



FINANCIAL REPORT 2004



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Group Management report

1. Key events in 2004

The Company changed its name from Auchan SA to Groupe Auchan SA.

As of end December 2004, 309 hypermarkets and 631 supermarkets are consolidated, compared with 293 and 618 respectively as of 31 December 2003.

The number of hypermarkets has increased by 16, with the acquisition of 2 stores in France, renamed "Les Halles Auchan", the acquisition of 1 store in Taiwan, and the creation of 13 new hypermarkets (2 in Italy, 1 in Portugal, 1 in Poland, 1 in Hungary, 3 in Russia, 1 in Morocco and 4 Auchan stores in China).

The number of supermarkets has increased by 6 in France, 2 in Spain and 5 in Morocco.

In Italy, the Rinascente Group, previously held on a 50/50 joint basis with the IFIL Group via Eurofind, has been split into two separate areas of activity: the company Rinascente S.p.A now handles non-food business (La Rinascente department stores and general merchandise stores operating under the Upim brand), and Società Italiana Distribuzione Moderna S.p.A (SIDM) which is principally concerned with food activities (Auchan hypermarkets, Sma supermarkets, 50% of the SIB S.p.A Do-It-Yourself chain and 51% of the Gallerie Commerciali Italia S.p.A shopping centre operator).

The IFIL Group sold its interest in Società Italiana Distribuzione Moderna S.p.A to the Auchan Group on 17 December 2004 for M€1,063 of which M€810.5 was paid immediately with the balance of M€252.4 deferred to mid-2005.

In parallel, Auchan and IFIL signed an agreement concerning the non-food activities of Rinascente S.p.A (department stores and Upim), and their disposal in 2005 by auction.

Finally, shares were reclassified on an internal basis in the Auchan Group as follows:

- shares in the supermarket companies (Sma) were transferred from SIDM to ISMS, the supermarket business holding company; and
- shares in Gallerie Commerciali Italia S.p.A were transferred from SIDM to a subsidiary of Immochan International.

Banque Accord purchased the consumer credit activities of Egg France in early December 2004.

The Auchan Group concluded a preliminary agreement with the San José Group at the end of December 2004, concerning the sale of its activities in Argentina, comprising 3 stores, 3 shopping centres and undeveloped land. This sale is expected to be concluded during the first half of 2005.

As part of its EMTN programme, Groupe Auchan SA issued two bonds to private investors for a total of M€350 in April

and May 2004. Perpetual subordinated floating rate notes (TSDI) were repaid in full (M€381) in June 2004. Banque Accord issued three bonds for a total of M€200. Auchan Finances set up a syndicated loan for €1 billion in December 2004, for advance repayment of existing credit lines.

Groupe Auchan SA paid a dividend of M€838 for the 2003 financial year as follows:

- M€638 in cash, of which M€521 was used to subscribe to a Groupe Auchan SA capital increase;
- M€200 in shares;

and also paid an interim dividend of M€93 in December 2004 for the 2004 financial year.

2. Activity and results

2.1 The network of stores

As at 31 December 2004, the Group operated in 12 countries through 346 hypermarkets, of which 309 were consolidated, and 631 supermarkets.

The consolidated network of stores was as follows as at 31 December 2004:

Country	Hypermarkets	Supermarkets	Notes
France	120	270	
Spain	45	122	
Italy	40	211	(a)
Portugal	16		
Luxembourg	1		
Poland	19	12	
Hungary	9		
Russia	6		
Mainland China	26		11 Auchan and 15 RT Mart
Taiwan	14		
Morocco	10	16	
Argentina	3		

(a) The Company also operates 18 department stores and 149 general merchandise stores which are 50% consolidated, and 57 Do-It-Yourself stores through a 50/50 partnership with Leroy Merlin.

2.2 Comments on the 2004 consolidated financial statements

Comments on the income statement

As from 2004, internal logistics costs have been reclassified in gross margin. As a result, a 2003 pro forma income statement has been included in the Groupe Auchan SA financial statements. This reclassification amounts to M€377 at 31 December 2004 (M€363 at 31 December 2003), comprising salaries and wages for M€151 (M€148 at 31 December 2003), other overheads for M€200 (M€188 at 31 December 2003), and depreciation for M€26 (M€27 at 31 December 2003). The variations indicated below are calculated on the basis of the 2003 pro forma financial data.

Group sales, net of value-added taxes, amounted to €30.0 billion, up 4.7% from 2003. The increase was also 4.7% calculated on a constant exchange rate basis and excluding activities in Mexico and the United States sold or closed during the first half of 2003.

The Hypermarket division accounted for 78.4% of sales, the Supermarket division 18.5% and other businesses 3.1%.

By geographical area, 95.2% of sales were made in Europe, of which 60.7% in France, while 4.1% of sales were made in Asia, 0.6% in Morocco and 0.1% in Argentina.

EBITDA, which means operating income before amortisation (amortisation includes amortisation of internal logistics transferred to gross margin), provisions and taxes, but after employee profit-sharing, was up 1%. Gross margin was up 3.0% in value, but dropped 0.36 as a percentage of net sales. The rise in general and administrative expense was limited to 3.7%, with a drop of 0.17 as a percentage of net sales.

The "Depreciation, amortisation and provisions" line item includes net allowances of amortisation for M€761 (+ 4.7%) and net reversals of provisions for M€35 (compared with net allowances of provisions amounting to M€3 for 2003).

Operating income was M€1,156 up 2.0% but less than the percentage increase in sales.

Net financial expenses dropped from M€135 to M€107. The improvement of M€28 compared with 2003 was mainly due to a decrease in capital employed and an improvement in foreign exchange result on unhedged transactions.

Income from ordinary activities before taxes amounted to M€1,049 up 5.1%.

Net exceptional income for 2004 amounted to M€81, essentially comprising tax exemptions on meat processing activities "taxe d'équarrissage" in France for M€44, capital gains on disposal of assets for M€26, and reversals of depreciation on fixed assets in Argentina for M€22. Accumulated depreciation for fixed assets in Argentina amounted to M€4 at 31 December 2004, adjusting the net book value of these assets to their probable realisable values.

Net exceptional income for 2003 amounted to M€145. In particular, this included M€87 for reversals of provisions and liabilities accrued for tax audits in France in 2002 and which were no longer required based on conclusion of the tax audits in 2003, net exceptional income amounting to M€24 on the sale of stores in Mexico and the termination of activity in the United States, and net capital gains of M€52 on the sale of assets, excluding Mexico but including in particular those relating to 49% of the Italian shopping centres sold by La Rinascente.

The effective income tax rate, calculated on the profit before tax and amortisation of goodwill, rose from 30.3% in 2003 to 36.1% in 2004. This significant variation is due to an increase in the income tax charge based on adjusted production added value in Italy, and the non-taxation in 2003 of a substantial part of exceptional income.

Net income before amortisation of goodwill was M€722, down M€75.

Net amortisation of goodwill was up M€26 compared with 2003. In 2004, this item included an exceptional amortisation of goodwill related to RT Mart in Taiwan for M€52, following an impairment test based on indications of an impairment loss. In 2003, this item included an exceptional amortisation of goodwill related to Eléa, the company operating supermarkets in Poland, for M€27.

All these factors combine to give a total Group share of net income of M€476 for 2004, compared with M€575 for 2003.

Income from operating activities, excluding non-cash revenue and expense, was M€1,375 up 7.9%.

Comments on the balance sheet and capital structure

A change in financial statements presentation was made in 2004 to comply with recommendation no. 2001-1 of the "Conseil National de la Comptabilité". As a result, a 2003 pro forma balance sheet has been included in the Auchan Group financial statements. Net financial debt for the credit activities (Banque Accord and its subsidiaries, and the captive factoring company Comfactor in Italy) has been presented separately under the caption "Debt financing the credit activities" (M€1,040 at 31 December 2003 and M€1,530 at 31 December 2004).

The variations indicated below are calculated on the basis of the 2003 pro forma financial data.

● Assets:

Fixed assets amounted to €12.5 billion, up €1.9 billion. This increase was essentially due to the change in the consolidation method applied for the food activity of La Rinascente (hypermarkets and supermarkets), fully consolidated since 17 December 2004.

Net inventories increased by 14%. Excluding the impact of the change in consolidation method for the food activity of La Rinascente, the increase was only 2.1%.

Customer loans (M€1,807 at end 2004, compared with M€1,230 at end 2003) include only receivables, net of provisions, held by the credit companies (Banque Accord and its subsidiaries and Comfactor in Italy) from its clients. The increase in customer loans results principally from the incorporation of the Egg activity in France, and the change in consolidation method for Comfactor in Italy.

● Liabilities and shareholders' equity:

As of 31 December 2004, total shareholders' equity was €4.4 billion.

Shareholders' equity – Group share amounted to €4.2 billion, down €0.1 billion. The main changes (in million euros) were as follows:

● 2004 income	476
● Dividend payment in cash for 2003	(638)
● Dividend payment in shares for 2003	(200)
● Capital increases in cash	729
● Interim dividend payment for 2004	(93)
● Repayment of perpetual subordinated floating rate notes	(381)
● Variation in foreign currency translation adjustments (essentially for the Polish zloty)	42

Minority interests amounted to M€199, up M€39, the result of reclassification of Sma Italy shares in ISMS, the supermarket holding company 90% controlled by the Auchan Group.

As from 2004, net debt represents loans and financial debts less cash and marketable securities, and also excludes debts financing the credit activities. Net debt was M€3,142 at 31 December 2004, compared with M€2,226 at 31 December 2003, as a result of the partial payment (M€810) for the acquisition of La Rinascente food activity, and the repayment of perpetual subordinated floating rate notes for M€381 in 2004.

Net debt at the end of 2004 amounted to 71% of total shareholders' equity, compared with 50% at the end of 2003, and 2.1 years of income from operating activities excluding non-cash revenue and expenses, restated to reflect a full-year of the La Rinascente food activity.

3. Prospects

The Group begins 2005 with a reinforced strategic outlook, a very reasonable debt position and on increasingly professional teams.

The Group plans to continue its growth policy in 2005, in its established areas in Europe extending to Russia, China and Morocco.

4. Adoption of IFRS international accounting standards

The Auchan Group will adopt International Financial Reporting Standards (IFRS) as from 1 January 2005.

The Group Financial Department has set up an IFRS project structure in March 2003, comprising a steering committee, a project manager and a number of task forces.

The various steps to date in the process of implementing IFRS standards are as follows:

- identification of main restatements;
- setting and issuing Group IFRS rules;
- training of all staff concerned and presentation to General Management;
- adaptation of IT systems;
- preparation of an opening balance sheet as at 1 January 2004 (in process).

IFRS financial statements as at 30 June 2005 will be prepared with comparative figures as at 30 June 2004, and identification of the impact of the IFRS standards on the opening balance sheet as at 1 January 2004.

5. Environmental policy

The environmental policy of the Auchan Group is based on three approaches:

a) Reduction of the environmental impact of Group activity

Auchan has taken appropriate steps to manage and recycle its waste. Corresponding action plans were initiated in Spain and Portugal in 2004, and existing actions in France were strengthened. Reduction of energy consumption (water, electricity, gas, fuel oil, etc.) is a primary target. The Auchan brands are also working on reducing greenhouse gas emission generated from road transport action, by the optimisation of truck loads and management of logistics sites. More environmentally-friendly check-out counter bags were adopted in France and Spain in 2004. Both these countries offer a wide range of reusable alternatives which can be purchased by the consumer.

Staff have been made fully aware of and trained in environmentally-friendly practices, and Auchan is the first retailer in the world to initiate the process of ISO 14001 international environmental management standard certification. 8 Auchan hypermarkets have so far obtained their certification: 6 in France, 1 in Spain, and another in Hungary since 2004.

b) Incentives for environment-friendly consumption

Auchan pursues a policy of promoting quality food products, based on sustainable production methods, including biological and industry-developed methods in particular. The brands are developing their own ranges in Portugal, France, Spain and Italy.

The Group also adopted an ecological design approach several years ago, with a programme designed to reduce the volume of packaging materials for its Auchan and "Pouce" trademark products.

In France, "green check-out counters" intended for customers using solutions other than throw-away check-out counter bags were introduced in 2004, and customer utilisation of alternatives (shopping bags, reusable bags, boxes, etc.) is encouraged.

A number of store car parks in Portugal and France are now equipped with "green recycling stations", with containers for paper, glass, used engine oil and cardboard cartons.

c) Environmental integration of shopping centres

The Group and its real-estate subsidiary, Immochan, are working on the integration of shopping centres in their environment. Whether for new construction, enlargement or renovation, architectural and landscape specifications are defined to ensure genuine harmony between buildings and car parks with the surrounding landscape and local susceptibilities. An example in 2004 was the shopping centre in Noyelles-Godault (France), which was enlarged and reshaped along ecological lines, with a tree-lined parking area for customers, numerous garden areas, wood fencing to FSC (tropical forest preservation) standards, etc.

Consolidated balance sheet

as at 31 December 2004 (in million euros)

ASSETS	Notes	2004		Net	2003	
		Gross value	Depreciation, amortisation and provisions		Net pro forma ⁽¹⁾	Net
Goodwill	5	4,761	1,510	3,251	2,491	2,491
Other intangible assets	6	715	275	440	262	262
Fixed assets	7	13,721	5,272	8,449	7,575	7,575
Long-term investments	8	262	23	239	190	190
Investments in affiliates	8	167	1	166	138	138
Total fixed assets		19,626	7,081	12,545	10,656	10,656
Inventories	9	2,912	77	2,835	2,486	2,486
Trade accounts receivable		454	60	394	350	350
Customer loans – Credit activities	10	1,976	169	1,807	1,230	1,146
Other accounts receivable and other assets	11	2,147	72	2,075	1,765	1,849
Deferred tax assets	15	231	0	231	85	85
Marketable securities	13	371	0	371	342	342
Cash	13	816	0	816	818	841
Current assets		8,907	378	8,529	7,076	7,099
Total assets		28,533	7,459	21,074	17,732	17,755

LIABILITIES AND SHAREHOLDERS' EQUITY		2004	2003 pro forma ⁽¹⁾	2003
	Notes			
Shareholders' equity – Group share	14	4,225	4,302	4,302
Minority interests	14	199	160	160
Total shareholders' equity	14	4,424	4,462	4,462
Deferred tax liabilities	15	618	634	634
Provisions for contingencies and charges	16	347	321	321
Loans and other financial debt	17	4,329	3,386	4,449
Debt financing the credit activities	18	1,530	1,040	0
Trade accounts payable	19	6,684	5,453	5,453
Debt relating to fixed assets	19	630	381	381
Other payables and accrued liabilities	19	2,512	2,055	2,055
Liabilities		15,685	12,315	12,338
Total liabilities and shareholders' equity		21,074	17,732	17,755

(1) Pro forma for 2003 and 2004 comparability: see Note 4.

The notes form an integral part of the Consolidated Financial Statements.

Consolidated income statement

Year ended 31 December 2004 (in million euros)

	Notes	2004	2003 pro forma ⁽¹⁾	2003
Sales, net of value-added taxes	27	30,046	28,706	28,706
Cost of sales	20	(23,269)	(22,128)	(21,765)
Gross margin		6,777	6,578	6,941
Other operating income		354	348	348
General and administrative expenses	22	(5,249)	(5,063)	(5,399)
Depreciation, amortisation and provisions	23	(726)	(730)	(757)
Operating income		1,156	1,133	1,133
Net financial expenses	24	(107)	(135)	(135)
Income from ordinary activities before taxes		1,049	998	998
Net exceptional income	25	81	145	145
Income taxes	26	(408)	(346)	(346)
Equity in earnings of affiliates		0	0	0
Net income before amortisation of goodwill		722	797	797
Amortisation of goodwill	5	(235)	(209)	(209)
Net income before minority interests		487	588	588
Minority interests		11	13	13
Group share of net income		476	575	575
EBITDA ⁽²⁾		1,909	1,890	1,890
Earnings per share (in euros) ⁽³⁾	3.22	15.04	19.83	19.83

(1) Pro forma for 2003 and 2004 comparability: reclassification of internal logistics costs in gross margin (M€363 at 31/12/03): see Note 4.

(2) Operating income before amortisation (amortisation includes amortisation of internal logistics transferred to gross margin), provisions and taxes, but after employee profit sharing.

(3) Earnings per share corresponds to Group share of net income divided by the number of shares representing share capital.

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Consolidated statement of cash flows

(in million euros)

	2004	2003 pro forma ⁽¹⁾
Cash flows from operating activities		
Net income before minority interests	487	588
Elimination of non-cash operating revenue and expense:	888	687
Depreciation, amortisation and provisions (except on current assets)	980	837
Changes in deferred taxes	(68)	(93)
Capital gains and losses, net of taxes	(24)	(57)
Income from operating activities excluding non-cash revenue and expense	1,375	1,275
Changes in working capital:	251	28
Inventories	(43)	(118)
Advance payments and deposits made	(7)	(5)
Trade accounts receivable and related accounts	12	(83)
Trade accounts payable and related accounts	315	99
Other debtors and creditors	(26)	135
Changes in items relating to the credit activities:	(21)	(24)
Customer loans – Credit activities	(273)	(156)
Debt financing the credit activities	252	132
Net cash flows from operating activities	1,605	1,279
Cash flows from investment activities		
Investments net of disposals (including finance leases):	(1,775)	(822)
Other intangible assets	(50)	(44)
Fixed assets	(814)	(963)
Investments in affiliates	(1,120)	(69)
Other long-term investments	0	(2)
Disposal of fixed assets, net of taxes	209	256
Other investment transactions:	391	(47)
Changes in receivables and payables relating to fixed assets ⁽²⁾	205	(39)
Restatement of finance leases	2	5
Changes in consolidation scope (cash position of companies acquired or sold)	176	(3)
Increase in financial receivables	(12)	(36)
Decrease in financial receivables	20	26
Net cash flows from (used in) investment activities	(1,384)	(869)
Cash flows from financing activities		
Dividends paid:	(736)	(98)
Cash dividends paid to parent company shareholders	(638)	(90)
Dividends paid to minority interests	(5)	(8)
Interim dividend for 2004	(93)	0
Transactions on shares:	149	22
Proceeds from issuance of shares	530	22
Repayment of perpetual subordinated floating rate notes	(381)	0
Debt:	424	(302)
Proceeds from loans	1,333	2,186
Repayments of loans	(909)	(2,488)
Net cash flows from (used in) financing activities	(163)	(378)
Net increase in cash	58	32
Cash at beginning of year	908	835
Cash at end of year	936	908
Effect of foreign exchange rate changes	30	(41)
Net increase in cash	58	32

(1) Pro forma for comparability between 2003 and 2004: see Note 4.

(2) This change was stated under working capital for 2003.

The Notes form an integral part of the Consolidated Financial Statements.

Notes to the consolidated financial statements

(all amounts expressed in millions of euros – M€)

Note 1. General description of the Group

The company changed its name from Auchan SA to Groupe Auchan SA.

Groupe Auchan SA is incorporated in the Republic of France. Groupe Auchan SA's consolidated financial statements include its directly and indirectly controlled subsidiaries (hereinafter referred to as "the Group"), and interests held by the Group in entities controlled jointly with other companies.

Auchan specialises in the sale to the public of food and other consumer products. As of 31 December 2004, the Group mainly operates 346 hypermarkets (including stores under management contracts) of which 309 are consolidated, and 631 supermarkets in 12 countries (France, Spain, Portugal, Italy, Luxembourg, Poland, Hungary, Russia, mainland China, Taiwan, Morocco and Argentina).

The Group also manages a significant network of shopping centres and business parks. In addition, Auchan has had its own finance subsidiary for many years, which deals exclusively with individual customers.

Note 2. Significant events during the year ended 31 December 2004

■ As of end December 2004, 309 hypermarkets and 631 supermarkets are consolidated, compared with 293 and 618 respectively as of 31 December 2003.

■ The number of hypermarkets has increased by 16, with the acquisition of 2 stores in France, renamed "Les Halles Auchan", the acquisition of 1 store in Taiwan, and the creation of 13 new hypermarkets (2 in Italy, 1 in Portugal, 1 in Poland, 1 in Hungary, 3 in Russia, 1 in Morocco and 4 Auchan stores in China).

The number of supermarkets has increased by 6 in France, 2 in Spain and 5 in Morocco.

■ In Italy, the Rinascente Group, previously held on a 50/50 joint basis with the IFIL Group via Eurofind, has been split into two separate areas of activity: the company Rinascente S.p.A now handles non-food business (La Rinascente department stores and general merchandise stores operating under the Upim brand), and Società Italiana Distribuzione Moderna S.p.A (SIDM) is principally concerned with food activities (Auchan hypermarkets, Sma supermarkets, 50% of the SIB S.p.A Do-It-Yourself chain and 51% of the Gallerie Commerciali Italia S.p.A shopping centre operator).

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- shares in the supermarket companies (Sma) were transferred from SIDM to ISMS, the supermarket business holding company, and
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■ Banque Accord purchased the consumer credit activities of Egg France in early December 2004.

■ The Auchan Group concluded a preliminary agreement with the San José Group at the end of December 2004, concerning the sale of

its activities in Argentina, comprising three stores, three shopping centres and undeveloped land. This sale is expected to be concluded during the first half of 2005.

■ As part of its EMTN programme, Groupe Auchan SA issued two bonds to private investors for a total of M€350 in April and May 2004. Perpetual subordinated floating rate notes (TSDI) were repaid in full (M€381) in June 2004. Banque Accord issued three bonds for a total of M€200. Auchan Finances set up a syndicated loan for €1 billion in December 2004, for advance repayment of existing credit lines.

■ Groupe Auchan SA paid a dividend of M€838 for the 2003 financial year, as follows:

- M€638 in cash, of which M€521 were used to subscribe to a Groupe Auchan SA capital increase;
- M€200 in shares;

and also paid an interim dividend of M€93 in December 2004 for the 2004 financial year.

Note 3. Accounting principles and methods

3.1 Accounting methods

The consolidated financial statements are prepared in accordance with French accounting standards (regulation no. 99-02 of the "Comité de Réglementation Comptable" relating to consolidated financial statements, applicable as from 1 January 2000).

Accounting principles and methods applied by the Group are unchanged from those for previous financial years, apart from the changes relating to financial statement presentation described in Note 4. In accordance with the transitional guidelines of CRC regulation no. 2003-07, the Group continues to accrue provisions for major repairs.

3.2 Consolidation scope and methods

The financial statements of all material subsidiaries under the direct or indirect exclusive control of Groupe Auchan SA have been fully consolidated.

Companies in which Groupe Auchan SA has significant direct or indirect influence over management and financial policies have been accounted for under the equity method.

Investments in companies in which the Group no longer exercises influence are deconsolidated, and are stated at the Group's share of equity in net assets at the date of deconsolidation.

Where Groupe Auchan SA shares joint control of a business, directly or indirectly, the business is proportionately consolidated. The income statements for 10 hypermarkets in Mainland China, referred to as "independent franchises", together with the financial statements of another company operating a hypermarket, have been consolidated in accordance with the substance of agreements associating these companies with the Group, and to give a true and fair view of the Group's business operations in this country (Article L. 123-14 of the French Commercial Code).

Companies where Groupe Auchan SA has exclusive control or significant influence, but which are not, individually or in the aggregate, material to the Group's financial statements, have not been consolidated.

The fiscal year-end for all consolidated companies is 31 December. Information regarding the principal changes in the Group structure is given in Note 2. These changes are not sufficiently material to justify the preparation of pro forma financial statements. Corresponding effects are given in the following notes.

3.3 Translation of the financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries have been translated into euros applying the following method:

- balance sheet items are converted at year-end exchange rates;
- income statement items are converted at average exchange rates for the financial year;
- cash flow items are converted at average exchange rates for the financial year.

Exchange differences resulting from application of this method are reported as "Foreign currency translation adjustments" which are included in shareholders' equity and, where appropriate, under "Minority interests".

Goodwill arising on the acquisition of foreign subsidiaries is translated into the currency of the company holding the shares, at historical rates. Accordingly, where the currency of the parent company is the euro, no translation adjustment is recorded, and the amount of goodwill remains unchanged despite fluctuations in exchange rates.

Exchange rates applied for the euro and other principal currencies concerned were as follows:

Country	Currency	Closing exchange rate		Average exchange rate	
		2004	2003	2004	2003
Argentina	Argentine peso	0.248424	0.272152	0.270471	0.293823
China	Yuan	0.088704	0.096073	0.096076	0.106283
Hungary	Forint	0.004066	0.003810	0.003981	0.003955
Morocco	Dirham	0.089576	0.090463	0.090596	0.092353
Poland	Zloty	0.244828	0.212680	0.223631	0.225456
Russia	Rouble	0.026557	0.027182	0.027601	0.028575
Taiwan	Taiwan dollar	0.023300	0.023391	0.023855	0.025536
United States	US dollar	0.734160	0.791766	0.794513	0.879304

The Group is not operating in any countries with highly inflationary economies.

3.4 Financial instruments

Forward financial instruments are treated as off-balance sheet commitments, in accordance with generally accepted commercial and industrial accounting practices.

Interest rate derivative instruments are used for the sole purpose of reducing Group exposure to interest rate fluctuations for its debt, which is almost entirely comprised of floating rate debt.

Derivative foreign exchange instruments are used to limit the effects of exchange rate fluctuations on Group foreign currency requirements.

Expenses and charges generated by these financial instruments are recognised in the income statement on an accrual basis over the life of the transactions.

Incomes from these instruments are accounted for symmetrically with the income generated by the hedge items.

The securitisation of receivables is restated in the consolidated financial statements. These securitised receivables are reported as assets, and the related debts as liabilities, in the consolidated balance sheet (see Note 17).

3.5 Consolidation of the financial statements of the credit activities

The financial statements of Banque Accord and its subsidiaries, prepared in accordance with the banking chart of accounts, and the financial statements of Comfactor Commercio Factoring S.p.A, are fully consolidated in the Group financial statements as follows:

- assets and liabilities are allocated to the relevant headings in the consolidated balance sheet, with customer loans and corresponding funding presented separately;
- operating income from credit operations is reported under "Sales", operating expenses under "Cost of sales" and net operating margin under "Gross margin" in the income statement.

3.6 Goodwill

On acquisition of the shares of companies to be consolidated, the Group determines the fair value of all identifiable assets and liabilities acquired. For items not intended for operating activities, fair value corresponds to market value, or in the absence of a market, probable net realisable value. In the case of items intended for operating activities, fair value is considered to be the value in use for the Group. The Group has a period of one year following the financial year during which control is acquired to adjust its assigned values. The Group applies the total revaluation method to record the impact of these valuations at fair value. Revaluation of the food activity of La Rinascente, practically 100% of which was bought on 17 December 2004, will be recorded accordingly in 2005.

The difference between the fair value of the assets and liabilities identified in the consolidated balance sheet, and their book values in the balance sheets of controlled companies, is referred to as "Fair value adjustments".

The difference between the acquisition price of the shares and the Group's share in the fair value of identified assets and liabilities is recorded on the assets side of the consolidated balance sheet under "Goodwill". More detailed information is given in Note 5.

Goodwill is generally amortised on a straight-line basis over 20 years. Negative goodwill is recorded initially as a liability, and subsequently recognised in the income statement over a period determined on a case-by-case basis.

On each closing date, the net book value of goodwill is subject to review to determine whether there are any indications of impairment. If such indications appear, an impairment test is done by comparing the book value of the equity interest held by the Group in its subsidiary and its recoverable value. Goodwill impairment is recorded when the recoverable value is lower than net book value. Thus, in 2003, an exceptional impairment charge of M€27 was recognised on the goodwill of Eléa, the Polish subsidiary operating supermarkets, and in 2004 an exceptional impairment charge of M€52 was recognised on the goodwill of RT Mart Taiwan, by comparison with its market value (see Note 5.2).

3.7 Other intangible assets

Identified intangible assets classified as acquired intangibles are generally amortised on a straight-line basis over 20 years.

Leasehold rights are amortised on a straight-line basis over 20 years for ordinary commercial leases, and over the period of the lease in the case of buildings or 99-year lease agreements.

Other intangibles consist of:

- brands and similar rights, amortised on a straight-line basis over 5 years;
- software amortised over 3 years;
- land-use rights amortised over the period of the lease.

3.8 Tangible assets

As of 31 December 1996, following the acquisition of Docks de France and Pão de Açúcar, the Group revalued its tangible assets for reasons of consistency and coherence.

Land, buildings and improvements used by stores, head office premises, warehouses, shopping centres and business parks were revalued on the basis of the value in use in place of net book value.

The value in use was generally determined according to the Group's knowledge of the market. In certain cases, this value was determined on the basis of independent appraisals.

Existing fixed assets as of 1 January 1997 have been depreciated as from the revaluation date.

Technical facilities, equipment and tools, and other fixed assets are recorded at acquisition cost. This corresponds to their values in use after deduction of accumulated depreciation.

Fixed assets are depreciated by the straight-line method, applying the following estimated useful life values:

Buildings	20 years
Improvements and fixtures	6 2/3 years and 8 years
Technical facilities, equipment and tools	4 years
Other fixed assets	3 to 5 years

As from 1 January 2001, the depreciation periods for a number of fixed asset categories have been changed to take account of actual conditions. The new depreciation periods were defined according to the life of each item, generally leading to longer depreciation periods (software 1 to 3 years, major improvements 6 2/3 to 8 years, investment in public facilities 5 to 20 years). Net book values for the assets concerned as of 31 December 2000 are depreciated over their revised remaining useful lives.

Property and equipment of significant value, used by consolidated companies under the terms of finance leases (including finance contracts), are recorded as assets in the consolidated balance sheet. The related debt is recorded as a balance sheet liability under "Financial debts". These assets are amortised over the periods set out above.

Expenses incurred for maintaining fixed assets in operating condition, without extending their useful life or improving their original performance levels, are reported under "General and administrative expenses". Foreseeable and substantial planned repairs, not occurring on an annual basis, are reported under "Provisions for major repairs". Undeveloped land is depreciated where the estimated recoverable value is lower than the acquisition price.

3.9 Long-term investments

Investments in non-consolidated companies are stated at cost in the balance sheet. A reserve for impairment is set up when the fair value of an investment is lower than its cost.

The investment's fair value is based on its value in use to the Group, this being determined by reference to the Group's equity in the underlying net assets (adjusted where appropriate), yield value and the Company's earnings outlook.

Other long-term investments are stated at cost in the balance sheet. Reserves for impairment are recorded where appropriate.

3.10 Inventories

Inventories are stated net of year-end discounts at the latest purchase price, applying a method comparable with the FIFO ("first in, first out") method in the case of inventory with rapid turnover, at weighted average unit cost or at selling price less profit margin. Inventories are written down if their probable realisable value is below cost.

Given the interchangeable nature of merchandise, it is not possible to determine the portion of goods in inventory that is subject to vendor liens at year-end.

3.11 Accounts receivable and payable

Accounts receivable and payable are recorded at face value.

Items denominated in foreign currencies are translated at the year-end exchange rates. Where commercial transactions are hedged and the foreign currency rates are fixed, these operations are translated at the currency hedge rates. Payables and receivables denominated in foreign currencies that have been hedged are translated at the currency hedge rates. No foreign exchange difference is recorded in this case. Provisions are recorded in respect of accounts receivable to cover any probable losses.

3.12 Marketable securities

Quoted marketable securities are stated at quoted year-end market prices. Unrealised gains or losses are recognised in the income statement. Their amount is immaterial.

Other investments are stated at cost in the balance sheet. Provisions are accrued where appropriate.

3.13 Loan premiums

The Group uses the preferred method for amortisation of loan premiums over the term of the loan.

3.14 Pension and other long-term staff benefit liabilities

Auchan contributes to pension plans for its employees in accordance with local legal requirements and accepted practices in each country. In some countries, companies pay salary-based contributions to the entities responsible for providing retirement benefits. There is no pension plan liability in such cases.

Where specific pension funds or other commitments for which Auchan is responsible exist, either corresponding commitments are recorded as liabilities in the consolidated balance sheet on the basis of vested employee benefits, or contributions are made to external pension plan funds.

3.15 Deferred taxes

Deferred taxes are recorded to recognise taxes on all timing differences between the tax basis of assets and liabilities and their book values, with the exception of goodwill, where corresponding amortisation is not tax-deductible.

Deferred taxes are calculated using known tax rates at closing date, and applying the liability method of tax allocation.

Deferred tax assets and liabilities are offset within each consolidated company.

Tax losses and other timing differences only give rise to recognition of deferred tax assets when realisation against future taxable income is probable, or when it is possible to offset deferred tax assets against deferred tax liabilities. Where appropriate, the consequences of tax consolidation are taken into account.

Because the timing of the reversal of certain material timing differences cannot be determined with precision, deferred tax assets and liabilities have not been discounted to their present value.

See Note 15 for further details.

3.16 Provisions for litigation

Provisions for litigation expenses are accrued in accordance with accounting principles, and comply with the requirements of regulation no. 2000-06 of the "Comité de Réglementation Comptable" on liabilities.

Litigation risks are assessed on a case-by-case basis, according to the nature and amount of claims made and the defensive actions undertaken by the Company.

3.17 Sales

"Sales" include sales of merchandise and services, and income from credit operations conducted by Banque Accord and its subsidiaries.

3.18 Warranties

Foreseeable costs in connection with product or service warranties are reported when corresponding sales are recorded. Auchan also offers extended warranty contracts, for which revenues and profits are recognised over the period of the warranty.

3.19 Other operating income

"Other operating income" principally comprises fees paid to Auchan (including those connected with franchise operations), rents and right-of-entry revenues generated from shopping centres. Rental income is reported using the straight-line method over the life of the corresponding lease.

3.20. Pre-opening expenses

Pre-opening expenses for stores are included in the income statement as they are incurred.

3.21 Exceptional income and expenses

All items regarded as exceptional based on their frequency and amount, and which relate to ordinary activities of consolidated companies, are reported under "Net exceptional income and expense".

3.22 Earnings per share

"Earnings per share" are calculated by dividing the Group share of net income by the number of shares comprising share capital at 31 December. As indicated at the end of Note 2, the Groupe Auchan SA capital increases (M€521 + M€200) are offset by an extra dividend.

Groupe Auchan SA has not issued any instruments that would significantly dilute earnings per share.

Note 4. Comparability of financial statements

4.1 Changes in financial statements presentation

Two changes relating to financial statement presentations have been introduced as from 2004. As a result, pro forma financial statements have been prepared for 2003.

■ In accordance with recommendation no. 2001-1 of the "Conseil National de la Comptabilité", net financial debt for the credit activities (Banque Accord and its subsidiaries, and the captive factoring company Comfactor in Italy) has been presented separately under "Debt financing the credit activities". The impact on the consolidated balance sheet and consolidated statement of cash flows is provided in the table below (expressed in million euros – M€):

Impact on the consolidated balance sheet	2003 pro forma	2003 Impact	2003
Assets			
Customer loans (Comfactor reclassification)	1,230	84	1,146
Other accounts receivable (Comfactor reclassification)	1,765	(84)	1,849
Cash	818	(23)	841
Liabilities			
Loans and other financial debt	3,386	(1,063)	4,449
<i>Bonds</i>	800	(187)	987
<i>Loans and other financial debt from banks and financial institutions</i>	1,705	(238)	1,943
<i>Finance leases</i>	192	0	192
<i>Other financial debt and accrued interests</i>	437	(351)	788
<i>Bank overdraft</i>	252	(287)	539
Debt financing the credit activities	1,040	1,040	0

Impact on the statement of cash flows	2003 pro forma	2003 Impact	2003
Changes in working capital ⁽¹⁾	28	155	(127)
Changes in items relating to the credit activities	(24)	(24)	0
Debt	(302)	(214)	(88)
Other statement of cash flows lines ⁽¹⁾	330	0	330
Net increase (decrease) in cash	32	(83)	115
Cash at beginning of year	835	347	488
Cash at end of year	908	264	644
Effect of foreign exchange rate changes	(41)	0	(41)
Net increase (decrease) in cash	32	(83)	115

(1) After reclassification of changes in receivables and payables relating to fixed assets in cash flows from investment activities.

In view of this change, cash at the beginning and the end of year as presented in the Group statement of cash flows does not include cash positions for credit activities. These are recorded under "Debt financing the credit activities" (including bank overdrafts).

■ Internal logistics costs have been reclassified in gross margin in the income statement. See Note 21 for details.

4.2 Effect of buyout of 50% of the La Rinascente food activity

■ Change in consolidation method

The buyout of 50% of the La Rinascente food activity “Rinascente Food” (see Note 2) has resulted in a change in consolidation method. Rinascente Food was proportionately consolidated (50%) from 1 January to 17 December 2004, and is now fully consolidated as from 18 December 2004. The most important effect of this change in consolidation method concerns the balance sheet and statement of cash flows. The impact on the consolidated balance sheet at 31 December 2004 is summarised below (expressed in M€):

Assets	Gross	Dep./provision	Net
Goodwill ⁽¹⁾	425	128	297
Other intangible assets	231	58	173
Fixed assets	1,339	582	757
Long-term investments	55	0	55
Investments in affiliates	25	0	25
Total fixed assets	2,075	768	1,307
Inventories	305	9	296
Trade accounts receivable	85	25	60
Customer loans – Credit activities	114	1	113
Other accounts receivable and other assets	237	7	230
Deferred tax assets	110	0	110
Marketable securities	2	0	2
Cash	216	0	216
Current assets	1,069	42	1,027

(1) The buyout of 50% of La Rinascente Food shares generated an additional goodwill of M€680 at Group level, amortised over 20 years as from 18 December 2004.

Liabilities	
Deferred tax liabilities	37
Provisions for contingencies and charges	33
Loans and other financial debt	486
Debt financing the credit activities	102
Trade accounts payable	892
Debt relating to fixed assets	41
Other payables and accrued liabilities	332
Liabilities	1,853

■ Impact on the statement of cash flows

(in million euros)	
Value of shares acquired, “Investments in affiliates” line	(1,063)
Debts, “Changes in receivables and payables relating to fixed assets” line	253
Group outflow	(810)
Cash acquired, “Changes in consolidation scope” line	255
Effect of acquisition of 50% of La Rinascente Food shares on the Group cash position	(555)

Note 5. Goodwill

Goodwill is principally related to the acquisitions of the Docks de France, Pão de Açúcar, La Rinascente and RT Mart Taiwan groups. Other goodwill did not exceed M€100 in any individual country.

Changes in goodwill (gross value):

(in million euros)	Gross value
31 December 2003	3,638
Rinascente Food (see Note 4.2) ⁽¹⁾	425
Increases	705
Decreases	(7)
31 December 2004	4,761

(1) Additional portion in initial goodwill.

Increases for the financial year correspond to the amount of M€680 for goodwill generated by buyout of 50% of the Rinascente Food shares (see Note 2).

Changes in goodwill amortisation:

(in million euros)	Accumulated amortisation
31 December 2003	1,147
Rinascente Food (see Note 4.2)	128
Amortisation	235
31 December 2004	1,510

Net amortisation of goodwill was up M€26 compared with 2003. For 2004, this item includes an exceptional impairment of goodwill related to RT Mart Taiwan for M€52, following an impairment test based on indications of an impairment loss as described in Note 3.6. In 2003, this item included an exceptional amortisation of the goodwill of Eléa, the company operating supermarkets in Poland, for M€27.

Note 6. Other intangible assets

Net intangible assets are analysed as follows:

(in million euros)	Acquired intangibles	Other identifiable intangible assets	Total
31 December 2003	192	70	262
31 December 2004	342	98	440

Changes in other intangible assets (gross value):

(in million euros)	Acquired intangibles	Other identifiable intangible assets	Total
31 December 2003	271	178	449
Acquisitions	8	42	50
Disposals	(2)	(11)	(13)
Translation differences	0	(3)	(3)
Rinascente Food (see Note 4.2)	207	24	231
Reclassifications	2	(1)	1
31 December 2004	486	229	715

Changes in depreciation, amortisation and provisions for other intangible assets:

(in million euros)	Acquired intangibles	Other identifiable intangible assets	Total
31 December 2003	79	108	187
Depreciation, amortisation and provisions	17	25	42
Reversals for disposals	0	(10)	(10)
Rinascente Food (see Note 4.2)	48	10	58
Reclassification and translation differences	0	(2)	(2)
31 December 2004	144	131	275

Note 7. Fixed assets

Net fixed assets are as follows:

(in million euros)	Land	Buildings and improvements	Technical facilities and equipment	Other fixed assets ⁽¹⁾	Total
31 December 2003	2,082	4,154	561	778	7,575
31 December 2004	2,415	4,534	624	876	8,449

Of which fixed assets held under finance lease arrangements as of 31 December 2004

95	251	0	2	348
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It should be noted that the Group revalued its fixed assets in 1996.

Changes in fixed assets (gross value):

(in million euros)	Land	Buildings and improvements	Technical facilities and equipment	Other fixed assets ⁽¹⁾	Total
31 December 2003	2,160	6,614	1,520	1,373	11,667
Acquisitions	86	363	123	234	806
Disposals	(24)	(118)	(47)	(31)	(220)
Rinascente Food (see Note 4.2)	181	586	336	236	1,339
Changes in consolidation scope	13	20	1	(16)	18
Translation differences	21	57	15	18	111
Other changes ⁽²⁾	36	95	11	(142)	0
31 December 2004	2,473	7,617	1,959	1,672	13,721

(1) Other fixed assets include construction in process, advances and deposits made for a total amount of M€478 as of 31 December 2004.

(2) Other changes mainly comprise inter-category transfers and reclassifications.

Changes in depreciation, amortisation and provisions for fixed assets:

(in million euros)	Land	Buildings and improvements	Technical facilities and equipment	Other fixed assets ⁽¹⁾	Total
31 December 2003	78	2,460	959	595	4,092
Depreciation, amortisation and provisions	4	495	144	99	742
Reversals for disposals	(22)	(83)	(45)	(23)	(173)
Rinascente Food (see Note 4.2)	0	180	275	127	582
Other changes in consolidation scope	8	3	0	0	11
Translation differences	0	14	4	6	24
Other changes and transfers	(10)	14	(2)	(8)	(6)
31 December 2004	58	3,083	1,335	796	5,272

Reversals for disposals include the reversal of depreciation for fixed assets in Argentina for M€22. Accumulated depreciation for fixed assets in Argentina amounted to M€4 at 31 December 2004, adjusting the net book value of these assets to their probable realisable value.

Note 8. Long-term investments and investments in affiliates**■ Long-term investments**

Net long-term investments are as follows:

(in million euros)	Investments in non-consolidated companies	Other long-term investments	Financial receivables	Total
31 December 2003	59	14	117	190
31 December 2004	69	22	148	239

Changes in long-term investments (gross value):

(in million euros)	Investments in non-consolidated companies	Other long-term investments	Financial receivables	Total
31 December 2003	69	16	130	215
Acquisitions	33	0	12	45
Disposals/Repayments	(18)	0	(20)	(38)
Rinascente Food (see Note 4.2)	6	8	41	55
Other changes in consolidation scope	(11)	1	(2)	(12)
Translation differences	(3)	0	0	(3)
31 December 2004	76	25	161	262

Investments in non-consolidated companies include immaterial investments of the Group, and investments in companies over which the Group does not have exclusive control or significant influence.

Financial receivables essentially comprise guarantee deposits.

Receivables from proportionately consolidated companies amount to M€8.

■ Investments in affiliates

Changes in investments in affiliates are analysed as follows:

(in million euros)	Total
31 December 2003	138
Rinascente Food (see Note 4.2)	25
Other changes in consolidation scope	4
31 December 2004	167

Investments in affiliates correspond to companies where the Group has exclusive control, but the affiliates do not have a material effect on the Group's net equity or income, or where the Group exercises significant influence. This category also includes real-estate companies in Mexico, stated at their consolidated value as at 28 February 2003.

Note 9. Inventories

(in million euros)	2004	2003
Inventories – Gross value	2,912	2,549
Allowances	(77)	(63)
Inventories – Net value	2,835	2,486
Of which impact of Rinascente Food (see Note 4.2)	+ 296	

This item essentially comprises merchandise inventories.

Note 10. Customer loans – credit activities

This item reflects trade receivables held by Banque Accord and its subsidiaries, and held by Comfactor on customers. It includes personal loans, outstanding balances under revolving credit facilities and deferred payment facilities for Accord credit cards, and also receivables for the captive factoring activity conducted by Comfactor in Italy.

This item breaks down as follows:

(in million euros)	2004	2003 pro forma ⁽¹⁾	2003
Gross value	1,976	1,353	1,268
Provisions	(169)	(123)	(122)
Net value	1,807	1,230	1,146
Effect of Rinascente Food (see Note 4.2)	+ 113		

(1) Reclassification of Comfactor receivables (see Note 4.1).

Note 11. Other accounts receivable and other assets

(in million euros)	2004	2003 pro forma ⁽¹⁾	2003
Other receivables	2,013	1,712	1,797
Deferred expenses	37	45	45
Prepaid expenses	97	81	81
Total – Gross value	2,147	1,838	1,923
Allowances	(72)	(73)	(74)
Total – Net value	2,075	1,765	1,849
Effect of Rinascente Food (see Note 4.2)	+ 230		

(1) Reclassification of Comfactor other receivables (see Note 4.1).

Other receivables essentially comprise tax and social security receivables, and deferred income from suppliers.

Total receivables on proportionately consolidated companies amount to M€26.

Note 12. Receivables schedule (net value)

(in million euros)	Less than 1 year	1 to 5 years	Over 5 years	Total
Financial receivables	74	25	49	148
Trade accounts receivable	394	0	0	394
Customer loans	1,215	562	30	1,807
Other accounts receivable and other assets	1,968	86	21	2,075
Total as of 31 December 2004	3,651	673	100	4,424

Note 13. Cash and marketable securities

Marketable securities are analysed as follows:

(in million euros)	2004	2003
Investments in unlisted securities	305	123
Investments in listed securities (money market mutual funds)	66	219
Total	371	342

Investments in listed securities are recorded at quoted market prices at 31 December.

Cash reported in the consolidated statement of cash flows is as follows:

(in million euros)	2004	2003 pro forma ⁽¹⁾	2003
Marketable securities	371	342	342
Cash	816	818	841
Bank overdrafts (see Note 17)	(251)	(252)	(539)
Total	936	908	644

(1) See Note 4.1.

Note 14. Shareholders' equity and minority interests

■ Total shareholders' equity is as follows:

(in million euros)	2004	2003
Share capital	633	580
Share premium	1,914	1,238
Revaluation reserve	1,064	1,067
Foreign currency translation adjustment	(233)	(275)
Retained earnings, prior years	464	736
Net income, current year	476	575
Interim dividend	(93)	0
Shareholders' equity – Group share (before subordinated notes)	4,225	3,921
Perpetual subordinated floating rate notes	0	381
Shareholders' equity – Group share	4,225	4,302
Minority interests	199	160
Total	4,424	4,462

■ Share capital

As of 31 December 2004, registered capital amounted to €633,344,220, represented by 31,667,211 ordinary shares with a par value of €20, fully paid up.

No material dilutive instruments exist.

■ Changes in shareholders' equity

Changes in shareholders' equity – Group share are as follows:

(in million euros)	Share capital	Share premium	Revaluation reserve	Foreign currency translation adjustment	Retained earnings and income Interim dividend	Perpetual subordinated floating rate notes ⁽³⁾	Shareholders' equity – Group share 2004	Shareholders' equity-Group share
Opening balance before allocation	580	1,238	1,067	(275)	1,311	381	4,302	3,918
Capital increases ⁽²⁾	53	676					729	8
Net income					476		476	575
Dividends ⁽²⁾					(838)		(838)	(90)
Interim dividend for 2004					(93)		(93)	0
Changes in foreign currency translation adjustment ⁽²⁾				42			42	(107)
Changes in revaluation reserve			(3)				(3)	0
Other changes ⁽³⁾					(9)	(381)	(390)	(2)
Closing balance	633	1,914	1,064	(233)	847	0	4,225	4,302

(1) Changes in foreign currency translation adjustment essentially include appreciation of the Polish zloty + M€45 and the Hungarian forint + M€11, and depreciation of the Chinese yuan (M€10). Accumulated translation adjustments for Argentina amount to (M€78).

(2) The dividend payment of M€838 for 2004 was made partly in cash for M€638, of which M€521 was used to subscribe a capital increase, and partly in shares for M€200.

(3) The perpetual subordinated floating rate notes were repaid in June 2004.

■ Changes in minority interests

Changes in minority interests are analysed as follows:

(in million euros)	2004	2003
Minority interests, opening balance	160	181
Dividends	(5)	(8)
Net income	11	13
Changes in foreign currency translation adjustment	(3)	(5)
Capital increases	3	5
Changes in consolidation scope and ownership interests	34	(27)
Other changes	(1)	1
Minority interests, closing balance	199	160

Minority interests essentially comprise minority interests in ISMS and its subsidiaries Atac, Sabeco and Sma Italy, and subsidiaries in Taiwan and Mainland China.

Changes in consolidation scope and ownership interests principally include new minority interests in Sma Italy, the result of reclassification of these shares in ISMS, the supermarket holding company 90% controlled by the Auchan Group.

■ Other equity

In 1997, ImmoFinances, a subsidiary of ImmoChan, issued M€381 in perpetual subordinated floating rate notes, with attached subscription rights to purchase shares in ImmoFinances under certain circumstances. These notes were repaid at end June 2004.

Note 15. Deferred taxes

15.1 Analysis by nature

(in million euros)	Assets		Liabilities	
	2004	2003	2004	2003
• On revaluation of fixed assets	0	0	352	361
• On fair value adjustments	0	2	146	158
• On timing differences	229	79	121	115
– Non-tax deductible provisions	8	5	(93)	(63)
– Fixed assets and depreciation	158	63	82	79
– Finance leases	(5)	(6)	23	23
– Tax-regulated provisions	0	(1)	36	33
– Other	68	18	73	43
• On losses carried forward	2	4	(1)	0
Total	231	85	618	634
Of which impact of Rinascente Food (see Note 4.2)		+ 110		+ 37

15.2 Deferred tax assets not capitalised

Where companies have incurred recent losses, deferred tax assets are only capitalised to the amount of existing deferred tax liabilities. Deferred tax assets amounting to M€51, corresponding to tax loss carry-forwards and other timing differences, are not recognised given the unlikelihood of their realisation. Their maturities are as follows:

(in million euros)	2004
Maturity between 2005 and 2009	41
Maturity between 2010 and 2014	4
After 2014	6
Total as of 31 December 2004	51

15.3 Changes in deferred taxes

(in million euros)	2004	2003	Change
Deferred tax assets	231	85	146
Deferred tax liabilities	(618)	(634)	16
Net deferred tax liabilities	(387)	(549)	162
Deferred tax income (see Note 26)			69
Rinascente Food (see Note 4.2)			73
Other changes in consolidation scope			20
Total as of 31 December 2004			162

Note 16. Provisions for contingencies and charges

16.1 Analysis by nature

(in million euros)	2004	2003
Tax liabilities	56	66
Tax on meat processing activities "taxe d'équarrissage" ⁽¹⁾	47	0
Other disputes	135	123
Provisions for major repairs	32	58
Provisions for warranties	28	27
Other	49	47
Total	347	321

(1) On repayments received, but challenged by the tax authorities.

16.2 Changes

(in million euros)	Ordinary	Financial	Exceptional	Total
31 December 2003	212	3	106	321
Accruals	75	0	70	145
Reversal of provisions utilised	(81)	0	(30)	(111)
Reversal of provisions no longer required or reconstituted	(40)	0	(5)	(45)
Rinascente Food (see Note 4.2)	23	0	10	33
Other changes and transfers	1	0	3	4
31 December 2004	190	3	154	347

Reversals of provisions no longer required mainly correspond to risks and disputes settled, to the extent such provisions exceeded the actual expenses.

16.3 Maturities

(in million euros)	2004	2003
Over one year	170	120
Less than one year	177	201
Total	347	321

Note 17. Loans and other financial debt

(in million euros)	2004	2003 pro forma ⁽¹⁾	2003
Bonds	1,150	800	987
Loans and other financial debt from banks and financial institutions	1,843	1,705	1,943
Finance leases	174	192	192
Other financial debt and accrued interest	911	437	788
Bank overdraft	251	252	539
Total	4,329	3,386	4,449
Of which impact of Rinascente Food (see Note 4.2)	486		

(1) See Note 4.1.

■ Analysis of loans and other financial debt:

Bond issues

	Currency	Rate ⁽¹⁾	Amount (M€)	Duration	Due date
2003 bonds (EMTN programme) Groupe Auchan SA 2003-2008	EUR	Fixed rate 3.50%	750	5 years	July 2008
2003 private placement notes (EMTN programme) Groupe Auchan SA	EUR	Floating rate E3R + 0.14%	50	3 years	October 2006
2004 private placement notes (EMTN programme) Groupe Auchan SA	EUR	Floating rate E3R + 0.14%	50	3 years	April 2007
2004 private placement notes (EMTN programme) Groupe Auchan SA	EUR	Fixed rate 4.1250%	300	7 years	May 2011
Total			1,150		

(1) Fixed rate transactions are generally swapped on issue into floating rate. The interest rate exposure is managed by macro-hedging.

Loans and other financial debt from banks and financial institutions:

	Currency	Rate ⁽¹⁾	Amount (M€)	Due date
Bank term loan	EUR	Fixed rate	334	Nov 2005
Bank term loan	EUR	Floating rate	250	Nov 2006
Bank term loan	EUR	Fixed rate	209	May 2008
Bank term loan	EUR	Floating rate	135	March 2013
Bank term loan (redeemable)	EUR	Fixed rate	42	Oct 2007
Bank credit facilities	EUR	Floating rate	130	Dec 2011
Bank credit facilities	EUR	Floating rate	110	Dec 2009
Bank credit facilities	EUR	Floating rate	77	Feb 2007
Bank credit facilities	EUR	Floating rate	70	July 2007
Bank credit facilities	EUR	Floating rate	40	May 2009
Other term loans and credit facilities ⁽²⁾			446	
Total			1,843	

(1) Fixed rate transactions are generally swapped on issue into floating rate. The interest rate exposure is managed by macro-hedging.

(2) "Other term loans and credit facilities" comprise a large volume of term loans and credit facilities, for which individual amounts are less than M€40 each.

Other financial debt:

	Currency	Amount (M€)	Duration	Due date
Auchan Finances – French commercial paper issue	EUR	725	Maximum 3 months	
Securitisation	EUR	88	Monthly renewable	July 2008
Other financial debt and accrued interests		98		
Total		911		

The amount of long- and medium-term credit facilities obtained and confirmed by the banks but undrawn as of 31 December 2004 is presented in Note 28 C.4.

The maturities of loans and other financial debt as of 31 December 2004 are as follows:

(in million euros)	Less than one year	1 to 5 years	Over 5 years	Total
Bonds	0	850	300	1,150
Loans and other financial debt from banks and financial institutions	533	931	379	1,843
Finance leases	54	99	21	174
Other financial debt and accrued interest	785	105	21	911
Bank overdraft	251	0	0	251
Total	1,623	1,985	721	4,329

■ Debt covenants

The loan agreements for medium- and long-term bank borrowings include the usual undertaking and default clauses for this kind of funding, including pari-passu, negative pledge, limitations on substantial asset disposals, cross-default clauses and material adverse changes.

The Groupe Auchan SA and Banque Accord Euro Medium Term Note (EMTN) programme includes a negative pledge and a cross-default clause.

No debt includes covenants or default clauses applicable in the event of a downgrade of the Group's debt rating.

Only medium- and long-term bank borrowings include an Event of Default clause if any one of the following ratios is not met at closing date:

- consolidated net financial debt ⁽¹⁾/Consolidated shareholders' equity < 1.2;
- consolidated net financial debt ⁽¹⁾/Consolidated EBITDA < 3.

The Group was in compliance with these ratios at 31 December 2004.

(1) Net financial debt reported in the balance sheet plus debt financing the credit activities less customer loans from credit activities.

It should be noted that Gallerie Commerciali Italia (held by Auchan Group [51%] and Simon Property Group [49%]), has specific financial covenants for its funding considering the real-estate nature of its business activity.

Note 18. Debt financing the credit activities

(in million euros)	2004	2003 pro forma ⁽¹⁾
Bonds	411	187
Loans and other financial debt from banks and financial institutions	157	152
Other financial debt	171	146
Other (including bank overdrafts and current borrowing)	791	556
Total	1,530	1,040

(1) See Note 4.1.

■ Analysis of loans and other financial debt

Bond issues

	Currency	Rate	Amount (M€)	Duration	Due date
2003 bonds (EMTN programme) Banque Accord 2003-2005	EUR	Floating rate REO7 + 0.21%	150	2 years	Sept 2005
2004 private placement notes (EMTN programme) Banque Accord	EUR	Floating rate E3R + 0.10%	20	3 years	May 2007
2004 private placement notes (EMTN programme) Banque Accord	EUR	Floating rate E3R + 0.07%	30	2 years	July 2006
2004 bonds (EMTN programme) Banque Accord 2004-2009	EUR	Floating rate E3R + 0.22%	150	5 years	Sept 2009
French medium-term notes Banque Accord	EUR	Floating rate	61	Max. 3 years	Dec 2006
Total			411		

Loans and other financial debt from banks and financial institutions:

	Currency	Rate	Amount (M€)
Bank term loan	EUR	Floating rate	157
Total			157

The amount of long- and medium-term credit facilities obtained and confirmed by the banks but undrawn as of 31 December 2004 is presented in Note 28 C.4.

Other financial debt:

	Currency	Amount (M€)	Due date
Banque Accord – French deposit certificate issue	EUR	171	Max. 1 year
Total		171	

Note 19. Trade accounts payable, debt relating to fixed assets, other payables and accrued liabilities

Analysis by nature:

(in million euros)	2004	2003
Trade accounts payable:		
Trade accounts, merchandise	6,218	4,978
Trade accounts, general expenses	466	475
Other operating liabilities:		
Tax and social security liabilities	1,802	1,538
Other operating liabilities	322	206
Other liabilities:		
Debt relating to fixed assets	630	381
Income tax liabilities	115	163
Other payables	71	16
Accrued liabilities:		
Deferred income	202	132
Total	9,826	7,889

Of which impact of Rinascente
Food (see Note 4.2)

1,265

Trade accounts payable, debt relating to fixed assets, other payables and accrued liabilities include M€13 for proportionately consolidated companies.

Repayment schedule:

(in million euros)	Less than one year	1 to 5 years	Over 5 years	Total
Trade accounts payable	6,684	0	0	6,684
Tax and social security liabilities	1,564	0	238	1,802
Other operating liabilities	315	7	0	322
Debt relating to fixed assets	601	26	3	630
Income tax liabilities	106	9	0	115
Other payables	64	7	0	71
Deferred income	147	49	6	202
Total as of 31 December 2004	9,481	98	247	9,826

Note 20. Cost of sales

(in million euros)	2004	2003 pro forma ⁽¹⁾
Purchases net of rebates, services received from suppliers and related costs	23,306	22,245
Change in inventories	(37)	(117)
Cost of sales	23,269	22,128

(1) Pro forma for 2003 and 2004 comparability: reclassification of internal logistics costs in gross margin (see Note 21).

Note 21. Internal logistics costs

Internal logistics costs deducted from gross margin are analysed as follows by nature:

(in million euros)	2004	2003
Salaries and wages	151	148
Other overheads	200	188
Depreciation	26	27
Total	377	363

The cost of transport of merchandise from warehouses to stores was already included in the above logistics costs.

Note 22. General and administrative expenses

(in million euros)	2004	2003 pro forma ⁽¹⁾
Salaries, wages and profit-sharing expenses	3,532	3,388
Other overheads	2,068	2,011
Total	5,600	5,399
Expenses transferred to logistics costs	(351)	(336)
Net amount in income statement	5,249	5,063

(1) Pro forma after transfer of internal logistics costs to gross margin.

Note 23. Depreciation, amortisation and provisions

(in million euros)	2004	2003 pro forma ⁽¹⁾
Fixed asset depreciation and amortisation, net of reversals	787	754
Allowances, net of reversals ⁽²⁾	(35)	3
Total	752	757
Depreciation and amortisation transferred to logistics costs	(26)	(27)
Net amount in income statement	726	730

(1) Pro forma after transfer of internal logistics costs to gross margin.

(2) Essentially reversals of provisions for litigation and major repairs.

Note 24. Financial income and expenses

(in million euros)	2004	2003
Cash discounts obtained	32	30
Foreign exchange gains (losses)	(17)	(18)
Net cost of debt	(121)	(139)
Other investment income	0	1
Income (losses) from joint activities	(1)	(1)
Allowances net of reversals	0	(8)
Net financial income (expenses)	(107)	(135)

The increase of M€28 in net financial result compared with 2003 is principally due to a decrease in capital employed, and an improvement in foreign exchange result from unhedged transactions.

Note 25. Exceptional income and expenses

The main items are as follows:

(in million euros)	2004	2003
Tax audits	(3)	78
Tax exemptions on meat processing activities "taxe d'équarrissage", net of provisions ⁽¹⁾	44	0
Reversal of provision for litigation in France no longer required	0	6
Reversal of provision for depreciation of assets in Argentina	22	0
Other depreciation of assets	(4)	(19)
Disposal of activities in Mexico, net of reversals	0	17
Termination of activities in the United States, net of reversals	(3)	7
Net gains on disposals of assets	26	52
Other expenses/income net of provisions	(1)	4
Total	81	145

(1) Given the progress of the dispute with the French tax authorities, only tax exemptions received or receivable for the years 1997 to 2000 are recorded in exceptional income. For the sake of prudence, tax exemptions relating to the years 2001 to 2003 are not recorded in income, even where they have been received.

Note 26. Income taxes

Breakdown by type of income:

(in million euros)	Tax benefit (expense)			
	On 2004 income		On 2003 income	
	Ordinary	Exceptional	Ordinary	Exceptional
Current taxes	(415)	(62)	(389)	(50)
Deferred taxes	3	66	12	81
Tax benefit (expense) by type of income	(412)	4	(377)	31
Tax benefit/(expense)	(408)		(346)	

Tax analysis:

The effective tax rate, resulting from the ratio between the tax charge and the pre-tax profit before amortisation of goodwill, was 36.1% in 2004, compared with 30.3% in 2003.

The difference between the theoretical tax charge calculated at the current rate in France and the actual tax charge is detailed below:

(in million euros)	Ordinary income	Exceptional income	Net income
Consolidated income before taxes and amortisation of goodwill	1,049	81	1,130
Theoretical tax rate (current tax rate in France)	35.43%	35.43%	35.43%
Theoretical tax charge	(371)	(29)	(400)
Differences in tax rates for foreign companies	(32)	0	(32)
Effect of the drop in rates in France on deferred taxes	0	14	14
Tax reductions, tax credits and taxation at reduced rates	(2)	6	4
Unused or unrecorded benefit on tax losses for the year	(20)	0	(20)
Use of previously unrecorded tax losses carried forward	7	3	10
Capitalisation of previous tax losses	1	0	1
Non-taxable items/unrecorded deferred tax (assets) or liabilities	(7)	9	2
Tax savings generated by tax consolidation	16	1	17
Tax impact of elimination of allowances for investments and current accounts	0	6	6
Other changes	(4)	(6)	(10)
Actual tax charge (tax due and deferred tax)	(412)	4	(408)
Effective tax rate	39.25%	(4.77)%	36.09%

Note 27. Information by market segment

■ Analysis by geographical area

The three most significant geographical areas are:

- France.
- Europe (excluding France but including Russia).
- Other countries.

(in million euros)	2004				2003			
	France	Europe	Other countries	Total	France	Europe	Other countries	Total
Intangible assets and goodwill:								
Gross value	2,525	2,591	360	5,476	2,518	1,235	334	4,087
Net value	1,497	1,948	246	3,691	1,619	844	290	2,753
Fixed assets:								
Gross value	5,951	7,281	489	13,721	5,686	5,503	478	11,667
Net value	3,633	4,484	332	8,449	3,660	3,588	327	7,575
Sales, net of value-added taxes	18,195	10,384	1,467	30,046	17,913	9,379	1,414	28,706
Operating income (loss)	850	277	29	1,156	915	198	20	1,133

The increase in intangible and fixed assets, and the increase in goodwill in Europe are essentially due to the change in consolidation method applied to Rinascente Food (see Note 4.2).

■ Analysis by business segment

The Auchan Group's main business is retail distribution.

The only Auchan subsidiaries operating another type of business are the financial companies Banque Accord and its subsidiaries.

The summarised consolidated financial statements of Banque Accord are shown below for the year ended 31 December 2004. These financial statements have been prepared in accordance with regulation no. 99-07 of the "Comité de Réglementation Bancaire".

Balance sheet

(in million euros)	Assets		Liabilities	
	2004	2003	2004	2003
Cash and inter-bank transactions	10	12	381	304
Customer accounts	1,323	967	194	195
Other financial accounts	44	38	741	486
Fixed assets	6	4		
Other assets and liabilities and accruals ⁽¹⁾	237	203	124	86
Provisions, long-term capital and assimilated items			180	153
Total	1,620	1,224	1,620	1,224

(1) Including customer loans in course of collection.

Income statement

(in million euros)	2004	2003
Net operating margin from banking operations ⁽¹⁾	159	138
Operating expenses	(98)	(80)
Allowances for depreciation and provisions on fixed assets	(2)	(2)
Gross operating income	59	56
Risk exposure cost	(20)	(25)
Net operating income	39	31
Exceptional income (expenses)	0	(1)
Income taxes	(15)	(11)
Allowances/reversals of tax-regulated provisions	0	0
Net income	24	19

(1) Operating income from banking operations (incorporated in Auchan Group sales) less banking operating expenses.

Changes in balance sheet and income statement items reflect Banque Accord expansion, including in particular acquisition of the consumer credit activity of Egg France in early December 2004 (impact principally on the balance sheet).

Note 28. Other information

A – Remuneration of company directors

Details of the remuneration of company directors are not disclosed.

B – Employees

The average number of staff employed by consolidated companies, calculated on a full-time equivalent basis, numbered 155,013 in 2004 (including 100% of staff of proportionately consolidated companies), showing no significant change compared with 2003.

The variation in staff numbers in France was small. Breakdown by category is as follows:

	2004	2003
Executive and supervisors	10,466	10,829
Other employees	57,594	57,736
Total	68,060	68,565

C – Commitments and contingencies

(Commitments and contingencies of proportionately consolidated companies are shown proportionally. Those of Rinascente Food are 100% consolidated at 31 December 2004, compared with 50% at 31 December 2003).

Commitments and contingencies as of 31 December 2004 are as follows, in million euros:

C.1 Commitments given

– Customer funding commitments ⁽¹⁾	3,032
– Guarantees	192
– Land and property purchase options	424
– Conditional purchase of future fixed assets	540
– Share purchase commitments	71
– Property leases	1,188
– Other leases	13
– Other	37

(1) This amount corresponds to unused lines of credit granted by Banque Accord and its subsidiaries in regard to cards with current activity during the last two years. The unused lines of credit relating to cards inactive for more than two years amount to M€3,916.

C.2 Secured liabilities

– Debts guaranteed	654
– Securitised debts	387
– Standby letters of credit	57

C.3 Commitments received

– Secured receivables	164
– Guarantees	59
– Other	61

C.4 Long- and medium-term lines of credit obtained and confirmed by the banks, but not used as of 31 December 2004

– Less than one year	158
– One to five years	3,178
– Over five years	0
Total	3,336

The credit activities (Banque Accord and its subsidiaries) has long- and medium-term lines of credit obtained and confirmed by the banks, but not used as of 31 December 2004 for a total amount of M€384.

C.5 Share call and put options

Some of our partners hold put options to sell the shares they hold to Groupe Auchan SA or one of its subsidiaries, at market price as from 2010.

The long-term maturities and uncertainty regarding corresponding amounts make it impossible to measure these commitments.

Rinascente Food and Banque Accord commitments in regard to share call options amount to M€233, and can be exercised between 2005 and 2012.

D. Forward financial instruments**D.1 Maturities for interest rate derivative instruments**

(in million euros)	Total	2005	2006	2007	2008	2009	2010	2011
SWAPS								
Fixed rate (pay)	2,919	1,351	857	671	40	0	0	0
SWAPS								
Floating rate (pay)	(3,831)	(2,365)	(7)	(7)	(1,152)	0	0	(300)
OPTION SWAPS								
Fixed rate (pay)	170	170	0	0	0	0	0	0
FRA	200	200	0	0	0	0	0	0
CAPS PURCHASES	4,108	1,201	2,757	150	0	0	0	0
CAPS SALES	0	0	0	0	0	0	0	0
COLLARS PURCHASES	1,140	1,140	0	0	0	0	0	0
TOTAL HEDGING TRANSACTIONS ⁽¹⁾	4,706	1,697	3,607	814	(1,112)	0	0	(300)
BASIS SWAPS ⁽²⁾	874	490	214	20	150	0	0	0
TOTAL INTEREST RATE HEDGING TRANSACTIONS	5,580	2,187	3,821	834	(962)	0	0	(300)

(1) Hedging transactions are used for the sole purpose of reducing Group exposure to interest rate fluctuations for its debt, which is almost entirely comprised of floating rate debt.

(2) The purpose of basis swaps is to improve the consistency of the benchmark interest rates to which financing is pegged.

D.2 Exposure to currency risk

Derivative currency instruments held as of 31 December 2004 are intended to hedge the exposure to currency risks associated with financial liabilities and commercial transactions in process on closing. The latter principally concern merchandise imports denominated in foreign currencies. Nominal values for commitments for each of the principal currencies are as follows:

(in million euros)	US dollar	Polish zloty	Hungarian forint	Japanese yen	Total
Purchaser					
Forward contract	14				14
Currency swap	222			47	269
Option	39				39
Seller					
Forward contract	(18)				(18)
Currency swap		(148)	(172)	(47)	(367)
Option	(49)				(49)
Net position	208	(148)	(172)	0	(112)

D.3 Management of interest rate and currency risks

The Group has set up an internal organisation to manage liquidity, interest rate and currency risks on a centralised basis.

Transactions in the derivative instrument markets are conducted solely for hedging purposes.

Information about currency transactions is provided in the schedule in Note 28 D.2.

D.4 Market value of derivative instruments compared with balance sheet value

Differences between market value as at 31 December 2004 and balance sheet value are as follows:

■ Interest rate derivative instruments:	(M€12.0)
■ Currency rate derivative instruments:	+ M€13.6
■ Net:	+ M€1.6

E. List of companies included in the consolidated financial statements as of 31 December 2004

Some companies are not included in this list for confidential reasons.

Companies	Trade register number	% interest	% control	Consolidation method
FRANCE				
Groupe Auchan	Roubaix B 476 180 625		Parent company	
HYPERMARKETS				
Auchan France	Roubaix B 410 409 460	100	100	F
Auchan Assurance	Roubaix B 422 231 100	100	100	F
Boutique Sainsbury	Calais B 394 354 898	50	50	P
Centrale de Services Auchan	Roubaix C 340 143 668	99	99	F
Delta Frais	Lyon B 312 706 682	100	100	F
Eurauchan	Roubaix B 410 410 260	94	96	F
Mondial Travel	Roubaix B 400 669 768	100	100	F
Pétroland	Nantes B 379 548 001	100	100	F
Pétrovex	Roubaix B 317 007 342	100	100	F
Scofel	Tarascon B 312 668 692	100	100	F
Tomblaine Distribution	Roubaix B 332 640 770	99	99	F
Volume Express	Roubaix B 413 175 977	100	100	F
La Dauphinoise Île-de-France	Roubaix B 314 973 439	100	100	F
Safipar	Roubaix B 444 409 551	100	100	F
Lacafete	Meaux B 412 655 227	100	100	F
Jursoc 2	Roubaix B 451 377 980	100	100	F
Aubusson Distribution	Roubaix B 423 861 897	100	100	F
SUPERMARKETS				
ISMS	Roubaix B 674 801 329	90	90	F
Atac	Roubaix B 410 409 015	90	100	F
Magma	Versailles B 348 542 242	90	100	F
Frémarc	Roubaix B 342 281 409	90	100	F
Disanto	Nanterre B 326 981 719	86	95	F
Pascal	Nanterre B 439 974 502	90	100	F
Choldis	Angers B 383 272 226	90	100	F
Société Lyonnaise de Développement Commercial	Roubaix B 410 410 534	90	100	F
Pafra	Angoulême B 391 621 901	90	100	F
Sci les chenevières	Angoulême D 341 585 461	90	100	F
Lacoba	Angoulême B 341 750 149	90	100	F
Sodima	Roubaix B 433 701 554	90	100	F
Gie Contact	Vienne C 713 690 022	82	90	F
Vilroc	Épinal B 381 381 839	90	100	F
La Fourragère	Marseille B 385 348 164	90	100	F
Sidispar	Roubaix B 444 413 082	90	100	F
Sodispar	Roubaix B 444 410 773	90	100	F
Sopadis	Roubaix B 444 410 872	90	100	F
Somadis	Orléans B 442 726 923	90	100	F
Cachandis	Créteil B 339 544 314	84	93	F
Couste	Évry B 439 974 551	90	100	F
Alvidis	Roubaix B 418 367 603	90	99	F
Duo distribution	Roubaix B 380 882 241	90	100	F
OTHER ACTIVITIES				
Immochan and subsidiaries	Roubaix B 969 201 532	100	100	F
Immochan International	Roubaix B 428 803 746	100	100	F
Au Marché Vrac	Roubaix B 444 408 447	100	100	F
Esar	Roubaix B 444 410 252	100	100	F
AMV Log	Roubaix B 452 042 054	100	100	F

Companies	Trade register number	% interest	% control	Consolidation method
Grande Résidence Distribution	Roubaix B 451 327 746	100	100	F
AMV Croix	Roubaix B 453 974 420	100	100	F
JPI Distribution	Roubaix B 453 813 172	100	100	F
Organisation Internationale des Achats	Roubaix B 421 982 745	100	100	F
Auchan Direct	Roubaix B 413 176 033	100	100	F
Banque Accord	Roubaix B 546 380 197	100	100	F
Sodefi and subsidiaries	Nanterre B 381 120 179	100	100	F
Sogepar	Roubaix B 433 713 963	100	100	F
International Ducatel Développement	Roubaix B 382 413 052	100	100	F
Auchanhyper	Roubaix B 410 408 959	100	100	F
Auchan Finances	Roubaix B 420 017 006	100	100	F
Auchan International Technologies	Roubaix C 422 332 312	100	100	F
Soparalinéa	Roubaix B 345 127 583	83	86	F
Alinéa	Roubaix B 345 197 552	89	94	F
Chronodrive	Roubaix B 433 513 892	95	95	F

Companies	% interest	% control	Consolidation method
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ARGENTINA

HYPERMARKETS

Inversiones Auchan Argentina	100	100	F
Auchan Argentina	100	100	F

OTHER

Argentimo	100	100	F
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SPAIN

HYPERMARKETS

Alcampo	100	100	F
Disteide	100	100	F
Zelaira	100	100	F
Sociedad Hispanica de Desarrollo	100	100	F

SUPERMARKETS

Sabeco	90	100	F
Cesaraugusta	90	100	F
Lacanau	90	100	F
Sabeko Banaketa	90	100	F
Serco Astor	90	100	F
El Astorgano	90	100	F
Super Lauko	90	100	F
Sabeko Euskadi	90	100	F

OTHER

Centro Fec de Burgo	87	87	F
Bri-hogar	100	100	F
Immochan España	100	100	F
Immochan Canarias	100	100	F
Zenor Spain	100	100	F
Redarpa	100	100	F
Soparcampo	100	100	F
Auchan España	100	100	F
Zénalco	100	100	F
Accord España	51	51	P

Companies	% interest	% control	Consolidation method
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USA

HYPERMARKETS

Auchan USA	100	100	F
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OTHER

Auchan Holding USA	100	100	F
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HUNGARY

HYPERMARKETS

Auchan Magyar	100	100	F
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OTHER

Accord Magyarország	60	60	F
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ITALY

HYPERMARKETS

Auchan	99	100	F
Euro Benzine	99	100	F
Spiga	89	90	F
Immobiliare I.C.I.I.	71	72	F
Immobiliare I.C.I.I. Cuneo	99	100	E
Gran Commercio	40	40	E
Socit	99	100	F
Omnia Res	99	100	F

SUPERMARKETS

Sma	90	100	F
SGD	90	100	F
Punto Franchising	90	100	F
Cassia 865	90	100	F
Finsidis	90	100	F
Centro Commerciale CE	44	49	E
Business Advisor	44	49	E
Centro Commerciale CE 2	44	49	E
RiMi	45	50	E
Iovorrei	90	100	F

Companies	% interest	% control	Consolidation method
OTHER			
Società Italiana Distribuzione Moderna	99	99	F
Erregest	99	100	F
Société Financière pour la distribution	99	100	F
Fiordaliso	50	50	P
SIB Società Italiana Bricolage	50	50	P
Arthis	20	20	E
Comfactor-Commercio factoring	89	90	F
Gallerie Commerciali Italia	51	51	P
Gallerie Commerciale Porta di Roma	20	20	E
Innova Costruzioni	20	20	E
Il Mulino	20	20	E
Immobiliare Commerciale XXI	20	20	E
Vulcano	23	23	E
Iniziative Commerciali Napoli	25	25	E
La Rinascente (non-food)	50	50	P
Rinascente/Upim (non-food)	50	50	P
Duomo Ristorazione (non-food)	50	50	P
Immobiliare Colonna 92 (non-food)	25	25	E
Accord Italia	100	100	F
JAPAN			
OTHER			
Auchan Japan	100	100	F
LUXEMBOURG			
HYPERMARKETS			
Auchan Luxembourg	100	100	F
Eurofind food	100	100	F
OTHER			
Auchan Immob. de Kirchberg	100	100	F
Galerie de Kirchberg	100	100	F
GIE gestion immo. de Kirchberg	100	100	F
Auchan International	100	100	F
Eurofind textile (non-food La Rinascente holding company)	50	50	P
MOROCCO			
HYPERMARKETS			
Marjane Holding	49	49	P
Sodigec	49	49	P
Wadis	49	49	P
Sodigec 2	49	49	P
Wadis 2	49	49	P
Marjane Rabat Hay Riad	49	49	P
Marjane Menara Marrakech	49	49	P
Marjane Ain Sebaa	49	49	P
Marjane Agadir Founty	49	49	P
Marjane Tanger Madina	49	49	P
SUPERMARKETS			
Acima	45	49	P
Sodigec 5	45	49	P

Companies	% interest	% control	Consolidation method
POLAND			
HYPERMARKETS			
Auchan Polska	100	100	F
Ahen	100	100	F
Schiever Polska	50	50	P
SUPERMARKETS			
Isms Polska	90	100	F
Eléa	90	100	F
OTHER			
Accord Finance	60	60	F
PORTUGAL			
HYPERMARKETS			
Auchan Portugal	100	100	F
Pão de Açúcar	100	100	F
Planco	100	100	F
Flooragest Imobiliaria	100	100	F
Alverca Hipermercados	100	100	F
Auchan Hipermercado Portugal	100	100	F
Companhia Portuguesa de Hipermercados	100	100	F
Resimovel	100	100	F
Sintraparque	100	100	F
Sde Empreendimentos do Canavial	100	100	F
Mendes e Costa	100	100	F
Sociedade Omnia Construtora	100	100	F
SUPERMARKETS			
Dapa	90	100	F
OTHER			
Multicenco	100	100	F
Isembourg	100	100	F
Crédiplus	51	51	P
SWITZERLAND			
OTHER			
IRTS	50	50	P
Auchan Global Services	97	97	F
RUSSIA			
HYPERMARKETS			
Auchan Russia OIIAH	100	100	F
Stroyinvest Beta	100	100	F
Stroyinvest Alpha	100	100	F
Draycott	100	100	F
Russkie Produkty Trading Complex	100	100	F
OTHER			
Auchan Nedvizhimost	100	100	F

Companies	% interest	% control	Consolidation method
CHINA			
HYPERMARKETS			
Sun Holding Greater China	50	50	P
Auchan China Hong Kong	67	67	P
Shanghai Auchan Hypermarkets	44	67	P
Shanghai Auchan distrib. service co	64	67	P
Suzhou Auchan Hypermarkets	44	67	P
Wuxi Immochan R. Estate	48	67	P
Hangzhou Auchan Hypermarkets	44	67	P
Nanjing Auchan Hypermarkets	44	67	P
Ningbo Auchan Hypermarkets	44	67	P
Tianjing Auchan Hypermarkets	44	67	P
Cheng Du Auchan Hypermarkets	44	67	P
Beijing Auchan Hypermarkets	44	67	P
Shanghai New Auchan Hypermarkets	44	67	P
ART production	50	50	P
Concord Champion International	33	50	P
Concord Champion Ltd	33	50	P
Sinostar Limited	33	50	P
Rose Springs Investments Limited	23	50	P
RT Mart Limited Shanghai	20	50	P
People's RT Mart Limited Jinan	22	50	P
RT Mart Consulting	23	50	P
Wuhan	33	50	P
Shenyang Run Hua Warehouse	33	50	P
Shenyang Commercial	33	50	P
Shenyang Run De Warehouse	33	50	P
Haerbin Warehouse	33	50	P
Shun De Ruenhua Warehouse	33	50	P
Suzhou k/s Warehouse	33	50	P

F: Fully consolidated – P: Proportionately consolidated – E: Equity method

Companies	% interest	% control	Consolidation method
OTHER			
Auchan Internat. Trading	100	100	F
Suzhou Ind. Park Immochan	64	67	P
Jiading Immochan Real Estate	64	67	P
Tai Zhou Immochan Real Estate	67	67	P
Beijing Immochan Property Management	67	67	P
Cheng Du Immochan Commercial Real Estate	67	67	P
Tianjing Immochan Real Estate	67	67	P
Nanjing Immochan Real Estate	67	67	P
Ningbo Immochan Real Estate	66	67	P
TAIWAN			
HYPERMARKETS			
RT Mart International Ltd	61	61	F
AP Logistics Corporation	61	100	F

Statutory auditors' report

On the consolidated financial statements – For the year ended 31 December 2004

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Groupe Auchan SA for the year ended 31 December 2004.

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

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion, we draw your attention to Note 4.1 to the consolidated financial statements which describes a change in the balance sheet classification of the debt which finances credit activities and another change in the classification of internal logistics costs in the income statement.

2. Justification of our assessments

Pursuant to the provisions of Article L. 225-235 of the "Code de Commerce" (French Commercial Code) relating to the justification of our assessments, we draw your attention to the following matters:

■ As part of our evaluation of the accounting principles and methods used by the Company, we have assessed the appropriateness of the above described changes in the classification of certain items in the balance sheet and income statement and the related description provided in the notes to the consolidated financial statements.

Also,

■ The net book value of goodwill was subject to a review by the Company as described in note 3.6 of the notes to the financial statements.

■ Provisions for litigation were accrued by the Group in accordance with the rules described in note 3.16 of the notes to the financial statements.

As part of our assessment of the accounting principles and methods used by the Company, we have verified the appropriateness of the accounting methods referred to above and the information provided in the notes to the consolidated financial statements and ensured their correct application.

Also, based on the information available at the date of this report, we are satisfied as to the appropriateness of the methodology applied by the Company and we have examined the documentation provided, and verified that the assumptions used and the resulting valuations are reasonable.

These assessments were performed as part of our audit approach to the consolidated financial statements taken as a whole, and therefore contributed to the formation of our unqualified opinion as expressed in the first part of this report.

3. Specific verification

We have also verified the information given in the Group management report. We have no matters to report regarding the fairness of this information and its consistency with the consolidated financial statements.

La Défense and Villeneuve-d'Ascq, April 22, 2005

The statutory auditors

KPMG Audit
Department of KPMG SA

Didier de Ménonville

aCéa

Christophe Segard



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