non-current assets**	**Net sales / Revenues**	**Net income / (loss)**
Carmila (France)	36%	5,197	2,782	4,675	301	36
CarrefourSA (Turkey)	46%	713	2	437	1,105	(74)
Provencia SA (France)	50%	420	237	194	843	27
Mestdagh (Belgium)	25%	279	64	96	604	(9)
Ulysse (Tunisia)	25%	156	78	133	319	16
Costasol (Spain)	34%	92	50	63	126	13
Other companies (1)	-	883	295	503	1,394	26

(1) Corresponding to a total of 187 companies, none of which is individually material.

All of the summary financial data presented in the table above have been taken from the financial statements of associates, restated where necessary to reflect adjustments made to harmonise accounting methods on application of equity accounting. These data have not been adjusted for any changes in fair value recognised at the time of the acquisition or for any loss of control and elimination of the Group's share of profit or loss arising on asset disposals or acquisitions carried out between the Group and the associate.

Carmila was set up in 2014 by the Group and its co-investment partners. Its corporate purpose is to enhance the value of the shopping centres adjacent to Carrefour hypermarkets in France, Spain and Italy. Carmila is accounted for by the equity method because the governance system established with the co-investors allows Carrefour to exercise significant influence over its financial and operating policy decisions.

Up until its merger with Cardety on June 12, 2017, Carmila's governance was organised by a shareholders' agreement between Carrefour (owner of a 42% stake in Carmila) and other institutional investors (owner of the remaining 58% stake). This agreement specified the composition of the Board of Directors and the list of decisions requiring the Board's prior approval (votes subject to a simple or qualified majority, depending on the importance of the matters discussed).

In parallel with the merger of Carmila into Cardety (details of which are provided in Note 2.3), the entity's corporate governance rules were adjusted, resulting in the restructuring of its administration and management bodies, and amendments to its articles of association and the Board of Directors' internal rules. In light of the amended corporate governance rules, the Group considers that it has significant influence over the new entity, Carmila, which is accounted for using the equity method. The Group's position is primarily based on the fact that the Carrefour Group is not represented by a majority on the Board of Directors, which comprises 14 members, of which 8 are independent and 5 are appointed by Carrefour. Therefore, the Group cannot alone impose decisions requiring the Board's prior consent, which partly concern the relevant activities.

The following table presents key financial indicators for Carmila at December 31, 2017 and 2016 (as published in Carmila's consolidated financial statements[1]).

(in € millions)	**2017**	**2016**
Revenue (rental income)	301	276
Operating income before fair value adjustment of assets	230	219
Operating income [1]	394	376
Net income from continuing operations	314	296
Total non current assets [1]	5,521	4,916
Total current assets	513	289
of which Cash and cash equivalent	*329*	*71*
Total non current liabilities	2,158	2,200
Total current liabilities	334	354
Ownership % held by Carrefour	*35.76%*	*42.42%*
Amount of the investment in equity-accounted company	942	895
Carrefour - Cash dividends received from Carmila	66	62

(1) Since Carmila opted to apply the fair value model for the accounting of its investment properties, in accordance with the option provided in IAS 40, the figures presented in the above table are adjusted to reflect real estate fair value corrections. Before being accounted for by the equity method in the Group financial statements, Carmila's consolidated financial statements are therefore restated to apply the cost model applied by Carrefour.

7.3 Transactions with associates (related parties)

The following table presents the main related-party transactions carried out in 2017 with companies over which the Group exercises significant influence:

(in € millions)	**Carmila** (France)	**CarrefourSA** (Turkey)	**Provencia** (France)	**Mestdagh** (Belgium)	**Ulysse** (Tunisia)
Net sales (sales of goods)	-	0	596	51	7
Franchise fees	-	3	10	8	2
Property development revenue [1]	109	-	-	-	-
Sales of services	14	-	-	10	-
Fees and other operating expenses	(7)	-	-	-	-
Proceeds from the disposal of non-current assets [1] [2]	-	-	-	-	-
Receivables at December 31, 2017	23	1	33	7	3
Payables at December 31, 2017	(1)	(4)	-	-	-

(1) Amounts are presented before elimination of the Group's share in the associate of revenues and proceeds arising on transactions carried out between the Group and the associate.

(2) The non-current assets correspond to property and equipment, investment property and financial assets.

NOTE 8: INCOME TAX

Accounting principles

Income tax expense comprises current taxes and deferred taxes. It includes the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE) local business tax in France assessed on the value-added generated by the business, which is reported under income tax expense because the Group considers that it meets the definition of a tax on income contained in IAS 12 – *Income Tax*.

Deferred taxes are calculated on all temporary differences between the carrying amount of assets and liabilities in the consolidated statement of financial position and their tax basis (except in the specific cases referred to in IAS 12), and carried-forward tax losses. They are measured at the tax rates that are expected to apply to the period when the asset will be realised or the liability will be settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position under "Non-current assets" and "Non-current liabilities".

The recoverability of deferred tax assets is assessed separately for each tax entity, based on estimates of future taxable profits contained in the business plan for the country concerned (prepared as described in Note 6.3) and the amount of deferred tax liabilities at the period-end. A valuation allowance is recorded to write down deferred tax assets whose recovery is not considered probable.

8.1 Income tax expense for the period

(in € millions)	**2017**	**2016**
Current income tax expense (including provisions)	(496)	(590)
Deferred income taxes	(122)	95
Total Income tax expenses	**(618)**	**(494)**

Tax proof

Theoretical income tax for 2017 and 2016 has been calculated by multiplying consolidated income before tax by the standard French corporate income tax rate. For 2017, theoretical income tax expense amounted to 88 million euros compared with actual net income tax expense of 618 million euros.

(in € millions)	**2017**	**2016**
Income before taxes	255	1,428
Standard French corporate income tax rate	*34.4%*	*34.4%*
Theoretical income tax expense	**(88)**	**(492)**
Adjustments to arrive at effective income tax rate:		
- Differences between the standard French corporate income tax rate and overseas nominal taxation rates	(40)	19
- Effect of changes in applicable tax rates	(46)	31
- Tax expense and tax credits not based on the taxable income [(1)]	(77)	(28)
- Tax effect of other permanent differences	(135)	(40)
- Deferred tax assets recognised on temporary differences and tax loss carryforwards of previous years [(2)]	139	150
- Deferred tax assets not recognized on temporary differences and tax loss carryforwards arising in the year [(3)]	(98)	(81)
- Valuation allowances on deferred tax assets recognized in prior years [(3)]	(270)	(69)
- Tax effect of net income from equity-accounted companies	(1)	(12)
- Other differences	1	29
Total Income tax expense	**(618)**	**(494)**
Effective tax rate	*242.0%*	*34.6%*

(1) The reported amount of taxes with no tax base takes into account the CVAE local business tax in France, amounting to 62 million euros in 2017 (2016: 69 million euros), withholding taxes and changes in provisions for tax risks (Note 9.2.1).

(2) As in 2016, deferred tax assets recognised in 2017 on prior years' tax losses primarily concerned Brazil.

(3) Valuation allowances recorded on deferred tax assets mainly concerned China and Argentina.

8.2 Deferred tax assets and liabilities

The Group had a net deferred tax asset of 147 million euros at December 31, 2017, a decrease of 138 million euros compared with the previous year-end.

(in € millions)	**December 31, 2017**	**December 31, 2016**	**Change**
Deferred tax assets	636	829	(193)
Deferred tax liabilities	(489)	(543)	55
Net deferred tax assets	**147**	**285**	**(138)**

The following table shows the main sources of deferred taxes:

(in € millions)	**December 31, 2016**	**Change**			**December 31, 2017**
		Income statement	Income tax on other comprehensive income (OCI)	Changes in consolidation scope, translation adjustment,	
Tax loss carryforwards	1,101	119	-	(113)	1,108
Property and equipment	218	1	-	(15)	205
Non-deductible provisions	962	(155)	(28)	(41)	738
Goodwill amortisation allowed for tax purposes	201	45	-	1	247
Other intangible assets	3	1	-	(0)	4
Inventories	181	10	-	(18)	172
Financial instruments	48	(38)	(3)	(1)	5
Other temporary differences	250	(79)	-	(53)	118
Deferred tax assets before netting	**2,964**	**(97)**	**(31)**	**(239)**	**2,597**
Effect of netting deferred tax assets and liabilities	(590)	2	-	81	(508)
Deferred tax assets after netting	**2,374**	**(95)**	**(31)**	**(158)**	**2,090**
Valuation allowances on deferred tax assets	(1,545)	(62)	0	153	(1,454)
Net deferred tax assets	**829**	**(157)**	**(31)**	**(5)**	**636**
Property and equipment	(292)	(6)	-	90	(208)
Provisions recorded solely for tax purposes	(376)	(37)	-	(0)	(413)
Goodwill amortisation allowed for tax purposes	(197)	(2)	-	28	(171)
Other intangible assets	(0)	3	-	(4)	(1)
Inventories	(21)	2	-	-	(19)
Financial instruments	(16)	(5)	13	0	(7)
Other temporary differences	(232)	82	-	(27)	(177)
Deferred tax liabilities before netting	**(1,134)**	**37**	**13**	**88**	**(997)**
Effect of netting deferred tax assets and liabilities	590	(2)	-	(81)	508
Deferred tax liabilities after netting	**(543)**	**35**	**13**	**7**	**(489)**
NET DEFERRED TAXES	**285**	**(122)**	**(18)**	**2**	**147**

8.3 Unrecognised deferred tax assets

Unrecognised deferred tax assets amounted to 1,454 million euros at December 31, 2017 (December 31, 2016: 1,545 million euros), including 738 million euros related to tax loss carryforwards (December 31, 2016: 768 million euros) and 716 million euros on temporary differences (December 31, 2016: 777 million euros).

NOTE 9: PROVISIONS AND CONTINGENT LIABILITIES

Accounting principles

In accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recorded when, at the period-end, the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount of the provision is estimated based on the nature of the obligation and the most probable assumptions. Provisions are discounted when the effect of the time value of money is material.

Contingent liabilities, which are not recognised in the statement of financial position, are defined as:

- possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- present obligations that arise from past events but are not recognised because (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or (ii) the amount of the obligation cannot be measured with sufficient reliability.

9.1 Changes in provisions

(in € millions)	December 31, 2016	Translation adjustment	Increases	Discounting adjustment	Reversals of surplus provisions	Utilisations	Other	December 31, 2017
Post-employment benefit obligations [(1)]	1,279	(2)	97	(38)	(39)	(42)	0	1,256
Claims and litigation	1,312	(119)	448	-	(210)	(150)	(1)	1,280
Tax reassessments	*885*	*(84)*	*285*	-	*(106)*	*(27)*	*7*	*960*
Disputes with current and former employees	*243*	*(22)*	*109*	-	*(63)*	*(93)*	*(8)*	*166*
Legal disputes	*184*	*(14)*	*54*	-	*(41)*	*(30)*	*1*	*154*
Restructuring	98	(2)	76	-	(10)	(54)	(0)	108
Other [(2)]	375	(0)	66	-	(26)	(56)	1	359
Total Provisions	**3,064**	**(123)**	**687**	**(38)**	**(285)**	**(302)**	**(0)**	**3,003**

(1) See Note 10.
(2) Other provisions primarily concern technical risks associated mainly with the insurance business and onerous contracts.

Group companies are involved in a certain number of claims and legal proceedings in the normal course of business. They are also subject to tax audits that may result in reassessments. The main claims and legal proceedings are described below. In each case, the risk is assessed by Group management and their advisors.

At December 31, 2017, the claims and legal proceedings in which the Group was involved were covered by provisions totalling 1,280 million euros (December 31, 2016: 1,312 million euros). No details are provided because the Group considers that disclosure of the amount set aside in each case could be seriously detrimental to its interests.

9.2 Claims and litigation

In the normal course of its operations in around a dozen different countries, the Group is involved in tax, employee-related and commercial disputes and legal proceedings.

9.2.1 Tax reassessments

Certain Group companies have been or are currently the subject of tax audits conducted by their local tax authorities.

In Brazil, tax audits are in progress covering, in particular, the tax on the distribution of goods and services (ICMS), related tax credits (determination of the amounts claimable and documentation of the claims), and federal contributions to the social integration programme and to the financing of the social security system (Pis-Cofins). The Group has challenged most of the assessments,

particularly the constitutionality of certain legislative provisions on which they are based. The estimated risk in each case is reviewed regularly with Carrefour Brazil's advisors and an appropriate provision is recorded. At December 31, 2017, the corresponding provision totalled 518 million euros (versus 551 million euros at December 31, 2016).

In France, Carrefour was notified of corporate income tax reassessments relating to the scope of the cap on deductible financial expenses in 2014. Carrefour is challenging this reassessment.

The tax authorities in several countries have disallowed part of the headquarters expenses deducted by Group companies. The Group has contested these reassessments.

9.2.2 Employee-related disputes

As a major employer, the Group is regularly involved in disputes with current or former employees.

From time to time, disputes may also arise with a large group of current or former employees. In Brazil, many former employees have initiated legal proceedings against the Group, claiming overtime pay that they allege is due to them.

9.2.3 Legal and commercial disputes

The Group is subject to regular audits by the authorities responsible for overseeing compliance with the laws applicable to the retail industry and by the competition authorities. Disputes may also arise with suppliers as a result of differing interpretations of legal or contractual provisions.

9.3 Contingent liabilities

To the best of the Group's knowledge, there are no contingent liabilities that may be considered likely to have a material impact on the Group's results, financial position, assets and liabilities or business.

In Brazil, the Group is exposed to tax risks which the Group and its counsel consider are unlikely to materialise. The tax risks represent a total exposure of 2.38 billion euros at December 31, 2017. The main tax risk concerns the amortization of goodwill for tax purposes related to the acquisition of Atacadão occurred in 2007. The Group is contesting assessments totalling almost 650 million euros, and filed an appeal at Judicial sphere in the fourth quarter of 2017.

NOTE 10: NUMBER OF EMPLOYEES, EMPLOYEE COMPENSATION AND BENEFITS

Accounting principles

Group employees receive short-term benefits (such as paid vacation, paid sick leave and statutory profit-sharing bonuses), long-term benefits (such as long-service awards and seniority bonuses) and post-employment benefits (such as length-of-service awards and supplementary pension benefits). Post-employment benefits may be paid under defined contribution or defined benefit plans.

All of these benefits are accounted for in accordance with IAS 19 – *Employee Benefits*. Short-term benefits (i.e., benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services) are classified as current liabilities (under "Other payables") and recorded as an expense for the year in which the employees render the related services (Note 5.2.2). Post-employment benefits and other long-term benefits are measured and recognised as described in Note 10.1.

Two types of share-based payment plans have been set up for management and selected employees – stock option plans and performance share plans. These plans fall within the scope of IFRS 2 – *Share-based Payment* and are accounted for as described in Note 10.2.

10.1 Pension and other post-employment benefits

Accounting principles

Post-employment benefits are employee benefits that are payable after the completion of employment. The Group's post-employment benefit plans include both defined contribution plans and defined benefit plans.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity that is responsible for the plan's administrative and financial management as well as for the payment of benefits, such that the Group has no obligation to pay further contributions if the plan assets are insufficient. Examples include government-sponsored pension schemes, defined contribution supplementary pension plans and defined contribution pension funds.

The contributions are recorded as an expense for the period in which they become due.

Defined benefit and long-term benefit plans

A liability is recognised for defined benefit obligations that are determined by reference to the plan participants' years of service with the Group.

The defined benefit obligation is calculated annually using the projected unit credit method, taking into account actuarial assumptions concerning future salary levels, retirement age, mortality, staff turnover and the discount rate.

The discount rate corresponds to the interest rate observed at the period-end for investment grade corporate bonds with a maturity close to that of the defined benefit obligation. The calculations are performed by a qualified actuary.

The net liability recorded for defined benefit plans corresponds to the present value of the defined benefit obligation less the fair value of plan assets (if any). The cost recognised in the income statement comprises:

- current service cost, past service cost and the gain or loss on plan amendments or settlements (if any), recorded in operating expense;
- interest expense on the defined benefit liability, net of interest income on the plan assets, recorded in net financial expense.

Remeasurements of the net defined benefit liability (comprising actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling) are recognised immediately in "Other comprehensive income".

10.1.1 Description of the main defined benefit plans

The main defined benefit plans concern supplementary pension benefits paid annually in some countries to retired employees of the Group, and length-of-service awards provided for in collective bargaining agreements that are paid to employees upon retirement. The plans, which are presented below, mainly concern France, Belgium and Italy.

French plans

Group employees in France are entitled to a length-of-service award when they retire, determined in accordance with the law and the applicable collective bargaining agreement. The award is measured as a multiple of the individual's monthly salary for the last 12 months before retirement, determined by reference to his or her years of service.

In 2009, the Group set up a supplementary pension plan, amended in 2015. The main characteristics of the plan are as follows:

- eligibility: plan participants must have completed at least three years' service at the time of retirement and their annual compensation must be greater than 18 times the annual ceiling for social security contributions;
- benefits: 2.75% of the reference compensation per year of service, subject to the applicable performance conditions being met for each year. No benefits are paid if a minimum number of years has not been validated in connection with the performance conditions;
- years of service taken into account for the calculation of plan benefits: years of service with the Carrefour Group under consecutive or non-consecutive employment contracts. The plan's terms do not provide for any increase in benefits for participants who have completed more than a certain number of years' service;
- the reference compensation is calculated as the average of the last three salaries (basic salary + annual variable compensation) received over the last three calendar years preceding retirement or 60 times the annual ceiling for social security contributions, whichever is lower;
- annual benefit cap: 25% of the reference compensation and the difference between 45% of the reference compensation and the total basic and supplementary pension benefits received by the plan participant;
- reversionary pension: upon the participant's death, payable to the surviving spouse in an amount equal to 50% of the original benefit.

Belgian plans

The Group's main commitments in Belgium concern "prepensions" and the "solidarity fund".

The prepension scheme provides for the payment of unemployment benefits during the period from the retirement age proposed in the collective bargaining agreement to the statutory retirement age. Carrefour is committed to topping up the benefits paid by the Belgian State, so that the individuals concerned receive 95% of their final net salary. The retirement age under Belgian law, amended in 2015, is 67 (unless otherwise provided). Under the collective bargaining agreement applicable to Carrefour, employees are eligible for prepension benefits from the age of 62 (unless otherwise provided).

The solidarity fund is a corporate supplementary pension plan that offers participants the choice between a lump sum payment on retirement or a monthly pension for the rest of their lives. The plan was closed in 1994 and replaced by a defined contribution plan. Consequently, the projected benefit obligation only concerns pension rights that vested before 1994.

Furthermore, as of 2016, an additional provision has been recorded for defined contribution plans with a minimum legal guaranteed yield, in view of the current economic conditions.

Italian plans

The Group's commitments in Italy primarily concern the *Trattemento di Fine Rapporto* (TFR) deferred salary scheme. The TFR scheme underwent a radical reform in 2007, with employers now required to pay contributions to an independent pension fund in full discharge of their liability. The Group's obligation therefore only concerns deferred salary rights that vested before 2007.

10.1.2 Net expense for the period

The expense recorded in the income statement is detailed as follows:

2016 *(in € millions)*	France	Belgium	Italy	Other countries	**Group total**
Service cost [(1)]	(112)	13	0	1	(98)
Interest cost (discount effect)	17	10	2	1	30
Return on plan assets	(1)	(4)	-	(0)	(5)
Other items	3	0	-	(0)	3
Expense (income) for 2016	**(93)**	**19**	**3**	**1**	**(71)**

2017 *(in € millions)*	France	Belgium	Italy	Other countries	**Group total**
Service cost [(1)]	31	12	0	1	44
Interest cost (discount effect)	11	6	2	1	18
Return on plan assets	(0)	(3)	-	(0)	(3)
Other items	(1)	-	-	-	(1)
Expense (income) for 2017	**40**	**15**	**2**	**1**	**58**

(1) The following table presents details of service cost:

2016 *(in € millions)*	France	Belgium	Italy	Other countries	**Group total**
Current service cost	59	13	0	1	72
Past service cost (plan amendments and curtailments)	(154)	-	0	-	(154)
Settlements and other	(16)	-	-	-	(16)
Total Service cost 2016	**(112)**	**13**	**0**	**1**	**(98)**

2017 *(in € millions)*	France	Belgium	Italy	Other countries	**Group total**
Current service cost	57	17	0	1	74
Past service cost (plan amendments and curtailments)	1	(4)	-	(0)	(3)
Settlements and other	(26)	-	(0)	-	(26)
Total Service cost 2017	**31**	**12**	**0**	**1**	**44**

The net expense for 2017 breaks down as (43) million euros recorded in employee benefits expense and (15) million euros recorded in financial expense.

10.1.3 Breakdown of the provision

(in € millions)	France	Belgium	Italy	Other countries	**Group total**
Defined Benefit Obligation	911	480	136	39	1,565
Fair value of plan assets	(53)	(227)	-	(7)	(286)
Provision at December 31, 2016	**858**	**253**	**136**	**32**	**1,279**
Defined Benefit Obligation	889	450	128	42	1,509
Fair value of plan assets	(16)	(230)	-	(7)	(253)
Provision at December 31, 2017	**873**	**221**	**128**	**35**	**1,256**

10.1.4 Change in the provision

(in € millions)	France	Belgium	Italy	Other countries	Group total
Provision at December 31, 2015	**845**	**250**	**136**	**27**	**1,258**
Movements recorded in the income statement	(93)	19	3	1	(71)
Benefits paid directly by the employer	(4)	(13)	(6)	(0)	(24)
Effect of changes in scope of consolidation	(5)	-	0	0	(5)
Change in actuarial gains and losses (1)	113	4	4	3	124
Other	3	(6)	(1)	0	(4)
Provision at December 31, 2016	**858**	**253**	**136**	**32**	**1,279**
Movements recorded in the income statement	40	15	2	1	59
Benefits paid directly by the employer	(7)	(12)	(9)	(0)	(28)
Effect of changes in scope of consolidation	(5)	-	-	-	(5)
Change in actuarial gains and losses (1)	(13)	(28)	(1)	4	(38)
Other	(0)	(8)	-	(2)	(10)
Provision at December 31, 2017	**873**	**221**	**128**	**35**	**1,256**

(1) This line breaks down as follows:

2016 *(in € millions)*	France	Belgium	Italy	Other countries	Group total
Actuarial (gain)/loss due to experience	9	0	(3)	1	7
Actuarial (gain)/loss due to demographic assumption changes	26	-	(0)	2	28
Actuarial (gain)/loss due to financial assumption changes	79	147	8	0	235
Return on Plan Assets (Greater) / Less than Discount Rate	(1)	(144)	-	0	(145)
Changes in actuarial gains and losses 2016	**113**	**4**	**4**	**3**	**124**

2017 *(in € millions)*	France	Belgium	Italy	Other countries	Group total
Actuarial (gain)/loss due to experience	6	-	1	2	9
Actuarial (gain)/loss due to demographic assumption changes	(6)	-	(0)	1	(5)
Actuarial (gain)/loss due to financial assumption changes	(12)	(20)	(2)	0	(34)
Return on Plan Assets (Greater) / Less than Discount Rate	(1)	(8)	-	0	(9)
Changes in actuarial gains and losses 2017	**(13)**	**(28)**	**(1)**	**4**	**(38)**

10.1.5 Plan assets

(in € millions)	France	Belgium	Italy	Other countries	Group total
Fair value at December 31, 2015	**70**	**84**	**-**	**6**	**161**
Effect of changes in scope of consolidation	-	-	-	-	-
Return on plan assets	1	4	-	0	5
Benefits paid out of plan assets	(20)	(12)	-	(0)	(33)
Actuarial gain/(loss)	1	144	-	(0)	145
Other	-	7	-	1	8
Fair value at December 31, 2016	**53**	**227**	**-**	**7**	**286**
Effect of changes in scope of consolidation	-	-	-	-	-
Return on plan assets	0	3	-	0	3
Benefits paid out of plan assets	(31)	(16)	-	7	(40)
Actuarial gain/(loss)	1	8	-	(0)	9
Other	(6)	8	-	(7)	(5)
Fair value at December 31, 2017	**16**	**230**	**-**	**7**	**253**

Plan assets break down as follows by asset class:

	December 31, 2017				**December 31, 2016**			
	Bonds	Equities	Monetary investments	Real estate and other	Bonds	Equities	Monetary investments	Real estate and other
France	57%	7%	33%	3%	55%	7%	35%	3%
Belgium	36%	9%	55%	0%	39%	10%	51%	0%

All bonds and equities held in plan asset portfolios are listed securities.

10.1.6 Actuarial assumptions and sensitivity analysis

The assumptions used to measure defined benefit obligations for length-of-service awards are as follows:

	2017	2016
Retirement age	62-67	62-67
Rate of future salary increases	1.9% to 2.5%	1.8% to 2.7%
Inflation rate	1.9%	1.9%
Discount rate	1.4%	1.2%

At December 31, 2017, a discount rate of 1.44% was used for France, Belgium and Italy (December 31, 2016: 1.2%). The discount rate is based on an index of AA-rated corporate bonds with maturities similar to the estimated duration of the defined benefit obligation.

In 2017, the average duration of the defined benefit obligation under French, Belgian and Italian plans was 11.3 years, 9 years and 9.2 years respectively (2016: 11.7 years, 9.6 years and 9.4 years respectively).

Sensitivity tests show that:

- a 25-bps increase in the discount rate would reduce the defined benefit obligation under the French, Belgian and Italian plans by around 37 million euros;
- a 25-bps increase in the inflation rate would increase the defined benefit obligation under the French, Belgian and Italian plans by around 26 million euros.

10.2 Share-based payments

Accounting principles

Two types of share-based payment plans have been set up for members of management and selected employees – stock option plans and performance share plans.

As the plans are equity-settled, the benefit represented by the share-based payment is recorded in employee benefits expense with a corresponding increase in shareholders' equity in accordance with IFRS 2 – *Share-based Payment*. The cost recorded in employee benefits expense corresponds to the fair value of the equity instruments on the grant date (i.e., the date on which grantees are informed of the plan's characteristics and terms). Fair value is determined using the Black & Scholes option pricing model for stock options and the share price on the grant date for performance shares. Performance conditions that are not based on market conditions are not taken into account to estimate the fair value of stock options and performance shares at the measurement date. However, they are taken into account in estimates of the number of shares that are expected to vest, as updated at each period-end based on the expected achievement rate for the non-market performance conditions.

The cost calculated as described above is recognised on a straight-line basis over the vesting period.

The cost of share-based payment plans for 2017 recorded under "Employee benefits expense" in recurring operating income was 13.1 million euros, with a corresponding increase in equity (2016: 3.2 million euros).

Details of the stock option and performance share plans set up for Executive Management and selected employees are presented below.

10.2.1 Stock option plans

There were no longer any Carrefour SA stock option plans outstanding at December 31, 2017, since the 2010 plans based on performance conditions and continued employment in the Group expired in July 2017. Movements in these plans in 2017 were as follows:

	2017	2016
Options outstanding at January 1	**1,823,200**	**7,287,307**
- of which, exercisable options	*1,823,200*	*7,287,307*
Options granted during the year [(1)]	-	-
Options exercised during the year	-	-
Options cancelled or that expired during the year [(2)]	(1,823,200)	(5,464,107)
Options outstanding at December 31	**-**	**1,823,200**
- of which, exercisable options	-	*1,823,200*

(1) The Compensation Committee decided not to grant any Carrefour SA stock options in 2017.

(2) The 2010 plans expired in July 2017. The 1,823,200 options that had not been exercised as of that date were cancelled.

On March 21, 2017, the Board of Directors of Atacadão decided to award options on existing or new Atacadão shares. This stock option plan was approved by Atacadão's Shareholders' Meeting held on the same date. Options awarded under this plan represent a maximum number of 9,283,783 shares, or 0.47% of Atacadão's share capital. The options are subject to the following vesting conditions:

- one-third of the options vest at the date of the company's IPO;
- one-third of the options will vest 12 months after the date of the IPO;
- one-third of the options will vest 24 months after the date of the IPO.

The options may be exercised up to March 21, 2023 at a price of BRL 11.7.

The table below shows the **main assumptions used** to calculate the fair value of the options awarded in 2017.

Fair value of the options at the grant date	**Brazil 2017 "Pre-IPO" Plan**
Exercise price (in R$)	11.7
Estimated fair value of the share (in R$)	11.7
Volatility (in %)	29.02%
Dividend growth (in %)	1.35%
Risk-free interest rate (in %)	10.25%
Expected life of share option (years)	2.72
Model	Binomial
Fair value option at grant date (in R$)	**3.73**

Movements during the period in the stock option plan were as follows:

	2017
Options outstanding at January 1	**-**
- of which, exercisable options	-
Options granted during the year	7,838,783
Options exercised during the year	-
Options cancelled or that expired during the year	-
Options outstanding at December 31	**7,838,783**
- of which, exercisable options	*2,612,928*

10.2.2 Performance share plans

On July 27, 2016, based on the Compensation Committee's recommendation, the Board of Directors decided to use the authorisation given in the 14th resolution of the Annual Shareholders' Meeting held on May 17, 2016 to grant performance shares (new or existing shares) to some 950 Group employees. The plan provided for the grant of a maximum of 1,950,000 shares (representing 0.26% of the share capital). The shares will vest only if the grantee remains with the Group until the end of the vesting period and several performance conditions are met.

The vesting period is three years from the date of the Board meeting at which the rights were granted. The number of shares that vest will depend on the achievement of three performance conditions:

- two conditions linked to financial performance (EBITDA growth for 35% and organic sales growth for 35%); and
- a CSR-related condition (for 30%).

Details of the performance share plans in progress at December 31, 2017 are presented below:

	2016 Performance Plan
General Meeting date	May 17, 2016
Grant date (1)	September 15, 2016
Vesting date (2)	July 28, 2019
Total number of shares allotted at the grant date	1,944,850
Number of grantees at the grant date	950
Fair value of each share (in €) (3)	20.18

(1) *Notification date (i.e., date on which grantees were notified of the plans' characteristics and terms).*

(2) *The shares will vest only if the grantee remains with the Group until the end of the vesting period and several performance conditions are met.*

(3) *The Carrefour share price on the grant date (reference price) adjusted for estimated dividends not received during the vesting period.*

Movements in performance share grants were as follows:

	2017	2016
Shares allotted at January 1	**1,942,150**	**-**
- of which, vested shares	-	-
Shares granted during the year	-	1,944,850
Shares delivered to the grantees during the year	(3,500)	-
Shares cancelled during the year	(199,200)	(2,700)
Shares allotted at December 31	**1,739,450**	**1,942,150**
- of which, vested shares	*8,000*	-

10.3 Management compensation (related parties)

The following table shows the compensation paid by the Carrefour Group during the year to the Group's key management personnel.

The key management personnel are the members of the Board of Directors, the 6 members of the Group's management team (up until October 2, 2017), and the 14 members of the Group's Executive Committee (as from October 2, 2017).

(in € millions)	2017	2016
Compensation for the year	5.3	4.2
Prior year bonus (1)	11.4	5.2
Benefits in kind (accommodation and company car)	0.1	0.0
Total compensation paid during the year	**16.8**	**9.4**
Employer payroll taxes	5.1	3.3
Termination benefits (1)	4.0	-

(1) *Amounts shown for the year 2017 include compensation paid to Mr Georges Plassat, Chairman of the Board of Directors and Chief Executive Officer of Carrefour group until July 18, 2017, in respect of (i) the 2014/2015 and 2015/2016 long-term incentive plans, and (ii) the termination benefit resulting from the termination of his duties as Chairman and Chief Executive Officer, after acknowledgement by the Board of Directors that the relevant conditions had been met, in particular the performance conditions and the requirement to enter into a non-compete agreement, in accordance with Article L. 225-42-1 of the French commercial code (Code de commerce).*

Other management benefit plans are as follows:

- defined benefit pension plan described in Note 10.1. The plan liability and cost attributable to members of the management team cannot be disclosed separately as the total liability and cost are allocated among members of management and other plan participants using allocation keys;

- stock options and performance shares: the serving members of the management team at December 31, 2017 held 123,000 performance shares (December 31, 2016: 287,500), for which the vesting conditions are described in Note 10.2.2. The recognised cost of share-based payment plans for members of the management team was not material in either 2017 or 2016.

Directors' attendance fees paid to members of the Board of Directors amounted to 1 million euros in 2017 (2016: 1.1 million euros).

10.4 Number of employees

	2017	2016
Senior Directors	522	512
Directors	2,267	2,183
Managers	42,575	41,022
Employees	330,790	328,613
Average number of Group employees	**376,154**	**372,330**
Number of Group employees at the year-end	**378,923**	**384,151**

NOTE 11: EQUITY AND EARNINGS PER SHARE

11.1 Capital management

The parent company, Carrefour SA, must have sufficient equity capital to comply with the provisions of France's Commercial Code.

The Group owns interests in a certain number of financial services companies (banks, insurance companies). These subsidiaries must have sufficient equity capital to comply with capital adequacy ratios and the minimum capital rules set by their local banking and insurance supervisors.

Capital management objectives (equity and debt capital) are to:

- ensure that the Group can continue operating as a going concern, in particular by maintaining high levels of liquid resources;
- optimise shareholder returns;
- keep gearing at an appropriate level, in order to minimise the cost of capital and maintain the Group's credit rating at a level that allows it to access a wide range of financing sources and instruments.

In order to maintain or adjust its gearing, the Group may take on new borrowings or retire existing borrowings, adjust the dividend paid to shareholders, return capital to shareholders, issue new shares, buy back shares or sell assets in order to use the proceeds to pay down debt.

11.2 Share capital and treasury stock

11.2.1 Share capital

At December 31, 2017, the share capital was made up of 774,677,811 ordinary shares with a par value of 2.5 euros each, all fully paid.

(in thousands of shares)	**2017**	**2016**
Outstanding at January 1	**756,235**	**738,471**
Issued for cash	-	-
Issued upon exercise of stock options	-	-
Issued in payment of dividends	18,443	17,764
Cancelled shares	-	-
Outstanding at December 31	**774,678**	**756,235**

The increase during the year corresponded to new shares issued to shareholders who chose to reinvest their 2016 dividend (Notes 2.6 and 11.3).

11.2.2 Treasury stock

Accounting principles

Treasury stock is recorded as a deduction from shareholders' equity, at cost. Gains and losses from sales of treasury stock (and the related tax effect) are recorded directly in shareholders' equity without affecting net income for the year.

At December 31, 2017, a total of 11,719,539 shares were held in treasury (December 31, 2016: 9,473,039 shares).

The shares held in treasury are intended notably for the Group's stock option and performance share plans, or for the liquidity agreement set up in July 2016 with Rothschild & Cie Banque (which replaces the 2014 agreement with Oddo Corporate Finance).

All rights attached to these shares are suspended for as long as they are held in treasury.

11.3 Dividends

The 2016 ordinary dividend of 0.70 euros per share was paid on July 13, 2017 as follows:

- settlement/delivery of the 18,442,657 new shares corresponding to reinvested dividends, representing a total capital increase of 372 million euros including premiums;
- 151 million euros paid in cash to shareholders who had chosen not to reinvest their dividends.

11.4 Other comprehensive income

(in € millions)

Group share	2017			2016		
	Pre-tax	Tax	Net	Pre-tax	Tax	Net
Effective portion of changes in the fair value of cash flow hedges	(29)	10	(19)	12	(4)	8
Changes in the fair value of available-for-sale financial assets	(2)	1	(1)	(7)	3	(5)
Exchange differences on translating foreign operations	(349)	0	(349)	261	0	261
Items that may be reclassified subsequently to profit or loss	**(380)**	**11**	**(369)**	**266**	**(2)**	**264**
Remeasurements of defined benefit plans obligation	39	(29)	11	(122)	15	(106)
Items that will not be reclassified to profit or loss	**39**	**(29)**	**11**	**(122)**	**15**	**(106)**
Total Other comprehensive income - Group share	**(340)**	**(18)**	**(358)**	**144**	**14**	**158**

Non-controlling interests	2017			2016		
	Pre-tax	Tax	Net	Pre-tax	Tax	Net
Effective portion of changes in the fair value of cash flow hedges	4	(1)	2	3	(1)	2
Changes in the fair value of available-for-sale financial assets	(3)	1	(2)	2	(1)	1
Exchange differences on translating foreign operations	(124)	0	(124)	100	0	100
Items that may be reclassified subsequently to profit or loss	**(123)**	**(0)**	**(124)**	**104**	**(1)**	**103**
Remeasurements of defined benefit plans obligation	(1)	1	(0)	(3)	0	(2)
Items that will not be reclassified to profit or loss	**(1)**	**1**	**(0)**	**(3)**	**0**	**(2)**
Total Other comprehensive income - Non-controlling interests	**(124)**	**0**	**(124)**	**102**	**(1)**	**100**

11.5 Shareholders' equity attributable to non-controlling interests

Non-controlling interests mainly concern:

- the sub-group made up of Carrefour Banque SA and its subsidiaries (part of the France operating segment), which is 60% owned by the Group;
- the sub-group made up of Atacadão and its subsidiaries (part of the Brazil operating segment), which is 71.8% owned by the Group.

The following tables present the key information from the sub-groups' Consolidated Financial Statements:

Carrefour Banque SA sub-group

(in € millions)

Income statement	2017	2016
Revenue (Net Banking Revenue)	360	389
Net result	38	29
of which:		
- attributable to the Group Carrefour	*23*	*18*
- attributable to non-controlling interests	*15*	*12*

Statement of financial position	December 31, 2017	December 31, 2016
Non current assets	1,823	2,016
Current assets	3,021	2,790
Non current liabilities (excluding shareholders' equity)	2,631	1,975
Current liabilities	1,686	2,307
Dividends paid to non-controlling interests	9	9

Grupo Carrefour Brasil sub-group

(in € millions)

Income statement	2017	2016
Total revenue	13,945	12,472
Net result	475	353
of which:		
- attributable to the Group Carrefour	*319*	*267*
- attributable to non-controlling interests	*155*	*86*

Statement of financial position	December 31, 2017	December 31, 2016
Non current assets	4,313	4,135
Current assets	4,222	4,288
Non current liabilities (excluding shareholders' equity)	1,122	2,047
Current liabilities	4,102	3,908
Dividends paid to non-controlling interests	57	16

The increase in non controlling interests in Grupo Carrefour Brasil is the result of the IPO described in notes 2.2 and 3.2.1.

There are no individually material non-controlling interests in other subsidiaries.

11.6 Earnings per share (Group share)

Accounting principles

In accordance with IAS 33 – *Earnings Per Share*, basic earnings per share is calculated by dividing net income, Group share by the weighted average number of shares outstanding during the period. Treasury stock, including shares held indirectly through the equity swap described in Note 11.2.2, are not considered to be outstanding and are therefore deducted from the number of shares used for earnings per share calculations. Contingently issuable shares are treated as outstanding and included in the calculation only from the date when all necessary conditions are satisfied.

Diluted earnings per share is calculated by adjusting net income, Group share and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares correspond exclusively to the stock options and performance shares presented in Note 10.2.1. Their dilutive effect is calculated by the treasury stock method provided for in IAS 33 which consists in applying the proceeds that would be generated from the exercise of stock options to the purchase of shares at market price (defined as the average share price for the period). In accordance with this method, stock options are considered to be potentially dilutive if they are in the money (based on the sum of the exercise price and the fair value of the services rendered by the grantee, in accordance with IFRS 2 – *Share-based Payment*).

Basic earnings per share	**2017**	**2016**
Net income from continuing operations	(531)	786
Net income from discontinued operations	1	(40)
Net income for the year	(531)	746
Weighted average number of shares outstanding [(1)]	756,976,463	740,030,536
Basic earnings from continuing operations per share (in €)	**(0.70)**	**1.06**
Basic earnings from discontinued operations per share (in €)	**0.00**	**(0.05)**
Basic earnings per share (in €)	**(0.70)**	**1.01**

(1) In accordance with IAS 33, the weighted average number of shares used to calculate 2016 earnings per share was adjusted to take into account the effect of the 2016 dividends paid in shares on July 13, 2017 (retrospective adjustment of the effect of the 10% discount on shares issued in payment of dividends, determined by the treasury stock method).

Diluted earnings per share	**2017**	**2016**
Net income from continuing operations	(531)	786
Net income from discontinued operations	1	(40)
Net income for the year	(531)	746
Weighted average number of shares outstanding, before dilution	756,976,463	740,030,536
Potential dilutive shares	-	145,127
Stock grants	-	*145,127*
Stock options	-	-
Diluted weighted average number of shares outstanding	756,976,463	740,175,662
Diluted earnings from continuing operations per share (in €)	**(0.70)**	**1.06**
Diluted earnings from discontinued operations per share (in €)	**0.00**	**(0.05)**
Diluted earnings per share (in €)	**(0.70)**	**1.01**

The net income from continuing operations being negative in 2017, the performance shares granted are not deemed dilutives.

NOTE 12: FINANCIAL ASSETS AND LIABILITIES, FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSES

Accounting principles

Non-derivative financial assets

In accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, the main financial assets are classified in one of the following four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

Their classification determines their accounting treatment. They are classified by the Group upon initial recognition, based on the type of asset and the purpose for which it was acquired. Purchases and sales of financial assets are recognised on the trade date, defined as the date on which the Group is committed to buying or selling the asset.

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

These are financial assets held for trading, i.e., assets acquired principally for the purpose of selling them at a profit in the short term, or financial assets designated at the outset as at fair value through profit or loss.

They are measured at fair value with changes in fair value recognised in the income statement, under financial income or expense.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that do not meet the criteria for classification as either held for trading or available for sale.

They are initially recognised at fair value and are subsequently measured at amortised cost by the effective interest method. For short-term receivables with no specified interest rate, fair value is considered to be equal to the original invoice amount.

These assets are tested for impairment when there is an indication that their recoverable amount may be less than their carrying amount. If this is found to be the case, an impairment loss is recorded.

This category includes trade receivables, other loans and receivables (reported under "Other financial assets") and consumer credit granted by the financial services companies.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets other than loans and receivables with fixed or determinable payments and a fixed maturity that the Group has the positive intention and ability to hold to maturity. They are initially recognised at fair value and are subsequently measured at amortised cost by the effective interest method.

The Group did not hold any assets classified as held-to-maturity at December 31, 2017 or December 31, 2016.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that do not meet the criteria for classification in any of the other three categories. They consist mainly of shares in non-consolidated companies. Available-for-sale financial assets are measured at fair value, with changes in fair value recognised in "Other comprehensive income", under "Changes in the fair value of available-for-sale financial assets". When the assets are sold, the gains and losses accumulated in shareholders' equity are reclassified to the income statement.

However, in the event of a prolonged or significant fall in value of an equity instrument or a decline in estimated cash flows from a debt instrument, an impairment loss is recognised in the income statement. If, in a subsequent period, the impairment decreases, the previously recognised impairment loss is released as follows:

- for equity instruments (shares and other): through "Other comprehensive income";
- for debt instruments (bonds, notes and other): where an increase is observed in estimated future cash flows, through profit or loss for an amount not exceeding the previously recognised impairment loss.

The fair value of listed securities corresponds to their market price. For unlisted securities, fair value is determined by reference to recent transactions or by using valuation techniques based on reliable and observable market data. When it is impossible to obtain a reasonable estimate of an asset's fair value, it is measured at historical cost.

Non-derivative financial assets held by the Group

The main non-derivative financial assets held by the Group are as follows:

- non-current financial assets, mainly comprising investments in non-consolidated companies and long-term loans;
- trade receivables (Note 5.4.3);
- consumer credit granted by the financial services companies (Note 5.5.1);
- other current financial assets, mainly available-for-sale financial assets, measured at fair value, and short-term loans and deposits.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value plus transaction costs and premiums directly attributable to their issue. They are subsequently measured at amortised cost.

Non-derivative financial liabilities held by the Group

The main non-derivative financial liabilities held by the Group are as follows:

- borrowings: "Long-term borrowings" and "Short-term borrowings" include bonds and notes issued by the Group, finance lease liabilities, other bank loans and overdrafts, and financial liabilities related to securitised receivables for which the credit risk is retained by the Group;
- suppliers and other creditors (Note 5.4.4);
- consumer credit financing (Note 5.5.2);
- other payables: other payables classified in current liabilities correspond to all other operating payables (mainly accrued employee benefits expense and amounts due to suppliers of non-current assets) and miscellaneous liabilities.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to risks arising in the course of business, mainly currency and interest rate risks. Exceptionally, the risk of changes in the prices of certain commodities – mainly diesel – may also be hedged.

Derivatives are initially recognised at fair value. They are subsequently measured at fair value with the resulting unrealised gains and losses recorded as explained below.

(i) Derivatives designated as hedging instruments

Hedge accounting is applied if, and only if, the following conditions are met:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- the effectiveness of the hedge is demonstrated at inception.

The derivatives used by the Group may be qualified as either cash flow hedges or fair value hedges. The Group does not currently hedge its net investment in foreign operations.

Cash flow hedges

For instruments qualified as cash flow hedges, the portion of the change in fair value determined to be an effective hedge is recognised directly in "Other comprehensive income" and accumulated in shareholders' equity until the hedged transaction affects profit. The ineffective portion of the change in fair value is recognised in the income statement, under "Financial income and expense".

The main cash flow hedges consist of interest rate options and swaps that convert variable rate debt to fixed rate debt, and forward purchases of foreign currencies that hedge future goods purchases in foreign currency.

Fair value hedges

Changes in fair value of instruments qualified as fair value hedges are recognised in the income statement, with the effective portion offsetting changes in the fair value of the hedged item.

Examples of fair value hedges include swaps set up to convert fixed rate bonds and notes to variable rate. The hedged portion of the underlying financial liability is remeasured at fair value. Changes in fair value are recognised in the income statement and are offset by the effective portion of symmetrical changes in the fair value of the interest rate swaps.

(ii) Other derivative instruments

Other derivative instruments are measured at fair value, with changes in fair value recognised in profit or loss. Derivative instruments used by the Group include interest rate and currency swaps and vanilla interest rate options.

Fair value calculation method

The fair values of currency and interest rate instruments are determined using market-recognised pricing models or prices quoted by external financial institutions.

Values estimated using pricing models are based on discounted future cash flows for futures and forward contracts or, for options, the Black & Scholes option pricing model. The models are calibrated using market data such as yield curves and exchange rates obtained from recognised financial data services.

The fair value of long-term borrowings is estimated based on the quoted market price for bonds and notes or the value of future cash flows discounted based on market conditions for similar instruments (in terms of currency, maturity, interest rate and other characteristics).

Fair value measurements of derivative financial instruments incorporate counterparty risk in the case of instruments with a positive fair value, and own credit risk for instruments with a negative fair value. Credit risk is measured using the mathematical models commonly used by market analysts. At December 31, 2017 and 2016, the effect of incorporating these two types of risk was not material.

12.1 Financial instruments by category

At December 31, 2017 *(in € millions)*	**Carrying amount**	**Breakdown by category** Financial assets at fair value through	Available-for-sale financial assets	Loans and receivables	Financial liabilities at amortized cost	Debt hedged by fair value hedges	Derivative instruments	**Fair value**
Investments in non-consolidated companies	101	-	101	-	-	-	-	101
Other long-term investments	1,266	-	425	841	-	-	-	1,266
Other non-current financial assets	**1,367**	**-**	**526**	**841**	**-**	**-**	**-**	**1,367**
Consumer credit granted by the financial services companies	6,321	-	-	6,321	-	-	-	6,321
Trade receivables	2,750	-	-	2,750	-	-	-	2,750
Other current financial assets	161	-	70	64	-	-	27	161
Other assets (1)	506	-	-	506	-	-	-	506
Cash and cash equivalents	3,593	3,593	-	-	-	-	-	3,593
ASSETS	**14,698**	**3,593**	**596**	**10,483**	**-**	**-**	**27**	**14,698**
Total long- and short-term borrowings	7,497	-	-	-	7,419	-	78	7,878
Total consumer credit financing	5,478	-	-	-	5,468	-	10	5,478
Suppliers and other creditors	15,082	-	-	-	15,082	-	-	15,082
Other payables (2)	2,695	-	-	-	2,695	-	-	2,695
LIABILITIES	**30,751**	**-**	**-**	**-**	**30,663**	**-**	**88**	**31,133**

At December 31, 2016 *(in € millions)*	**Carrying amount**	**Breakdown by category** Financial assets at fair value through	Available-for-sale financial assets	Loans and receivables	Financial liabilities at amortized cost	Debt hedged by fair value hedges	Derivative instruments	**Fair value**
Investments in non-consolidated companies	98	-	98	-	-	-	-	98
Other long-term investments	1,333	-	427	905	-	-	-	1,333
Other non-current financial assets	**1,430**	**-**	**525**	**905**	**-**	**-**	**-**	**1,430**
Consumer credit granted by the financial services companies	6,273	-	-	6,273	-	-	-	6,273
Trade receivables	2,682	-	-	2,682	-	-	-	2,682
Other current financial assets	239	-	68	122	-	-	49	239
Other assets (1)	580	-	-	580	-	-	-	580
Cash and cash equivalents	3,305	3,305	-	-	-	-	-	3,305
ASSETS	**14,509**	**3,305**	**593**	**10,562**	**-**	**-**	**49**	**14,509**
Total long- and short-term borrowings	8,075	-	-	-	7,719	254	101	8,590
Total consumer credit financing	5,330	-	-	-	5,313	-	17	5,330
Suppliers and other creditors	15,396	-	-	-	15,396	-	-	15,396
Other payables (2)	3,031	-	-	-	3,031	-	-	3,031
LIABILITIES	**31,831**	**-**	**-**	**-**	**31,458**	**254**	**119**	**32,346**

(1) Excluding prepaid expenses.

(2) Excluding deferred revenue.

Analysis of assets and liabilities measured at fair value

The table below shows assets and liabilities presented according to the fair value hierarchy provided for in IFRS 13 – *Fair Value Measurement* (Note 1.4):

December 31, 2017 *(in € millions)*	Level 1	Level 2	Level 3	Total
Investments in non-consolidated companies	-	-	101	**101**
Other long-term investments	425	-	-	**425**
Other current financial assets - Available-for-sale	70	-	-	**70**
Other current financial assets - Derivative instruments recorded in current financial assets	-	27	-	**27**
Cash and cash equivalents	3,593	-	-	**3,593**
Consumer credit financing - Derivative instruments recorded in liabilities	-	(10)	-	**(10)**
Borrowings - Derivative instruments recorded in liabilities	-	(76)	(2)	**(78)**

December 31, 2016 *(in € millions)*	Level 1	Level 2	Level 3	Total
Investments in non-consolidated companies	-	-	98	**98**
Other long-term investments	427	-	-	**427**
Other current financial assets - Available-for-sale	68	-	-	**68**
Other current financial assets - Derivative instruments recorded in current financial assets	-	49	-	**49**
Cash and cash equivalents	3,305	-	-	**3,305**
Consumer credit financing - Derivative instruments recorded in liabilities	-	(17)	-	**(17)**
Borrowings - Derivative instruments recorded in liabilities	-	(95)	(6)	**(101)**

No assets or liabilities measured at fair value were reclassified between the various levels between December 31, 2016 and 2017.

12.2 Net debt

12.2.1 Net debt calculation

Net debt at December 31, 2017 amounted to 3,743 million euros, a decrease of 788 million euros from December 31, 2016. This amount breaks down as follows:

(in € millions)		December 31, 2017	December 31, 2016
Bonds and notes		6,596	6,962
Other borrowings		522	690
Finance lease liabilities		301	322
Total borrowings before derivative instruments recorded in liabilities		**7,419**	**7,974**
Derivative instruments recorded in liabilities		78	101
TOTAL BORROWINGS	**[1]**	**7,497**	**8,075**
Of which, long-term borrowings		*6,428*	*6,200*
Of which, short-term borrowings		*1,069*	*1,875*
Other current financial assets		161	239
Cash and cash equivalents		3,593	3,305
TOTAL CURRENT FINANCIAL ASSETS	**[2]**	**3,753**	**3,544**
NET DEBT	**[1] - [2]**	**3,743**	**4,531**

12.2.2 Bonds and notes

(in € millions)		Face Value					Book value of the debt
	Maturity	December 31, 2016	Issues	Repayments	Translation adjustments	December 31, 2017	December 31, 2017
Public placements [1]		**7,029**	**446**	**(1,250)**	**(29)**	**6,196**	**6,092**
EMTN, EUR, 8 years, 4.678%	2017	250	-	(250)	-	-	
EMTN, EUR, 5 years, 1.875%	2017	1,000	-	(1,000)	-	-	
Euro Bond Fixed rate, EUR, 7 years, 5.25%	2018	279	-	-	-	279	279
EMTN, EUR, 6 years, 1.75%	2019	1,000	-	-	-	1,000	999
EMTN, EUR, 10 years, 4.00%	2020	1,000	-	-	-	1,000	999
EMTN, EUR, 11 years, 3.875%	2021	1,000	-	-	-	1,000	993
EMTN, EUR, 8 years, 1.75%	2022	1,000	-	-	-	1,000	964
Cash-settled convertible bonds, USD 500 million 6 years, 0%	2023	-	446	-	(29)	417	370
EMTN, EUR, 8 years, 0.750%	2024	750	-	-	-	750	744
EMTN, EUR, 10 years, 1.25%	2025	750	-	-	-	750	745
Private placements [2]		**-**	**535**	**-**	**(31)**	**504**	**504**
Notas promissorias comerciais, BRL 500 million, 6 months, 102% CDI	2018	-	134	-	(8)	126	126
Notas promissorias comerciais, BRL 500 million, 8 months, 102.25% CDI	2018	-	134	-	(8)	126	126
Notas promissorias comerciais, BRL 500 million, 14 months, 102.3% CDI	2019	-	134	-	(8)	126	126
Notas promissorias comerciais, BRL 500 million, 19 months, 103.25% CDI	2019	-	134	-	(8)	126	126
Total Bonds and notes		**7,029**	**981**	**(1,250)**	**(61)**	**6,700**	**6,596**

(1) Issues carried out as part of Carrefour SA's EMTN programme.

(2) Issues carried out by Atacadão SA.

On June 7, 2017, Carrefour issued USD 500 million worth of six-year cash-settled convertible bonds. The bonds, which do not bear interest, may be converted into cash only and will not give rise to the issuance of new shares or carry rights to existing shares.

In accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, conversion options on the bonds qualify as embedded derivatives and are therefore accounted for separately from inception. Subsequent changes in the fair value of these options are recognised in income and set off against changes in the fair value of the call options purchased on Carrefour shares in parallel with the bond issue.

The bonds are recognised at amortised cost, excluding the conversion feature.

A EUR/USD cross-currency swap for USD 500 million was arranged at the inception of these transactions for the same maturity. The swap has been accounted for as a cash flow hedge and had a fair value of (26) million euros at December 31, 2017.

12.2.3 Other borrowings

(in € millions)	December 31, 2017	December 31, 2016
Latin America borrowings	237	376
Other borrowings	145	173
Accrued interest [1]	92	96
Other financial liabilities	48	46
Total Other borrowings	**522**	**690**

(1) Accrued interest on total borrowings, including bonds and notes.

12.2.4 Cash and cash equivalents

Accounting principles

Cash includes cash on hand and demand deposits.

Cash equivalents are highly liquid investments with an original maturity of less than three months that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(in € millions)	December 31, 2017	December 31, 2016
Cash	1,685	1,558
Cash equivalents	1,908	1,747
Total Cash and cash equivalents	**3,593**	**3,305**

There are no material restrictions on the Group's ability to recover or use the assets and settle the liabilities of foreign operations, except for those resulting from local regulations in its host countries. The local supervisory authorities may require banking subsidiaries to comply with certain capital, liquidity and other ratios and to limit their exposure to other Group parties.

12.2.5 Other current financial assets

(in € millions)	December 31, 2017	December 31, 2016
Available-for-sale financial assets	70	68
Deposits with maturities of more than three months	53	110
Derivative instruments	27	49
Other	11	12
Total Other current financial assets	**161**	**239**

12.3 Analysis of borrowings (excluding derivative instruments recorded in liabilities)

12.3.1 Analysis by interest rate

	December 31, 2017		December 31, 2016	
(in € millions)	before hedging	after hedging	before hedging	after hedging
Fixed rate borrowings	6,701	6,701	7,545	7,295
Variable rate borrowings	717	717	424	678
Total borrowings (before derivative instruments recorded in liabilities)	**7,419**	**7,419**	**7,969**	**7,974**

12.3.2 Analysis by currency

(in € millions)	December 31, 2017	December 31, 2016
Euro	6,500	7,385
Brazilian real	623	199
Argentine peso	122	178
Taiwan dollar	66	74
Polish zloty	65	64
Chinese yuan	37	67
Romanian leu	5	5
Total borrowings (before derivative instruments recorded in liabilities)	**7,419**	**7,974**

The above analysis by currency concerns borrowings including the impact of currency swaps.

Euro-denominated borrowings represented 88% of total borrowings (excluding derivative instruments recorded in liabilities) at December 31, 2017 (December 31, 2016: 93%).

12.3.3 Analysis by maturity

(in € millions)	December 31, 2017	December 31, 2016
Due within one year	991	1,774
Due in 1 to 2 years	1,333	333
Due in 2 to 5 years	3,056	3,221
Due beyond 5 years	2,039	2,646
Total borrowings (before derivative instruments recorded in liabilities)	**7,419**	**7,974**

12.4 Changes in liabilities arising from financing activities

(in € millions)	Other current financial assets	Borrowings	Total Liabilities arising from financing activities
At December 31, 2016	**(239)**	**8,075**	**7,836**
Changes from financing cash flows	34	(786)	(753)
Change in current financial assets	34	-	34
Issuance of bonds	-	981	981
Repayments of bonds	-	(1,250)	(1,250)
Net financial interests paid	-	(320)	(320)
Other changes in borrowings	-	(197)	(197)
Non-cash changes	44	208	253
Effect of changes in foreign exchange rates	17	(156)	(139)
Effect of changes in scope of consolidation	-	(213)	(213)
Changes in fair values	12	14	25
Finance costs, net	-	317	317
Other changes	16	246	262
At December 31, 2017	**(161)**	**7,497**	**7,336**

12.5 Other non-current financial assets

(in € millions)	December 31, 2017	December 31, 2016
Deposits [(1)]	741	771
Financial services companies' portfolio of assets	426	427
Investments in non-consolidated companies	101	98
Long-term loans	9	9
Other	90	125
Total Other non-current financial assets	**1,367**	**1,430**

(1) Deposits include judicial deposits paid in Brazil in the course of litigation described in Notes 9.2 and 9.3 (mostly tax assessments contested by the Group), pending final decisions from the relevant courts, as well as security deposits paid to lessors under property rental agreements.

12.6 Finance costs and other financial income and expenses

Accounting principles

This item corresponds mainly to finance costs. Other financial income and expenses consist for the most part of discounting adjustments and late interest payable on certain liabilities.

This item breaks down as follows:

(in € millions)	2017	2016
Interest income from loans and cash equivalents	**25**	**27**
Interest income from bank deposits	24	29
Interest income from loans	0	(1)
Finance costs	**(342)**	**(404)**
Interest expense on financial liabilities measured at amortised cost, adjusted for income and expenses from interest rate instruments	(319)	(378)
Interest expense on finance lease liabilities	(23)	(26)
Ineffective portion of fair value hedges of borrowings	1	-
Finance costs, net	**(317)**	**(377)**
Other financial income and expenses, net	**(128)**	**(138)**
Actualisation cost on defined employee benefit debt	(18)	(30)
Interest income on pension plan assets	3	5
Financial transaction tax	(38)	(36)
Late interest due in connection with tax reassessments and employee-related litigation	(37)	(23)
Dividends received on available-for-sale financial assets	3	2
Proceeds from the sale of available-for-sale financial assets	9	35
Cost of sold available-for-sale financial assets	(2)	(32)
Exchange gains and losses	(4)	(1)
Cost of bond buybacks	(7)	(7)
Changes in the fair value of interest rate derivatives	(9)	(15)
Other	(28)	(37)
Finance costs and other financial income and expenses, net	**(445)**	**(515)**
Financial expenses	*(485)*	*(583)*
Financial income	*41*	*68*

12.7 Risk management

The main risks associated with the financial instruments used by the Group are liquidity, interest rate, currency, credit and equity risks. The Group's policy for managing these risks is described below.

Due to the differing natures of the various businesses, financial risks arising from the banking and insurance business (including Carrefour Banque in particular) are managed separately from those related to the retail business.

An organisation has been set up to track financial risks based on a cash-pooling system managed by the Corporate Treasury and Financing Department. A reporting system ensures that Group Executive Management can oversee the department's implementation of the approved management strategies.

The risks associated with the consumer credit business are managed and tracked directly by the entities concerned. Corporate Treasury and Financing oversees the proper implementation of the rules governing the consumer credit business, jointly with the other investors in the business where applicable. A reporting system exists between local teams and Corporate Treasury and Financing.

12.7.1 Liquidity risk

12.7.1.1 Retail business

Liquidity risk is the risk that Carrefour will be unable to settle its financial liabilities when they fall due.

The Group manages its liquidity risk by ensuring, to the extent possible, that it has sufficient liquid assets at all times to settle its liabilities when they fall due, whatever the conditions in the market.

A Liquidity Committee meets at monthly intervals to check that the Group's financing needs are covered by its available resources.

Corporate Treasury and Financing's liquidity management strategy consists of:

- promoting conservative financing strategies in order to ensure that the Group's credit rating allows it to raise funds on the bond and commercial paper markets;
- maintaining a presence in the debt market through regular debt issuance programmes, mainly in euros, in order to create a balanced maturity profile. The Group's issuance capacity under its Euro Medium-Term Notes (EMTN) programme totals 12 billion euros;
- using the 5 billion-euro commercial paper programme on Euronext Paris, described in a prospectus filed with the Banque de France;
- maintaining undrawn medium-term bank facilities that can be drawn down at any time according to the Group's needs. At December 31, 2017, the Group had two undrawn syndicated lines of credit obtained from a pool of leading banks, for a total of 3.9 billion euros. Group policy consists of keeping these facilities on stand-by to support the commercial paper programme. The loan agreements for the syndicated lines of credit include the usual commitments clauses, including *pari passu*, negative pledge, change of control and cross-default clauses and a clause restricting substantial sales of assets. The pricing grid may be adjusted up or down to reflect changes in the long-term credit rating.

In Brazil, Atacadão SA issued commercial promissory notes *(notas promissórias)* with maturity between 6 and 19 months during the second half of the year amounting to a total of BRL 2 billion (Note 12.2.2).

The Group considers that its liquidity position is robust. It has sufficient cash reserves to meet its debt repayment obligations in the coming year.

The Group's debt profile is balanced, with no peak in refinancing needs across the remaining life of bond debt, which averages three years and nine months.

12.7.1.2 Banking and insurance business

Carrefour Banque's liquidity risk is monitored within the framework of an Executive Management-approved liquidity strategy that is part of the Group's overall strategy.

Carrefour Banque's refinancing situation is assessed based on internal standards, early warning indicators and regulatory ratios.

Liquidity risk management objectives are to:

- ensure that refinancing needs are met, based on monthly assessments of projected cash surpluses or shortfalls over a three-year period performed by comparing static forecasts of committed financing facilities with dynamic lending forecasts;
- achieve compliance with the new Basel III liquidity coverage ratios, through a process that is designed to deliver a sustainable improvement in asset quality by investing in a dedicated fund eligible for inclusion in the ratio calculation and extending the maturity of liabilities in order to improve the net stable funding ratio;
- diversify refinancing sources to include bank lines of credit, bond issues, securitisation programmes, money market issues and customer deposits. During 2017, Carrefour Banque took out a 400 million-euro loan from the European Central Bank to support the financing and development of its businesses (Note 5.5.2). The master trust structure allows it to dynamically manage asset-backed securities series issued by the securitisation fund. Within this structure, the 110 million-euro series was renewed for a two-year period, as from June 2016.

  In November 2014, Carrefour Banque secured its refinancing sources by rolling over its 750 million-euro five-year syndicated line of credit and negotiating two one-year extension options. The second of these was exercised in 2016, extending the facility's maturity to November 2021.

The following tables analyse the cash flows generated by the Group's financial and other liabilities by period.

December 31, 2017 *(in € millions)*	Carrying amount	Contractual cash flows	Within 1 year	In 1 to 5 years	Beyond 5 years
Fixed rate borrowings	7,117	7,557	1,285	4,325	1,947
Finance lease liabilities	301	546	47	165	333
Derivative instruments	78	64	25	-	39
Total Borrowings	**7,497**	**8,167**	**1,358**	**4,490**	**2,319**
Suppliers and other creditors	15,082	15,082	15,082	-	-
Consumer credit financing	5,478	5,478	2,817	2,661	-
Other payables (1)	2,695	2,695	2,695	-	-
Total Financial liabilities	**30,751**	**31,422**	**21,952**	**7,151**	**2,319**

December 31, 2016 *(in € millions)*	Carrying amount	Contractual cash flows	Within 1 year	In 1 to 5 years	Beyond 5 years
Borrowings hedged by fair value hedges	254	251	251	-	-
Fixed rate borrowings	7,397	8,090	1,627	3,892	2,572
Finance lease liabilities	322	570	47	177	346
Derivative instruments	101	98	83	9	6
Total Borrowings	**8,075**	**9,009**	**2,008**	**4,077**	**2,924**
Suppliers and other creditors	15,396	15,396	15,396	-	-
Consumer credit financing	5,330	5,330	3,395	1,935	-
Other payables (1)	3,031	3,031	3,031	-	-
Total Financial liabilities	**31,831**	**32,766**	**23,830**	**6,012**	**2,924**

(1) Excluding deferred revenue.

12.7.2 Interest rate risk

Interest rate risk is the risk of a change in interest rates leading to an increase in the Group's net borrowing costs.

It is managed at headquarters level by Corporate Treasury and Financing, which reports monthly to an Interest Rate Risk Committee responsible for recommending hedging strategies and methods to be used to limit interest rate exposures and optimise borrowing costs.

Long-term borrowings are generally at fixed rates of interest and do not therefore give rise to any exposure to rising interest rates. Various financial instruments are nonetheless used to hedge borrowings against the risk of changes in interest rates. These are mainly basic swaps and options. Hedge accounting is applied in all cases where the required criteria are met.

Variable rate long-term borrowings are hedged using financial instruments that cap rises in interest rates over all or part of the life of the debt.

The following table shows the sensitivity of total borrowings to changes in interest rates over one year:

(in € millions) (- = loss; + = gain)	50-bps decline		50-bps increase	
	Impact on shareholders' equity (OCI)	Impact on income statement	Impact on shareholders' equity (OCI)	Impact on income statement
Investments	-	(3.4)	-	3.4
Options qualified as cash flow hedges	(0.2)	(8.3)	7.8	4.7
Instruments classified as held for trading	-	(0.2)	-	0.5
Total effect	**(0.2)**	**(11.9)**	**7.8**	**8.6**

12.7.3 Currency risk

Currency transaction risk is the risk of an unfavourable change in exchange rates having an adverse effect on cash flows from commercial transactions denominated in foreign currency.

The Group conducts its international operations through subsidiaries that operate almost exclusively in their home country, such that purchases and sales are denominated in local currency. As a result, the Group's exposure to currency risk on commercial transactions is naturally limited and mainly concerns imported products. Currency risks on import transactions (i.e., goods purchases billed in foreign currencies) covered by firm commitments are hedged by forward purchases of the payment currency. Currency hedges are generally for periods of less than 12 months.

The following table shows the effect of an increase/decrease in exchange rates on currency instruments:

(in € millions) (- = loss; + = gain)	10% decline		10% increase	
	Impact on shareholders' equity (OCI)	Impact on income statement	Impact on shareholders' equity (OCI)	Impact on income statement
Position EUR / USD	-	(104.7)	-	104.7
Position EUR / RON	-	6.2	-	(6.2)
Position EUR / PLN	-	5.7	-	(5.7)
Position EUR / HKD	-	(4.3)	-	4.3
Position EUR / CNY	-	(2.6)	-	2.6
Position RON / USD	-	(2.0)	-	2.0

Currency translation risk is the risk of an unfavourable change in exchange rates reducing the value of the net assets of a subsidiary whose functional currency is not the euro, after conversion into euros for inclusion in the Group's consolidated statement of financial position.

The consolidated statement of financial position and income statement are exposed to a currency translation risk: consolidated financial ratios are affected by changes in exchange rates used to translate the income and net assets of foreign subsidiaries operating outside the eurozone.

The translation risk on foreign operations outside the eurozone mainly concerns the Brazilian real, Argentine peso and Chinese renminbi. For example, changes in the average exchange rates used in 2017 compared with those for 2016 increased consolidated net sales by 269 million euros, or 0.3%, and recurring operating income by 58 million euros, or 3%.

Lastly, when financing is arranged locally, it is generally denominated in local currency.

12.7.4 Credit risk

The Group's estimated exposure to credit risk is presented below:

(in € millions)	December 31, 2017	December 31, 2016
Investments in non-consolidated companies	101	98
Other long-term investments	1,266	1,333
Total Other non-current financial assets	**1,367**	**1,430**
Consumer credit granted by the financial services companies	6,321	6,273
Trade receivables	2,750	2,682
Other current financial assets	161	239
Other assets (1)	506	580
Cash and cash equivalents	3,593	3,305
Maximum exposure to credit risk	**14,698**	**14,509**

(1) Excluding prepaid expenses.

12.7.4.1 Retail business

1) Trade receivables

Trade receivables correspond mainly to amounts receivable from franchisees (for delivered goods and franchise fees), suppliers (mainly rebates and commercial income) and tenants of shopping mall units (rent). Impairment losses are recognised where necessary, based on an estimate of the debtor's ability to pay the amount due and the age of the receivable.

At December 31, 2017, trade receivables net of impairment (excluding receivables from suppliers) amounted to 1,433 million euros (Note 5.4.3). At that date, past due receivables amounted to a net 165 million euros, of which 30 million euros were over 90 days past due (2.1% of total trade receivables net of impairment, excluding receivables from suppliers). No impairment has been recognised for these receivables as the Group considers that the risk of non-recovery is very limited.

2) Investments (cash equivalents and other current financial assets)

The Group's short-term cash management strategy focuses on acquiring liquid investments that are easily convertible into cash and are subject to an insignificant risk of changes in value.

Investments are made for the most part by Corporate Treasury and Financing, in diversified instruments such as term deposits with leading banks and mutual funds classified by the AMF as "money market" and "short-term money market" funds without any withdrawal restrictions. Investments made at the country level are approved by Corporate Treasury and Financing.

Counterparty risk monitoring procedures are implemented to track counterparties' direct investment strategies and the underlying assets held by mutual funds in which the Group invests. The Group's objective is to never hold more than 5% of a fund's units and to never invest more than 250 million euros in any single fund.

12.7.4.2 Banking and insurance business

1) Credit risk management

To protect against default by borrowers, the Group's financial services companies have set up systems to check the quality and repayment capacity of their customers. These include:

- decision-making aids such as credit scoring applications, income/debt simulation tools and credit history checking procedures;
- interrogation of positive and negative credit history databases, where they exist;
- active management of collection processes;
- credit risk monitoring and control systems.

Within each credit company, a Credit Risk Department is responsible for all of these processes, and the Board of Directors receives copies of all Credit Risk Management Committee reports.

At Group level, a Credit Risk – Europe unit has been set up to oversee and implement credit risk management policies in France, Spain, Belgium and Italy.

2) Provisions for non-performing consumer loans

Consumer loans are classified as non-performing when the Group believes that there is a risk that all or part of the amount due will not be recovered (for example, because of overdue payment or a litigation procedure).

Provision models are developed in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* and local banking regulations in each country, according to a two-step process:

- classification of outstanding loans in uniform risk categories based on the probability of default; then
- modelling of the loss given default based on historical data.

Analysis of due and past due consumer loans

(in € millions)	December 31, 2017	Amounts not yet due at the period-end	Amounts due and past-due at the period-end			
			0 to 3 months	3 to 6 months	6 months to 1 year	More than one year
Consumer credit granted by the financial services companies	**6,321**	6,063	46	47	57	108

(in € millions)	December 31, 2016	Amounts not yet due at the period-end	Amounts due and past-due at the period-end			
			0 to 3 months	3 to 6 months	6 months to 1 year	More than one year
Consumer credit granted by the financial services companies	**6,273**	6,030	69	55	15	104

Analysis of consumer loans by maturity

(in € millions)	December 31, 2017	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
France	2,383	1,018	1,300	64
Belgium	162	8	143	11
Spain	2,057	1,293	293	471
Italy	205	92	92	22
Argentina	141	139	2	-
Brazil	1,374	1,316	58	-
TOTAL	**6,321**	**3,866**	**1,887**	**568**

(in € millions)	December 31, 2016	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
France	2,592	1,081	1,426	85
Belgium	166	5	149	11
Spain	1,812	1,260	258	294
Italy	201	93	46	63
Argentina	176	172	4	0
Brazil	1,326	1,290	36	-
TOTAL	**6,273**	**3,902**	**1,918**	**453**

12.7.5 Equity risk

Equity risk corresponds to the potential impact of changes in the Carrefour share price on its share-based payment commitments and on treasury stock.

Group policy is to avoid taking positions on its own shares or those of other companies, except in response to particular circumstances or needs.

From time to time, the Group buys back its shares on the market or purchases call options on its shares, mainly in connection with its liquidity agreement and its performance share plans. The frequency and size of these purchases depend on the share price.

At December 31, 2017, shares and options held covered the Group's total commitments under outstanding Carrefour SA performance share plans.

Marketable securities portfolios and other financial investments held by the Group consist for the most part of money market instruments that do not expose the Group to any material equity risk.

The equity risk associated with the conversion options embedded in the bonds issued by the Group in June 2017 (Note 12.12.2) is fully hedged by symmetrical options contracted with banks. On the statement of financial position, these derivatives are shown in assets and in liabilities for an amount of 12.4 million euros.

NOTE 13: OFF-BALANCE SHEET COMMITMENTS

Accounting principles

Commitments given and received by the Group that are not recognised in the statement of financial position correspond to contractual obligations whose performance depends on the occurrence of conditions or transactions after the period-end. There are three types of off-balance sheet commitments, related to (i) cash transactions, (ii) retailing operations and (iii) acquisitions of securities. The Group is also party to leases that give rise to future commitments such as for the payment of rent on retail units leased by the Group from owners (commitments given), and the payment of rent on retail units in shopping malls owned by the Group and leased to other parties (commitments received).

Commitments given *(in € millions)*	**December 31, 2017**	**By maturity**			**December 31, 2016**
		Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	
Related to cash management transactions	**11,606**	**10,128**	**1,393**	**85**	**11,322**
Financial services companies	*11,403*	*10,052*	*1,350*	*1*	*10,191*
Other companies	*203*	*77*	*43*	*83*	*1,131*
Related to operations/real estate/expansion	**2,672**	**1,527**	**1,052**	**93**	**3,433**
Related to sales of securities	**159**	**51**	**28**	**80**	**301**
Related to leases	**3,712**	**1,115**	**1,744**	**853**	**3,625**
TOTAL	**18,149**	**12,820**	**4,218**	**1,110**	**18,680**

Commitments received *(in € millions)*	**December 31, 2017**	**By maturity**			**December 31, 2016**
		Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	
Related to cash management transactions	**6,351**	**978**	**5,357**	**16**	**6,743**
Financial services companies	*1,799*	*340*	*1,446*	*13*	*1,833*
Other companies	*4,552*	*638*	*3,911*	*2*	*4,910*
Related to operations/real estate/expansion	**1,321**	**368**	**669**	**284**	**1,328**
Related to sales of securities	**323**	**225**	**52**	**46**	**309**
Related to leases	**671**	**265**	**320**	**85**	**770**
TOTAL	**8,666**	**1,837**	**6,399**	**431**	**9,149**

Off-balance sheet commitments related to cash transactions include:

- credit commitments given to customers by the financial services companies in the course of their operating activities, and credit commitments received from banks;
- mortgages and other guarantees given or received, mainly in connection with the Group's real estate activities;
- committed lines of credit available to the Group but not drawn down at the period-end.

Off-balance sheet commitments related to operations mainly include:

- commitments to purchase land given in connection with the Group's expansion programmes;
- miscellaneous commitments arising from commercial contracts;
- performance bonds issued in connection with the Group's expansion programmes;
- rent guarantees and guarantees from shopping mall operators;
- guarantees for the payment of receivables.

Off-balance sheet commitments related to securities consist of commitments to purchase and sell securities received from or given to third parties:

- for the most part in France, in connection with the Group's franchising activities;
- including immediately exercisable put and call options and sellers' warranties given to third parties. No value is attributed to sellers' warranties received by the Group.

Off-balance sheet commitments related to leases correspond to minimum operating lease payments to made on the non cancellable lease term.

At December 31, 2017, 728 hypermarket properties and 467 supermarket properties were owned outright out of a total integrated store base of 1,258 hypermarkets and 1,440 supermarkets.

Rent on store properties not owned by the Group totalled 1,086 million euros in 2017 (Note 5.2.2).

Of total future minimum rentals due under operating and finance leases, 27% are due within one year, 45% in one to five years and 28% beyond five years.

Future minimum rentals under operating leases – determined based on the Group's maximum commitment in terms of both duration and amount for each of the property leases in progress at the period-end – amounted to 3,712 million euros at December 31, 2017, or 2,928 million euros after discounting (Note 6.5).

The Group also owns various shopping malls built mainly on the same sites as its hypermarkets and supermarkets and leased to third parties, as well as a number of store premises leased to franchisees. Rental revenues from these retail units in 2017 amounted to 228 million euros. Future minimum rentals receivable from these retail units – determined based on the tenants' maximum commitment in terms of both duration and amount for each of the leases in progress at the period-end – amounted to 671 million euros at December 31, 2017, or 546 million euros after discounting.

NOTE 14: SUBSEQUENT EVENTS

"Carrefour 2022" transformation plan

On January 23, 2018, the Carrefour Group unveiled its transformation plan based on four pillars:

- Deploy a streamlined and open organisation;
- Achieve productivity and competitiveness gains;
- Create a leading omni-channel universe;
- Overhaul the offering to promote food quality.

In the first pillar, the Group's headquarters around the globe will be scaled back in order to improve teams' operational efficiency and responsiveness:

- In the Ile-de-France region, the corporate headquarters in Boulogne will be closed and a project to build a new 30,000 square-meter headquarters in Essonne will be abandoned;
- A strictly voluntary redundancy plan will be offered to 2,400 employees at the headquarters in France, out of a total workforce of 10,500;
- In Belgium, the measures announced on January 25, 2018 to reduce expenditure and operating costs and to increase operational efficiency could have an impact on jobs. Any implementation of these measures, which could impact up to 1,233 employees, will be launched following the information and consultation procedure in progress with trade unions.

A provision will be accrued for the cost of these measures in 2018 when the conditions for recognising such a provision are met.

The second pillar aims to regain room for manoeuvre to improve the Group's efficiency and competitiveness in the interest of its customers. This will involve a significant reduction in its cost base and a more effective, targeted investment policy focused on its growth drivers. As well as a 2 billion euro cost reduction plan, the roll-out of this pillar will eliminate certain loss centres. Struggling stores will exit the Group's scope of consolidation. These include the network of 273 ex-Dia stores which have experienced great difficulties. A search for buyers has been or will be launched. In the absence of buyers, the stores will be closed.

The property and equipment of the stores concerned have therefore been written down in the Consolidated Financial Statements for the year ended December 31, 2017 (Note 5.3).

Strategic partnership in China

On January 23, 2018, Carrefour announced that it had signed a term sheet with Tencent and Yonghui regarding a potential investment in Carrefour China. The planned transaction, which is subject to the finalisation of further due diligence and the agreement of the parties on the definitive terms of the complete legal documentation, would allow Carrefour to remain Carrefour China's largest shareholder and to continue to control the company.

The potential investment would leverage Carrefour’s retail knowledge with Tencent’s technological excellence and Yonghui’s operational know-how and in particular its deep knowledge of fresh products.

Also on January 23, 2018, Carrefour and Tencent announced that they had signed a preliminary agreement regarding strategic business cooperation in China in order to bring together Carrefour’s retail knowledge with Tencent’s digital expertise and innovation capabilities.

Thanks to this partnership, Carrefour would improve its online visibility, increase the traffic of its offline and online retail activities, and benefit from Tencent’s advanced digital and technological expertise to develop new smart retail initiatives.

Strategic partnership with Showroomprivé

On January 11, 2018, Carrefour announced that it had signed a strategic agreement with Showroomprivé, Europe’s second-largest online private sales player. This partnership is part of both groups’ strategy of developing a leading omni-channel offering, and will notably cover areas such as sales, marketing, logistics and data.

In order to seal the partnership, Carrefour acquired 16.86% of Showroomprivé’s share capital on February 7, 2018. This took the form of an off-market acquisition of the block of shares owned by Conforama, a Steinhoff group subsidiary, at a price of 13.5 euros per share, for a total amount of around 79 million euros.

An additional payment will be made by Carrefour to Conforama should Carrefour launch a takeover bid for Showroomprivé within 18 months of the completion of the transaction.

This transaction was granted an exemption from the obligation to launch a public offer by the French financial markets authority (AMF).

Upon completion of the transaction, Carrefour will replace Conforama in the current shareholders’ agreement between the founders of Showroomprivé and Conforama, under an agreement whose main terms are identical to the existing pact between the founders and Conforama/Steinhoff. The founders will retain 27.17% of the capital and 40.42% of the voting rights. Carrefour will hold 16.86% of the capital and 13.67% of the voting rights.

The shareholders’ agreement contains provisions relating to (i) the composition of the board of directors (11 directors and one non-voting director, including five appointed by the founders among whom the chairman who has a casting vote and one director and one non-voting director appointed by Carrefour, as well as five independent directors); (ii) an undertaking of the parties to maintain the current management; and (iii) possible termination of the shareholders’ agreement in case of persistent disagreement on major strategic decisions, which could lead to the unwinding of the Carrefour investment or a tender offer.

The Group considers that its representation on Showroomprivé’s Board of Directors gives it significant influence over the company. Accordingly, the stake acquired by the Group on February 7, 2018 will be accounted for by the equity method in the Consolidated Financial Statements as from that date.

NOTE 15: FEES PAID TO THE AUDITORS

(in € thousands)	Deloitte & Associés[1]	Network	Total Deloitte	KPMG S.A.[1]	Network	Total KPMG	MAZARS[1]	Network	Total MAZARS
					Fees 2017				
Certification of the accounts services	**1,614**	**764**	**2,378**	**3,377**	**5,752**	**9,129**	**1,323**	**840**	**2,163**
Carrefour S.A. - Issuer	*319*	*-*	***319***	*494*	*-*	***494***	*333*	*-*	***333***
Subsidiaries (controlled entities)	*1,294*	*764*	***2,058***	*2,883*	*5,752*	***8,635***	*990*	*840*	***1,830***
Other services [2]	**8**	**796**	**804**	**253**	**1,574**	**1,827**	**42**	**305**	**346**
Carrefour S.A. - Issuer	*-*	*79*	***79***	*22*	*-*	***22***	*38*	*76*	***114***
Subsidiaries (controlled entities)	*8*	*716*	***724***	*231*	*1,574*	***1,805***	*4*	*229*	***233***
TOTAL	**1,622**	**1,560**	**3,182**	**3,630**	**7,326**	**10,956**	**1,364**	**1,145**	**2,509**

(1) Carrefour SA (holding company) statutory auditors (excluding services provided by their network).

(2) Including services that are by law to be provided by statutory auditors.

Other services provided by Carrefour SA’s auditors include mainly services in relation to the issuance of certificates and agreed-upon procedures on financial information and internal control.

NOTE 16: LIST OF CONSOLIDATED COMPANIES

16.1 Fully consolidated companies at December 31, 2017

FRANCE	Percent interest used in consolidation
ALHE DISTRIBUTION	100
ALSATOP	100
AMIDIS ET CIE	100
ANTIDIS	100
AVENUE	52
BELLEVUE DISTRIBUTION	100
BLADIS	100
BLO DISTRIBUTION	100
C.S.D	74
C.S.F	100
CADS	99.5
CALLOUETS	51
CARAUTOROUTES	100
CARDADEL	100
CARFUEL	100
CARGO PROPERTY ALLONNES	35.2
CARGO PROPERTY BAGE LA VILLE	35.2
CARGO PROPERTY BAIN DE BRETAGNE	35.2
CARGO PROPERTY BRIE COMTE ROBERT	35.2
CARGO PROPERTY CHOLET	35.2
CARGO PROPERTY COMBS LA VILLE	35.2
CARGO PROPERTY CREPY	35.2
CARGO PROPERTY EPAUX BEZU	35.2
CARGO PROPERTY GERANT	100
CARGO PROPERTY HOLDING	35.2
CARGO PROPERTY LA COURNEUVE	35.2
CARGO PROPERTY LAUDUN	35.2
CARGO PROPERTY LUNEVILLE	35.2
CARGO PROPERTY PLAISANCE DU TOUCH	35.2
CARGO PROPERTY POUPRY ARTENAY	35.2
CARGO PROPERTY SAVIGNY SUR CLAIRIS	35.2
CARGO PROPERTY VENDIN	35.2
CARIMA	100
CARMA	50
CARMA COURTAGE	50
CARMA VIE	50
CARREFOUR ADMINISTRATIF FRANCE	100
CARREFOUR BANQUE	60
CARREFOUR DRIVE	100
CARREFOUR FRANCE	100
CARREFOUR FRANCE PARTICIPATION	100
CARREFOUR HYPERMARCHES	100
CARREFOUR IMPORT	100
CARREFOUR LIBERTY	100
CARREFOUR MANAGEMENT	100
CARREFOUR MARCHANDISES INTERNATIONALES	100
CARREFOUR MONACO	100
CARREFOUR NOLIM	100
CARREFOUR OMNICANAL	100
CARREFOUR PARTENARIAT INTERNATIONAL	100
CARREFOUR PROPERTY FRANCE	100
CARREFOUR PROPERTY GESTION	100
CARREFOUR PROPERTY INTERNATIONAL	100
CARREFOUR PROXIMITE FRANCE	100
CARREFOUR SA	100
CARREFOUR SERVICES CLIENTS	100
CARREFOUR STATION SERVICE	100
CARREFOUR SUPPLY CHAIN	100
CARREFOUR VOYAGES	100
CENTRE DE FORMATION ET COMPETENCES	100
CHALLENGER	100
CIGOTOP	100
CLAIREFONTAINE	100
CMCB DISTRIBUTION	100
COMPAGNIE D'ACTIVITE ET DE COMMERCE INTERNATIONAL -CACI-	100
CONCEPT 2003	100
CORSAIRE	50
COVIAM 8	100
COVIAM 9	100
COVICAR 2	100
COVICAR 40	100
COVICAR IC 6	100
COVICAR IC 8	100
CPF ASSET MANAGEMENT	100
CPF PROJECT	100
CRF REGIE PUBLICITAIRE	100
CRFP13	100
CRFP19	100
CRFP20	100

FRANCE	Percent interest used in consolidation
CRFP21	100
CRFP22	100
CRFP23	100
CRFP8	100
CROQUETTELAND	70
CSD TRANSPORTS	74
CSI	100
DAUPHINOISE DE PARTICIPATIONS	100
DE LA COQUERIE	100
DE LA FONTAINE	51
DE SIAM	51
DIGITAL MEDIA SHOPPER	100
DISTRIVAL	100
DOREL	100
ECALHAN	51
ED FRANCHISE	100
EPG	66
ERTECO	100
FALDIS	99.9
FCT MASTER CREDIT CARD 2013	60
FINANCIERE RSV	100
FINIFAC	100
FONCIERE LES 4 ROUTES	100
FORUM DEVELOPPEMENT	100
FRAMIDIS	100
FRED 8	100
GAMACASH	100
GEILEROP	100
GENEDIS	100
GERNIMES	100
GIE BREST BELLEVUE	79.9
GRANDSVINS-PRIVÉS.COM	100
GREENWEEZ	97.6
GUILVIDIS	100
GUYENNE & GASCOGNE	100
GVTIMM	51
HAUTS DE ROYA	100
HYPARLO	100
HYPERADOUR	100
HYPERMARCHES DE LA VEZERE	50
IMMAUFFAY	51
IMMO ARTEMARE	51
IMMO BACQUEVILLE	51
IMMOBILIERE CARREFOUR	100
IMMOBILIERE ERTECO	100
IMMOCYPRIEN	51
IMMODIS	100
IMMOLOUBES	51
IMMOTOURNAY	51
INTERDIS	100
JOUFFROY	100
LA CROIX VIGNON	51
LALAUDIS	99
LANN KERGUEN	51.2
LAPALUS	100
LAURENJI	100
LE COURTEMBLET	100
LES TASSEAUX	51
LES VALLEES	51
LOGIDIS	100
LUDIS	100
LVDIS	100
LYBERNET	50
MAISON JOANNES BOUBEE	100
MARKET PAY	100
MARKET PAY TECH	100
MATOLIDIS	100
MAXIMOISE DE CREATION	51
MENUDIS	100
MICHEL DISTRIBUTION	100
MICHEL HOCHARD	100
MONTECO	100
MONTEL DISTRIBUTION	100
MY DESIGN	66
NOSAEL	51
OOSHOP	100
PASDEL	100
PHIVETOL	100
PRASSIDIS	100
PROFIDIS	100
PROLACOUR	100

FRANCE	Percent interest used in consolidation
PROPHI	100
RESSONS	51
RUE DU COMMERCE	100
SAFETY	100
SAINT HERMENTAIRE	100
SAM PROSPECTIVE	90
SAMAD	100
SCI COVICAR IC 7	100
SCI IC AULNAY	100
SCI PROXALBY	74
SCYCADIS	100
SELIMA	100
SELOJA	51
SIGOULIM	51
SMD	100
SOCIETE DES NOUVEAUX HYPERMARCHES	100
SODIMODIS	100
SODISAL	100
SODISCAF	100
SODISTOURS	100
SODITA	100
SODITRIVE	100
SOFALINE	100
SOFIDIM	98.9
SOVAL	100
STELAUR	99.9
STENN	100
STORYDIS	100
SUPER AZUR	100
SUPERADOUR	100
SUPERDIS	96.5
TOP CONSO OPCO	100
TOP CONSO PROPCO	100
TOP CORRECTION OPCO	100
TOP CORRECTION PROPCO	100
TROTTEL	50
UNIVU	100
VAN K	100
VEZERE DISTRIBUTION	50
VIZEGU	90.1

GERMANY	
CARREFOUR PROCUREMENT INTERNATIONAL AG & CO. KG	100

ARGENTINA	
BANCO DE SERVICIOS FINANCIEROS SA	60
INC S.A.	100

BELGIUM	
BRUGGE RETAIL ASSOCIATE	100
CAPARBEL	100
CARREFOUR BELGIUM	100
CARREFOUR FINANCE	100
CARUM	100
DE NETELAAR	100
DRIVE 1	100
DRIVE 2	100
ECLAIR	100
FILUNIC	100
FIMASER	60
GROSFRUIT	100
HALLE RETAIL ASSOCIATE	100
FIRST IN FRESH	100
HEPPEN RETAIL ASSOCIATE	100
MARKET A1 CBRA	100
MARKET B2 CBRA	100
MARKET C3 CBRA	100
MARKET D4 CBRA	100
MARKET E5 CBRA	100
MARKET F6 CBRA	100
ORTHROS	100
ROB	100
SCHILCO	100
SOUTH MED INVESTMENTS	100
STIGAM	100
VANDEN MEERSSCHE NV	100

BRAZIL	Percent interest used in consolidation
ATACADAO DISTRIBUICAO COMERCIO E INDUSTRIA S.A.	72
BANCO CSF S.A.	36.6
BSF HOLDING S.A.	36.6
CARREFOUR COMMERCIO E INDUSTRIA LTDA	72
CMBCI INVESTIMENTOS E PARTICIPAÇÕES LTDA	72
COMERCIAL DE ALIMENTOS CARREFOUR S.A.	72
IMOPAR PARTICIPCOES E ADMINISTRACAO IMOBILIARIA LTDA	72
PANDORA PARTICIPACOES LTDA.	72
RIOBONITO ASSESSORIA DE NEGOCIOS LTDA	72
TROPICARGAS TRANSPORTES LTDA.	72
VERPARINVEST S.A	72

CHINA	
BEIJING CARREFOUR COMMERCIAL CO., LTD	55.0
BEIJING CHAMPION SHOULIAN COMMUNITY CHAIN STORES CO LTD	100
BEIJING CHUANGYIJIA CARREFOUR COMMERCIAL	100
BEIJING REPRESENTATIVE OFFICE OF CARREFOUR S.A.	100
CARREFOUR (CHINA) CONVENIENCE STORE INVESTMENT CO., LTD	100
CARREFOUR (CHINA) MANAGEMENT & CONSULTING SERVICES	100
CARREFOUR (SH) E-COMMERCE CO., LTD	100
CARREFOUR (SH) SUPPLY CHAIN CO., LTD	100
CARREFOUR (SHANGHAI) INVESTMENT MANAGEMENT AND CONSULTING SERVICES CO., LTD	100
CHANGCHUN CARREFOUR COMMERCIAL CO., LTD	100
CHANGSHA CARREFOUR HYPERMARKET	100
CHANGZHOU YUEDA CARREFOUR COMMERCIAL CO., LTD	60
CHENGDU CARREFOUR HYPERMARKET CO., LTD	100
CHONGQING CARREFOUR COMMERCIAL CO., LTD	65
DALIAN CARREFOUR COMMERCIAL CO., LTD	100
DONGGUAN CARREFOUR COMMERCIAL CO., LTD	100
FOSHAN CARREFOUR COMMERCIAL CO., LTD	100
FUZHOU CARREFOUR COMMERCIAL CO., LTD	100
GUANGZHOU JIAGUANG SUPERMARKET CO., LTD	100
GUIZHOU CARREFOUR COMMERCIAL CO.,LTD	100
HAIKOU CARREFOUR COMMERCIAL	100
HANGZHOU CARREFOUR HYPERMARKET CO., LTD	100
HARBIN CARREFOUR HYPERMARKET CO., LTD	100
HEBEI BAOLONGCANG CARREFOUR COMMERCIAL CO., LTD	100
HEFEI YUEJIA COMMERCIAL CO., LTD	60
HUHHOT CARREFOUR COMMERCIAL COMPANY CO.,LTD	100
JINAN CARREFOUR COMMERCIAL CO., LTD	100
KUNMING CARREFOUR HYPERMARKET CO., LTD	100
NANCHANG YUEJIA COMMERCIAL CO., LTD	60
NANJING YUEJIA SUPERMARKET CO LTD	65
NINGBO CARREFOUR COMMERCIAL	100
QINGDAO CARREFOUR COMMERCIAL	95
QUJING CARREFOUR HYPERMARKET CO., LTD	100
SHANDONG CARREFOUR COMMERCIAL CO., LTD	100
SHANGAI CARHUA SUPERMARKET LTD	55
SHANGHAI GLOBAL SOURCING CONSULTING CO LTD	100
SHANGHAI JIAYUAN COMMERCIAL CO., LTD	100
SHANGHAI PROXIMITY SUPERMARKET	100
SHANXI YUEJIA COMMERCIAL CO.,LTD	55
SHENYANG CARREFOUR COMMERCIAL CO LTD	100
SHENZHEN CARREFOUR COMMERCIAL	100
SHENZHEN LERONG SUPERMARKET CO LTD	100
SHIJIAZHUANG CARREFOUR COMMERCIAL CO., LTD	100
SICHUAN CARREFOUR COMMERCIAL CO., LTD	100
SOCIEDAD DE COMPRAS MODERNAS, S.A. SHANGHAI REPRESENTATIVE OFFICE	100
SUZHOU YUEJIA SUPERMARKET CO., LTD	55
THE CARREFOUR(CHINA) FOUNDATION FOR FOOD SAFETY LTD	100
TIANJIN JIAFU COMMERCIAL CO., LTD.	100
TIANJIN QUANYE CARREFOUR HYPERMARKET CO., LTD	100
WUHAN HANFU SUPERMARKET CO., LTD	100
WUXI YUEJIA COMMERCIAL CO., LTD	55
XIAMEN CARREFOUR COMMERCIAL CO LTD	100
XIAN CARREFOUR HYPERMARKET CO LTD	100
XINJIANG CARREFOUR HYPERMARKET	100
XUZHOU YUEJIA COMMERCIAL CO LTD	60
ZHENGZHOU YUEJIA COMMERCIAL CO., LTD	60
ZHUHAI CARREFOUR COMMERCIAL CO.,LTD	100
ZHUHAI LETIN SUPERMARKET CO., LTD	100
ZHUZHOU CARREFOUR COMMERCIAL CO., LTD	100

SPAIN	Percent interest used in consolidation
CENTROS COMERCIALES CARREFOUR, S.A.	100
CARREFOUR NORTE, S.L.	100
SOCIEDAD DE COMPRAS MODERNAS, S.A.U.	100
CARREFOUR NAVARRA, S.L.	100
SERVICIOS FINANCIEROS CARREFOUR, EFC, S.A.	60
GROUP SUPECO MAXOR, S.L.U.	100
NORFIN HOLDER, S.L.	100
SUPERMERCADOS CHAMPION, S.A.U.	100
INVERSIONES PRYCA, S.A.U.	100
CARREFOUR PROPERTY ESPANA, S.L.U.	100
CARREFOURONLINE, S.L.U.	100
CORREDURIA DE SEGUROS CARREFOUR, S.A.U.	100
SIDAMSA CONTINENTE HIPERMERCADOS, S.A.	100
VIAJES CARREFOUR, S.L.U.	100

ITALY	
CARREFOUR BANCA	60
CARREFOUR ITALIA FINANCE SRL	100
CARREFOUR ITALIA SPA	100
CARREFOUR PROPERTY ITALIA SRL	99.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE BRIANZA	52.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE BUROLO	89.0
CONSORZIO PROPRIETARI CENTRO COMMERCIALE GIUSSANO	76.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE MASSA	54.1
CONSORZIO PROPRIETARI CENTRO COMMERCIALE THIENE	57.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE TORINO MONTECUCCO	87.2
CONSORZIO PROPRIETARI CENTRO COMMERCIALE VERCELLI	84.2
DIPERDI SRL	99.8
GALLERIA COMMERCIALE PADERNO S.R.L.	99.8
GALLERIA COMMERCIALE PROPERTY FUTURA S.R.L.	99.8
GS SPA	99.8
S.C.A.R.L. SHOPVILLE GRAN RENO	57.7
SOCIETA SVILUPPO COMMERCIALE SRL	99.8

HONG-KONG	
CARREFOUR ASIA LTD	100
CARREFOUR GLOBAL SOURCING ASIA	100
CARREFOUR TRADING ASIA LTD (CTA)	100

INDIA	Percent interest used in consolidation
CARREFOUR INDIA MASTER FRANCHISE LTD	100
CARREFOUR WC & C INDIA PRIVATE LTD	100

IRLAND	
CARREFOUR INSURANCE LIMITED	100

LUXEMBOURG	
VELASQUEZ SA	100

NETHERLANDS	
CARREFOUR CHINA HOLDINGS BV	100
CARREFOUR NEDERLAND BV	100
CARREFOUR PROPERTY BV	100
FICADAM BV	100
HYPER GERMANY BV	100
INTERCROSSROADS BV	100
INTERNATIONAL MERCHANDISE TRADING BV	100
SOCA BV	100

POLAND	
CARREFOUR POLSKA	100
CPA WAW 1	100
IBES	100

ROMANIA	
ALLIB ROM SRL	100
ARTIMA SA	100
BRINGO MAGAZIN	51
CARREFOUR PRODUCTIE SI DISTRIBUTIE	100
CARREFOUR ROUMANIE	100
COLUMBUS ACTIVE SRL	100
COLUMBUS OPERATIONAL SRL	100
MILITARI GALERIE COMERCIALA	100
SUPECO INVESTMENT SRL	100

SWITZERLAND	
CARREFOUR WORLD TRADE	100
HYPERDEMA (PHS)	100

TAIWAN	
CARREFOUR INSURANCE BROKER CO	60
CARREFOUR TELECOMMUNICATION CO	60
CHARNG YANG DEVELOPMENT CO	30
PRESICARRE	60

16.2 Equity-accounted companies at December 31, 2017

BELGIUM	Percent interest used in consolidation
MESTDAGH	25

BRAZIL	
COSMOPOLITANO SHOPPING EMPREENDIMENTOS S.A.	35.9

SPAIN	
2012 ALVARO EFREN JIMENEZ, S.L.	26
2012 CORDOBA RODRIGUEZ, S.L.	26
2012 ERIK DAVID, S.L.	26
2012 FLORES HERNANDEZ, S.L.	26
2012 LIZANDA TORTAJADA, S.L.	26
2012 NAYARA SAN MARTIN YANGÜELA, S.L.	26
2013 ALBADALEJO VALENCIA, S.L.	26
2013 CID OTERO, S.L.	26
2013 CORCOLES ARGANDOÑA, S.L.	26
2013 COUÑAGO NEVADO, S.L.	26
2013 GISBERT CATALA, S.L.	26
2013 MARTINEZ CARRION, S.L.	26
2013 SOBAS ROMERO, S.L.	26
ANTONIO PEREZ 2010, S.L.	26
COSTASOL DE HIPERMERCADOS, S.L.	34
D-PARKING, S.C.P.	57.5
GLORIAS PARKING, S.A.	50
ILITURGITANA DE HIPERMERCADOS, S.L.	34
JM MARMOL SUPERMERCADOS, S.L.	26
LAREDO EXRPRESS J.CARLOS VAZQUEZ, S.L.	26
LUHERVASAN, S.L.	26

SPAIN	Percent interest used in consolidation
SUPERMERCADO CENTENO, S.L.	26
SUPERMERCATS HEGERVIC MATARO, S.L.	26
SUPERMERCATS SAGRADA FAMILIA, S.L.	26
VALATROZ, S.L.	26

ITALY	
CARMILA THIENE S.R.L.	49.8
CONSORZIO PROPRIETARI CENTRO COMMERCIALE ASSAGO	49.9
CONSORZIO PROPRIETARI CENTRO COMMERCIALE ROMANINA	46.3
CONSORZIO PROPRIETARI CENTRO COMMERCIALE SIRACUSA	33.3
S.C.A.R.L. SHOPVILLE LE GRU	39.3

NETHERLANDS	
ARAVIS INVESTMENTS B.V.	50

POLAND	
C SERVICES	30

ROMANIA	
PLOIESTI SHOPPING CITY	50

TURKEY	
CARREFOUR SABANCI TICARET MERKEZI AS CARREFOURSA	46

TUNISIA	
ULYSSE	25

FRANCE	Percent interest used in consolidation
ABREDIS	50
ADIALEA	45
ALEXANDRE	50
ANGIDIS	50
ANTONINE	50
ARLOM	50
AROBLIS	50
AUBINYC	50
AUDIST SAS	50
AZAYDIS	34
AZIMMO	33.8
BAMAZO	50
BELONDIS	50
BIADIS	34
BLS RETRAIL	50
BORDEROUGE	50
BOURG SERVICES DISTRIBUTION "B.S.D"	50
BPJ	26
BS DISTRIBUTION	50
CABDIS	50
CALODIAN DISTRIBUTION	50
CARDUTOT	26
CARGAN	50
CARMILA	35.8
CERBEL	50
CEVIDIS	50
CHAMNORD	55.4
CHERBOURG INVEST	48
CHRISTIA	50
CINQDIS 09	50
CJA DISTRIBUTION	50
CLUNYDIS	50
CODINOG	50
COFLEDIS	50
COLODOR	50
COROU	50
COVIAM 21	50
CRISANE	50
DECODIS	26
DEPOT PETROLIER DE LYON	50
DEPOTS PETROLIERS COTIERS	24.4
DIRIC	50
DISTRI PALAVAS	50
DISTRIBOURG	50
DISTRICAB	50
DISTRIFLEURY	50
DOUDIS	50
DU MOULIN	50
EDENDIS	50
ENTREPOT PETROLIER DE VALENCIENNES	34
FABCORJO	50
FARO	50
FIVER	50
FONCIERE MARSEILLAN	50
FONCIERE PLANES	50
FONCIERE SOLANDIS	33.8
FRELUM	50
GALLDIS	50
GANDIS	50
GPVM	30
GRANDI	50
GWENDA	50
HBLP	25
IDEC	50
IMMO ST PIERRE EGLISE	50
J2B	50
JEDEMA	50
JLEM	50
JOSIM	34
JTDS MARKET	50
JUPILOU	34
LA CATALANE DE DISTRIBUTION	50
LA CRAUDIS	50
LAITA BELON DISTRIBUTION	50
LB LE PLAN	50
LE CLAUZELS	50
LE PETIT BAILLY	50
LEATILD	50

FRANCE	Percent interest used in consolidation
LES OLIVIERS	50
LEZIDIS	50
LSODIS	50
LUMIMMO	51
LYEMMADIS	50
MADIS	50
MAGODIS	50
MAISON VIZET FABRE	40.3
MALISSOL	50
MARIDYS	50
MASSEINE	50
MAUDIS	50
MBD	50
MIMALI	50
MORTEAU DISTRIBUTION	50
NASOCA	50
NCL	50
NOUKAT	50
OLICOURS	50
OUISDIS	50
OULLIDIS	50
PAM	50
PHILODIS	50
PLAMIDIS	50
PLANE MARSEILLAN	50
PRODIX	50
PROVENCIA SA	50
RD2M	50
REBAIS DISTRIBUTION	50
RIMADIS	50
ROND POINT	34
ROSE BERGER	26
SADEV	26
SAINT JUERY DISTRIBUTION	50
SALACA	50
SAM	50
SASD	26
SCA	50
SCB	26
SCGR DISTRIBUTION	50
SCI 2C	50
SCI 2F	50
SCI FONCIERE DES ALBERES	50
SCI IMMODISC	49.5
SCI LA BEAUMETTE	49
SCI LA CLAIRETTE	49.5
SCI LATOUR	60
SCI PONT D'ALLIER	49.5
SCI SOVALAC	49.5
SCOMONDIS	50
SDAP	26
SDR	50
SEREDIS	26
SERPRO	50
SIFO	50
SME	50
SOBRAMIC	50
SOCADIS	50
SOCADIS CAVALAIRE	50
SODIBOR	50
SODICAB	50
SODILIM	50
SODIMER	50
SODYEN	50
SOLANDIS	34
SOMADIS	50
SOQUIMDIS	50
SOVADIS	50
SOVALDIS	50
SPC DISTRI	50
ST BONNET DISCOUNT	50
ST PAUL DE DISTRIBUTION	50
STE DU DEPOT PETROLIER DE NANTERRE	20
TIADIS	50
TURENNE	50
VALCRIS DISTRIBUTION	50
VALMENDIS	50
VICUN	50